

Al-Ezz Dekheila Steel Alexandria Company (SAE)

Consolidated Interim Financial Statements For The Period Ended March 31, 2023

&
Limited Review Report

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Limited Review Report

TO: THE MEMBERS OF BOARD OF DIRECTORS OF AL-EZZ DEKHEILA STEEL ALEXANDRIA COMPANY

Introduction

We have performed a limited review for the accompanying consolidated interim financial statements of Al-Ezz Dekheila Steel Alexandria Company (S.A.E.) which comprises of the consolidated interim financial position as at March 31, 2023 and the related interim consolidated statements of income, comprehensive income, change of equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope Of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects the consolidated financial position of Al-Ezz Dekheila Steel Alexandria Company (S.A.E.) as of March 31, 2023 and its interim consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Egyptian accounting standards.

Emphasis Of Matters

1. As detailed in the notes to the consolidated interim financial statements no. (18), the subsidiary "Al-Ezz Flat-Steel Company" is recognizing net profit amounting to LE 1.3 million which lead to a decrease in the accumulated losses till March 31, 2023 to an amount of LE 7.6 billion, the subsidiary "Al-Ezz Rolling Mills Company" is recognizing accumulated losses amounting to EGP 8.6 billion till March 31, 2023. Accordingly, a deferred tax asset recognized amounting to EGP 819 million, included in the deferred tax assets in the consolidated interim financial position at that date. The management of each of these subsidiaries prepared a planned budget for the years from 2021 to 2026 in which they are adopting a positive future view about the performance of these subsidiaries to enhance their performance results through these years and recognizing earnings during these years. In addition, to the company's plan to assist these subsidiaries in obtaining the required finance for operation, which will be reflected in the positive operational and financial indications to be achieved in the next years.
2. As detailed in note No. (30-1-1-3) of the notes to the consolidated interim financial statements, the paid tax claims included in "Tax authority – debit balances" in receivables, the Tax Authority claimed for an amount of EGP 254 million according to the tax forms received on February 17, 2011, including delay penalties related to the tax imposed on the Flat Steel project which had been previously exempted from tax during the Periods 2000 – 2004.
The parent company's management believes that the company had been previously taxed for these years and an agreement was reached in the Internal Committee, while referring the disputed issue related to the cancellation of the state resources development duty on the exempted movable tax base to the Appeal Committee. The Appeal Committee issued its resolution on June 12, 2010 to cancel the state resources development duty imposed on the exempted movable tax base, while the other tax bases shall remain exempted for the disputed years and the due tax was fully paid as per the resolution of the Internal Committee. Accordingly, the dispute was settled and became final and cannot be appealed furtherly. The company's management and its legal advisor believe that the company's tax position is stable as the resolution of the Appeal Committee supported the company, Accordingly, it became legally indisputable. Subsequently, the Tax Authority cannot raise the dispute for these years again in the future. The company filed a tax clearance lawsuit No. 405 for the year 2011.

The Company reached an agreement with the Tax Authority to cancel the detention imposed on the company resulting from the abovementioned dispute, the company paid an amount of EGP 254 million including delay penalties amounted EGP 35 million. The company foresees that this procedure does not change its legal and tax positions as it reserves its right to reimburse the amount paid upon the issuance of a court ruling in favor of the company related to lawsuit No. 405 of 2011 and the Court of Appeal's verdict was issued on November 10, 2022 in Case No. 268 of 1974 in favor of the company, invalidating the "corporate tax forms 4,3 issued with numbers 1380-1381-1382-1383, dated February 17, 2011 for the years 2000/2004, and not accepting a request to recover the amount of the tax differences claimed to file a lawsuit prematurely, and the Tax Authority is being notified in preparation for the implementation of the verdict.

3. As detailed in note No. (36-2) in the notes to the consolidated interim financial statements, a dispute arose between the parent company and the Sales Tax Authority regarding the additional tax on the value of right of use of equipment used on port's dock of mineral materials used in handling materials in Dekheila Port, amounting to EGP 127.5 million till June 28, 2012. The parent company had paid the original tax amounting EGP 104 million on October 3, 2012 with a seizure on the payment until the Sales Tax Authority ceases all procedures taken accordingly the Port Authority will cease all procedures taken against the parent company, including the cancellation of the seizure imposed on the banks' balances of the parent company's.

The parent company had paid the additional tax claimed for amounting to EGP 127.5 million with a seizure on the payment; accordingly, the Port Authority has contacted the banks to the administrative detention imposed on the company's balances at banks in favor of the Port Authority. The parent company's management, based on the opinion of its tax advisor, believes that the General Authority of Alexandria Port do not have the right to claim for the sales tax on the right of use of mineral materials dock's equipment related to handling of raw material in Dekheila port, the occupancy of allocated yards and performing the operation and maintenance for these equipment as they are not subject to sales tax. The payments made in the present or future to the General Authority of Alexandria Port, as tax on this service do not indicate the parent's approval for imposing such taxation as the parent company will continue its litigation process to confirm the fact that such service is not subject to sales tax.

4. The parent company is still keeping treasury stocks amounting to LE 4.8 million, for more than one year from its acquisition date. Which represent a departure from applying article no (48) from the law no 159 for the year 1981 which stated that the company is obliged to sell the treasury stocks to others through one year from date of acquisition at maximum, or the company shall reduce its capital with the nominal value of the treasury stocks.

Cairo, Egypt
July 6, 2023



Sherin Nouredin
(RAA 6809)
(EFSA 88)
Moore Egypt





Consolidated Interim Statement Of Financial Position

| | Note No | 31 March 2023 EGP | 31 December 2022 EGP |
|--|------------|-----------------------|-------------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, Plant & Equipment (Net) | (13) | 24,602,530,193 | 24,862,016,871 |
| Projects Under Construction | (14) | 3,682,247,160 | 3,267,581,119 |
| Financial Investments | (15) | 2,832,530,678 | 2,726,820,126 |
| Long Term Lending | (16) | 63,913,310 | 57,507,092 |
| Other Long-Term Assets | (17) | 24,332,100 | 25,612,734 |
| Goodwill | (40) | 259,748,520 | 259,748,520 |
| Total Non-Current Assets | | 31,465,301,961 | 31,199,286,462 |
| Current Assets | | | |
| Inventory | (19) | 11,286,318,533 | 8,323,216,820 |
| Trade & Other Receivables | (20) | 14,254,324,523 | 11,508,289,530 |
| Contractual Assets | (20-1) | 171,206,151 | 157,193,627 |
| Due From Related Parties | (33-1-1) | 929,467,939 | 1,414,754,138 |
| Financial Investments - Treasury Bills | (21) | 554,590,598 | 518,188,713 |
| Cash On Hand & At Banks | (22) | 18,048,495,335 | 11,439,905,605 |
| Total Current Assets | | 45,244,403,079 | 33,361,548,433 |
| Total Assets | | 76,709,705,040 | 64,560,834,895 |
| Equity | | | |
| Issued & Paid Up Capital | (29-1-ii) | 1,951,203,700 | 1,951,203,700 |
| Share Premium Reserve | (29-1-iii) | 5,839,125,940 | 5,839,125,940 |
| Legal Reserve | (29-1-iv) | 1,018,973,716 | 1,018,973,716 |
| Retained Earnings /Accumulated (Losses) | | 4,601,089,372 | (1,912,197,638) |
| Difference Resulted From Acquisitions & Changes In Subsidiaries' Ownership (Under Joint Control) | (29-2) | (5,196,695,916) | (5 196 695 916) |
| Resulted Of Modifying The Cost Of Property & Equipment | (29-3) | 874,748,826 | 901,883,854 |
| Net (Loss) / Profit For The period | | (2,373,562,048) | 6,401,082,184 |
| Net Equity Of The Parent Company | | 6,714,883,590 | 9,003,375,840 |
| Non – Controlling Interests | | 109,472,235 | 87,108,374 |
| Total Equity | | 6,824,355,825 | 9,090,484,214 |
| Less: | | | |
| Treasury Stocks | (37-2) | (4,826,824) | (4,826,824) |
| Total Equity | | 6,819,529,001 | 9,085,657,390 |
| Brought Forward | | 6,819,529,001 | 9,085,657,390 |

| | Note | 31 March 2023 | 31 December 2022 |
|---|------------|-----------------------|-----------------------|
| | No | EGP | EGP |
| Carried Forward (Equity) | | 6,819,529,001 | 9,085,657,390 |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Long Term Loans & Credit Facilities | (23-1-1,2) | 15,600,556,488 | 15,197,237,604 |
| Long Term Notes Payable | (24) | 2,822,274,700 | 3,043,595,094 |
| Deferred Tax Liabilities | (18-1) | 1,396,418,535 | 2,622,753,604 |
| Liabilities Of Supplementary Pension Plan | (27) | 196,899,454 | 193,075,386 |
| Total Non – Current Liabilities | | 20,016,149,177 | 21,056,661,688 |
| Current Liabilities | | | |
| Banks Credit Balances | (22) | 17,716,649,643 | 9,873,002,717 |
| Trade & Other Payables | (25) | 24,141,071,584 | 18,066,396,226 |
| Due To Related Parties | (33-1-2) | 12,367 | 12,367 |
| Loans & Credit Facilities Due Within A Year | (23-1-3) | 4,079,404,998 | 3,384,561,907 |
| Provisions | (26) | 791,469,007 | 791,621,562 |
| Income Tax | | 3,117,414,730 | 2,276,206,213 |
| Liabilities Of Supplementary Pension Plan | (27) | 28,004,533 | 26,714,825 |
| Total Current Liabilities | | 49,874,026,862 | 34,418,515,817 |
| Total Liabilities | | 69,890,176,039 | 55,475,177,505 |
| Total Equity & Liabilities | | 76,709,705,040 | 64,560,834,895 |

- The accompanying notes and accounting policies are an integral part of these consolidated interim financial statements and are to be read therewith.
- Independent Auditor's Report attached.
- Date: July 6 ,2023

Chief financial officer

Dr. Accountant/ Mostafa Amin

Chief executive officer

Mr. / Mohamed Raaed Elbeblawy

Chairman of Board of Directors

Eng. /Farouk Zaki Ibrahim

Consolidated Interim Income Statement

| | Note | 31 March 2023 | 31 March 2022 |
|---|--------|------------------------|------------------------|
| | No | EGP | EGP |
| Sales (Net) | (4) | 25,037,447,051 | 17,161,358,541 |
| Cost Of Sales | (5) | (17,779,084,257) | (12,867,698,865) |
| Gross Profit | | 7,258,362,794 | 4,293,659,676 |
| Other Income | (6) | 18,869,255 | 19,124,296 |
| Selling & Distribution Expenses | (7) | (453,102,495) | (227,277,513) |
| Administrative & General Expenses | (8) | (348,414,511) | (282,412,530) |
| Other Expenses | (9) | (115,847,270) | (417,052,460) |
| Profit Resulting From Operating Activities | | 6,359,867,773 | 3,386,041,469 |
| Financing Income | (10) | 325,680,628 | 53,867,425 |
| Financing Cost | (11) | (990,193,633) | (676,795,342) |
| (Losses) Of Translation Of Balances | (12) | (8,123,498,100) | (1,029,573,610) |
| Net Financing Expense | | (8,788,011,105) | (1,652,501,527) |
| Net (loss) / Profit For The period Before Tax | | (2,428,143,332) | 1,733,539,942 |
| Income Tax | | (1,174,087,605) | (559,544,099) |
| Deferred Tax Revenue / (Expense) | (18-1) | 1,251,032,750 | 16,338,931 |
| Net (loss) / Profit For The Period After Tax | | (2,351,198,187) | 1,190,334,774 |
| Attributed As Follows: | | | |
| Share Of Parent Company's Shareholders | | (2,373,562,048) | 1,184,480,760 |
| Shares Of Non – Controlling Interests | | 22,363,861 | 5,854,014 |
| Net (loss) / Profit For The Period | | (2,351,198,187) | 1,190,334,774 |
| (Loss) / Earnings Per Share In The Net Profit For The Period (EGP / share) | (31) | (121,72) | 60,74 |

- The accompanying notes and accounting policies are an integral part of these consolidated interim financial statements and are to be read therewith.

Consolidated Interim Statement Of Comprehensive Income

| | Note <u>No</u> | 31 March 2023 EGP | 31 March 2022 EGP |
|---|-------------------|------------------------|----------------------|
| Net (Loss) / Profit For The Period | | (2,351,198,187) | 1,190,334,774 |
| Deduct: | | | |
| Realized Portion From The Resulted Of Modifying Cost Of Fixed Assets (Transferred To Retained Losses During The period) | (29-3) | (27,135,028) | (27,796,782) |
| Differences Resulted From Revaluation Of The Fair Value Of Financial Investments Through Other Comprehensive Income (FVOCI) | | 109,767,482 | (4,731,357) |
| Deferred Tax For Differences Resulted From Revaluation Of Financial Investments | | (24,697,684) | 1,064,555 |
| Total Comprehensive Income For The Period | | (2,293,263,417) | 1,158,871,190 |
| Attributed As Follows: | | | |
| Shares Of Equity Holders Of The Parent Company | | (2,315,633,138) | 1,153,017,427 |
| Shares Of Non-Controlling Interests | | 22,369,721 | 5,853,763 |
| Total Comprehensive Income For The Period | | (2,293,263,417) | 1,158,871,190 |

- The accompanying notes and accounting policies are an integral part of these consolidated interim financial statements and are to be read therewith.

Consolidated Interim Statement of Changes In Equity

Translation Of Arabic

| Notes No. | Issued & Paid Up Capital | Share Premium Reserve | Legal Reserve | Accumulated (Losses) / Retained Earnings | Difference Resulted From Acquisition & Changes in Subsidiaries' Ownership (under joint control) | Resultant Of Modifying The Cost Of Property, Plant & Equipment | Net (Loss) / Profit For The Year/ Period | Net Equity Of The Parent Company | Non-Controlling Interests | Treasury Shares | Net Equity |
|--|--------------------------|-----------------------|---------------|--|---|--|--|----------------------------------|---------------------------|-----------------|---------------|
| | | | | | | | | | | | |
| | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (6,579,012,080) | (5,196,695,916) | 1,012,932,584 | 5,812,598,679 | 3,859,126,623 | 63,143,047 | (4,826,824) | 3,917,442,84 |
| Balance As Of January 1, 2022 | | | | | | | | | | | |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses 2021 | | | | (6,579,012,080) | (5,196,695,916) | 1,012,932,584 | 5,812,598,679 | 3,859,126,623 | 63,143,047 | (4,826,824) | 3,917,442,84 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Total Transactions With Parent's Shareholders | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2022 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | (3,666,802) | | | | | 5,854,014 | | 1,184,480,760 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | (27,796,782) | | | | | |
| Total Comprehensive Income | | | | (3,666,802) | | | | | | | |
| Balance As Of March 31, 2022 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (742,283,421) | (5,196,695,916) | (27,796,782) | 1,184,480,760 | 1,153,017,176 | 5,854,014 | | 1,158,871,190 |
| Balance As Of January 1, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (1,912,197,636) | (5,196,695,916) | 901,883,854 | 1,184,480,760 | 5,039,940,581 | 68,997,061 | (4,826,824) | 5,104,110,818 |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses | | | | | | | 6,401,082,184 | 9,003,375,840 | 87,108,374 | (4,826,824) | 9,085,657,390 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 6,401,082,184 | | | (6,401,082,184) | | | | |
| Total Transactions With Parent's Shareholders | | | | 6,401,082,184 | | | | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2023 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | 27,135,028 | | | | 27,135,028 | | | 27,135,028 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | | | | | | |
| Total Comprehensive Income | | | | 27,135,028 | | | | | | | |
| Balance As Of March 31, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | 4,601,089,372 | (5,196,695,916) | 874,748,826 | (2,373,562,048) | 6,714,883,590 | 109,524,312 | (4,826,824) | 6,819,529,001 |
| Balance As Of January 1, 2022 | | | | | | | | | | | |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses 2021 | | | | (6,579,012,080) | (5,196,695,916) | 1,012,932,584 | 5,812,598,679 | 3,859,126,623 | 63,143,047 | (4,826,824) | 3,917,442,84 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Total Transactions With Parent's Shareholders | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2023 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | (3,666,802) | | | | | 5,854,014 | | 1,184,480,760 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | (27,796,782) | | | | | |
| Total Comprehensive Income | | | | (3,666,802) | | | | | | | |
| Balance As Of March 31, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (742,283,421) | (5,196,695,916) | (27,796,782) | 1,184,480,760 | 1,153,017,176 | 5,854,014 | | 1,158,871,190 |
| Balance As Of January 1, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (1,912,197,636) | (5,196,695,916) | 901,883,854 | 1,184,480,760 | 5,039,940,581 | 68,997,061 | (4,826,824) | 5,104,110,818 |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses | | | | | | | 6,401,082,184 | 9,003,375,840 | 87,108,374 | (4,826,824) | 9,085,657,390 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 6,401,082,184 | | | (6,401,082,184) | | | | |
| Total Transactions With Parent's Shareholders | | | | 6,401,082,184 | | | | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2023 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | 27,135,028 | | | | 27,135,028 | | | 27,135,028 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | | | | | | |
| Total Comprehensive Income | | | | 27,135,028 | | | | | | | |
| Balance As Of March 31, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | 4,601,089,372 | (5,196,695,916) | 874,748,826 | (2,373,562,048) | 6,714,883,590 | 109,524,312 | (4,826,824) | 6,819,529,001 |
| Balance As Of January 1, 2022 | | | | | | | | | | | |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses 2021 | | | | (6,579,012,080) | (5,196,695,916) | 1,012,932,584 | 5,812,598,679 | 3,859,126,623 | 63,143,047 | (4,826,824) | 3,917,442,84 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Total Transactions With Parent's Shareholders | | | | 5,812,598,679 | | | (5,812,598,679) | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2023 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | (3,666,802) | | | | | 5,854,014 | | 1,184,480,760 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | (27,796,782) | | | | | |
| Total Comprehensive Income | | | | (3,666,802) | | | | | | | |
| Balance As Of March 31, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (742,283,421) | (5,196,695,916) | (27,796,782) | 1,184,480,760 | 1,153,017,176 | 5,854,014 | | 1,158,871,190 |
| Balance As Of January 1, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | (1,912,197,636) | (5,196,695,916) | 901,883,854 | 1,184,480,760 | 5,039,940,581 | 68,997,061 | (4,826,824) | 5,104,110,818 |
| Transactions With Parent's Shareholders | | | | | | | | | | | |
| Transferred To Retained Losses | | | | | | | 6,401,082,184 | 9,003,375,840 | 87,108,374 | (4,826,824) | 9,085,657,390 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | 6,401,082,184 | | | (6,401,082,184) | | | | |
| Total Transactions With Parent's Shareholders | | | | 6,401,082,184 | | | | | | | |
| Comprehensive Income | | | | | | | | | | | |
| Net Profit For The Period Ended March 31, 2023 | | | | | | | | | | | |
| Non-Controlling Interest In Subsidiaries' Profit | | | | | | | | | | | |
| Differences Resulted From Revaluation Of Investments | | | | 27,135,028 | | | | 27,135,028 | | | 27,135,028 |
| Realized Portion From The Result Of Modifying Cost Of Property, Plant & Equipment (Transferred To Retained Losses) | | | | | | | | | | | |
| Total Comprehensive Income | | | | 27,135,028 | | | | | | | |
| Balance As Of March 31, 2023 | 1,951,203,700 | 5,839,125,940 | 1,018,973,716 | 4,601,089,372 | (5,196,695,916) | 874,748,826 | (2,373,562,048) | 6,714,883,590 | 109,524,312 | (4,826,824) | 6,819,529,001 |

The accompanying notes and accounting policies are an integral part of these consolidated interim financial statements and are to be read therewith.

Consolidated Interim Statement Of Cash Flows

| | Note No | 31 March 2023 EGP | 31 March 2022 EGP |
|--|------------|------------------------|------------------------|
| Cash Flows From Operating Activities | | | |
| Net (Loss) / Profit For The Period Before Tax & Non-Controlling Interests | | (2,428,143,332) | 1,733,539,942 |
| Adjusted As Follows: | | | |
| Property, Plant & Equipment Depreciation | (13) | 368,349,049 | 350,281,889 |
| Other Assets' Amortization | (5) | 1,280,634 | 1,280,642 |
| Financing Costs | | 990,188,156 | 676,792,864 |
| Interest Income | | (282,765,994) | (41,898,939) |
| Amortization Of Accrued Interest On Treasury Bills | | (22,158,665) | (4,121,069) |
| Foreign Currencies Exchange Differences | | 8,347,038,080 | 994,337,952 |
| Solidarity Contribution In The Comprehensive Health Insurance System | (9) | 53,708,932 | 37,170,500 |
| Investments' Income | | -- | (27,399) |
| Provisions Provided During The Period | | 2,919 | 247,829,495 |
| Differences Arisen From changes In Supplementary Pension Plan | (27) | 8,800,374 | 12,104,921 |
| Cash Flows Provided From Operating Activities | | 7,036,300,153 | 4,007,290,798 |
| Changes In Inventory | | (2,710,392,550) | 1,313,839,431 |
| Changes In Costumer, Receivables and Due From Related Parties | | (737,391,982) | 2,167,672,719 |
| Changes In contractual Assets | | (14,012,524) | (120,941,927) |
| Changes In Trade Payables, Other Payables & Due To Related Parties | | 1,986,839,099 | (2,136,689,194) |
| Liabilities Of Supplementary Pension Plan | (27) | (3,686,598) | (2,550,633) |
| Paid Interests | | (942,728,845) | (642,596,166) |
| Dividends Paid To Employees | | (517,516) | -- |
| Provision Utilized | | (155,474) | -- |
| Paid Income Tax | | -- | (14,918,868) |
| Net Cash Flows Provided From Operating Activities | | 4,614,253,763 | 4,571,106,160 |
| Cash Flows From Investing Activities | | | |
| Payments To Acquire Property, Plant, Equipment & Projects Under Construction | (13),(14) | (523,528,412) | (724,122,482) |
| Proceeds From Investments In subsidiaries | | 7,562,372 | -- |
| (Payments) /Proceeds From Lending Others | | (6,406,218) | (2,579,245) |
| Proceeds From Refund Of Financial Investments (Treasury Bills) | | 526,000,000 | 123,900,000 |
| Interest Received | | 283,086,542 | 41,943,796 |
| Payments To Acquire Investments In subsidiaries | | -- | (1,252,209,544) |
| Payments To Acquire Investments – Credit balances | | (624,979,902) | -- |
| Payments To Acquire Treasury Bills | | (540,243,221) | (156,794,867) |
| Net Cash Flows Used In Investing Activities | | (878,508,839) | (1,969,862,342) |
| Cash Flows From Financing Activities | | | |
| Payments (Proceeds) From Bank Credit Facilities | | (1,237,493,597) | (1,054,448,140) |
| Changes In Time Deposits And Restricted Current Accounts | | (4,648,211,813) | (284,881,678) |
| Net Cash Flows (Used In) Financing Activities | | (5,885,705,410) | (1,339,329,818) |
| Net Change In Cash & Cash Equivalents During The Period | | (2,149,960,486) | 1,261,914,000 |
| Effect Of Changes in the exchange Rate Of Cash | | 1,042,765,254 | 235,048,442 |
| Cash & Cash Equivalent At The Beginning Of The period | | 9,703,980,123 | 2,481,345,535 |
| Cash & Cash Equivalents At The End Of The Period | (22) | 8,596,784,891 | 3,978,307,977 |

▪ The accompanying notes are an integral part of these consolidated interim financial statements and are to be read therewith.

Notes To The Consolidated Financial Statements

1- General Information

- Ezz ELDeKheila Steel Company - Alexandria (S.A.E.), had been established in 1982 as a Joint Investment Company under the Law No. 43 of 1974 superseded by the Investment Law No. 230 of 1989, and replaced by the law No. 8 of 1997 which was superseded by the law No. 72 of 2017 by issuing the investment law in the name of Alexandria National Company for Iron and Steel and was registered in the commercial registry under No. 104918 in July 17, 1982. The Company primarily is involved in the production, formation and manufacturing of iron and steel in all its types and forms.
- According to the approval of the extraordinary General Assembly dated January 2nd, 2006 to amend the second article of Company's statute and to the General Authority for Investment and Free Zones resolution no. 405/2 for year 2006 the Company's name was changed to Al Ezz Dekheila Steel Alexandria Company (S.A.E.). The formalities for amending Company's statute & commercial register were finalized on February 26, 2006 and this amendment was published in the investment gazette No. 1407 dated March 18, 2006.
- The parent Company's duration is 50 years starting from the date of registration in the Commercial register.
- The parent company's premises is located in El Agamy – El Betash, Alexandria, Egypt.
- Eng / Farouk Zaki Ibrahim is the parent Company's Chairman and Mr. Mohamed Raaed El Beblawy is its Managing Director.
- The Board of directors of the parent company approved the consolidated interim financial statements on July 6, 2023.

2- The Subsidiaries

The following are the percentages of contribution of Al Ezz Dekheila Steel Alexandria Company in its subsidiaries: -

| Direct Contribution | Contribution Percentages | |
|---|--------------------------|------------------|
| | 31 March 2023 | 31 December 2022 |
| Iron For Industry, Trading & Contracting "Contra steel" (S.A.E) | 90% | 90% |
| Al Ezz Flat Steel Company (S.A.E) | 99.999% | 99.999% |
| Al Ezz Rolling Mills Company (S.A.E) | 99.997% | 99.997% |
| Indirect Contribution | | |
| Contra wood for Wooden Products (S.A.E) (A Subsidiary Of Contra steel) | 86% | 86% |

2-1 Iron For Manufacturing, Trading & Contracting "Contra steel"

- The subsidiary established according to the committee 's approval at the ministry of Economy and Foreign Trade in its meeting dated May 20, 1995 according to law No. 159 for year 1981 and annotated in the commercial registry on May 31, 1995 No. 138227, the subsidiary legal premises located in New Borg El Arab city.
- The subsidiary's main purpose is trading, manufacturing and formation for all metals and metal products, and construction work and maintenance, services and transportation and international and domestic trade, exports and imports and trading commercial agencies and storage activity in all kinds of oils, grease, diesel and financial lease activity.
- The subsidiary's duration is 25 years from the date of registration in commercial registry. The subsidiary's duration was extended for a new 25 years starting from May 30, 2020 according to the resolution of the subsidiary's extra-ordinary assembly dated April 22, 2020. Article no (5) of the subsidiary's statute was amended and this amendment was annotated in the subsidiary's commercial register on May 17,2020.
- The subsidiary premises are located in Borg EL Arab- plot no 6 – Alexandria and this subsidiary has a branch located inside the administrative headquarters of Ezz ELDeKheila Steel Company - Alexandria (S.A.E.).

2-2 Al Ezz Flat Steel Company

- Al Ezz Flat Steel Company established as "S.A.E – within the private free zone system" – previously named "Ezz for Heavy Industries" – according to law No. (8) of 1997 related to guarantees and incentives of investment and the company was registered at the investment commercial registry on July 25, 1998 No. 33296.
- The law No. (114) for year 2008 issued on 5 May 2008, included amendments to certain articles from the law of guarantees and incentives of investment; these amendments ended the License given to projects working in certain industries (i.e. including steel industry) to stop these projects from working under the umbrella of "the private free zones system". The subsidiary name was changed to delete "within the private free zones system" from the subsidiary's name, on June 15, 2008 the new name was annotated in the commercial registry.
- The subsidiary's main purpose is the production of rolls and strips of flat steel milled on hot and milled on cold and treated with acids, oil and flat steel slabs treated with acids, oil, sponge iron, burned lime, steel billets.
- Starting from May 21, 2009, the following purposes have been added:
 - The manufacturing trading and distributing steel and its real estate works and the services needed such as installations, preparation and transportation for the company and for the others.
 - The factory started operating on July 1, 2004, as the final acceptance certificate was issued.
 - The oxide pellets factory started on January 1, 2011 where the advisor certificate was issued to end material works.
 - The iron factory started operating on January 1, 2012 where the advisor certificate was issued to end material works
- Based on the decision of the board of directors of the parent company, dated May 7, 2009, it was approved unanimous that the parent company will underwrite in the capital increase of this subsidiary amounting to USD 330 million so that the subsidiary capital will be USD 600 million after this increase. The subsidiary issued 33 million shares with nominal value of each share 10 USD, the parent's share reach 55% of the capital after the increase. The parent aim of this strategy is to achieve the growth and integration of the group companies' activities.
- The third and last installment of the increase in capital was paid amounting to USD 110 million which represents 33.3% of the increase referred to. The subsidiary's board of directors called the third installment on January 6, 2010. Accordingly, the subsidiary's issued capital were fully paid.
- On April 27, 2015, the subsidiary's Extraordinary General Assembly had decided to increase its issued capital by 15 million shares at a price of USD 17 per share, that include nominal value of USD 10 per share, and a premium of USD 7 per share, with total amount of USD 255 million, the parent company will underwrite in this increase by transferring the credit balances owed to parent company to the capital of subsidiary. The subsidiary's issued and paid up capital will be amounted to USD 750 million after this increase distributed over 75 million share with par value of 10 USD/share and an amount of USD 105 million recorded as premium reserve within the subsidiary's equity.

2-3 Al-Ezz Rolling Mills Company

- Al-Ezz Rolling Mills Company (S.A.E) was established on March 10, 1986 according to the provisions of investment laws, and its executive regulations and company's statute. The subsidiary was registered in the commercial registry number 77038 on November 28, 1987 under the name of "Al-Wataniya Al-Baraka - Iron and Steel Company". On January 4, 2007 The subsidiary's Extraordinary General Assembly approved to amend its name to become "Al-Ezz Rolling Mills Company" and was registered in the commercial register on March 19, 2007.
- The subsidiary's main purposes is to produce rebar, welded steel, rolls and iron beams, billets, and some architectural materials. The subsidiary has the right to establish branches, offices and agencies in the Arab Republic of Egypt.
- On September 3, 2009, the subsidiary's Extraordinary General Assembly decided to add to its purpose the producing of reduced iron to its products, and this was registered in the Commercial Register on November 3, 2009.
- The subsidiary's premises is located in 35 Lebanon Street, Mohandeseen – Cairo

2-4 Contra wood For Wooden Products

- Contra wood for wooden product (S.A.E) was established according to Law No. 159 of 1981 and commercial register No. 93416 on August 29, 1992 and the subsidiary's legal domicile at 6th October city, the fourth industrial area.
- The subsidiary's main purpose is manufacturing of pipes, foundries, civil and industrial construction supplies, manufacturing of mechanic equipment, environment protection equipment and systems, handling system, cars parts and export and import activity in addition to thermal fumigation activity to company purpose.
- According to the minutes of the Extraordinary General Assembly meeting dated 7/4/2021, the name of the company has been changed to become Contra wood for wooden product (S.A.E) and annotated in the commercial register on 15/9/2022.

3- Basis Of Preparation Of The Consolidated Financial Statements

3-1 Statement Of Compliance

The Consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and relevant Egyptian laws and regulations.

3-2 Functional And Presentation Currency

The Consolidated financial statements are presented in Egyptian Pound referred to as "EGP", which is the parent company's functional currency.

3-3 Use Of Estimates & Judgments

The application of the parent company's accounting policies requires management to use estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the previous experience, various other factors. The actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically.

Adjustments resulting from a change in accounting estimates are recognized in the year in which that change was made if its effect is limited to that year only, while those adjustments are recognized during the current year and future years if the change affects the current year and future years.

The Following Are The Most Important Accounts & Notes That Uses Estimates And Judgment: -

1. Property, plant and equipment useful lives (Note no. 38-3iii).
2. Impairment in the value of investments in associates and available for sale (Note no.15).
3. Impairment of accounts receivable and debtors (Note no. 20).
4. Recognition of deferred tax assets and contingent liabilities (Note no. 18, 35).
5. Provisions (Note no. 26).
6. Financial instruments (Note no.28).

3-4 Fair Value Measurement

- Consolidated financial statements have been prepared based on historical cost, except for the financial assets and liabilities recorded at fair value.
- Fair value of financial instruments is determined on the basis of the market value of the financial instruments or a similar one at the date of the financial statements without deducting any estimated future selling cost. The financial assets are valued at current purchase prices for these assets, while the financial liabilities are valued at current settlement costs of these liabilities.
- In case of absence of active market to determine the value of the financial instruments, the fair value shall be determined using other valuation techniques taking into consideration recent transactions prices.

4- Sales (Net)

| | Period Ended 31 March 2023 EGP | Period Ended 31 March 2022 EGP |
|--------------------------------|--------------------------------------|--------------------------------------|
| Sales Of Products | 24,064,985,993 | 15,292,237,397 |
| Trade Sales | 788,695,580 | 1,683,144,311 |
| Revenue From Services & Others | 183,765,478 | 185,976,833 |
| Total Sales (Net) | 25,037,447,051 | 17,161,358,541 |

5- Cost Of Sales

| | | |
|--|-----------------------|-----------------------|
| Raw Materials | 14,530,204,430 | 8,272,424,972 |
| Salaries, Wages And Other Benefits | 621,723,158 | 556,438,851 |
| Cost Of Supplementary Pension Plan | 6,878,763 | 9,514,026 |
| Property, Plant And Equipment Depreciation | 356,511,574 | 339,838,100 |
| Other Assets Amortization | 1,280,634 | 1,280,642 |
| Overheads, issued Spare Parts & Others | 2,392,316,631 | 1,705,195,929 |
| Operating Cost | 17,908,915,190 | 10,884,692,520 |
| Cost Of trade sales | 791,405,937 | 1,713,373,855 |
| Change In Semi-Finished And Finished Goods Inventories | (921,236,870) | 269,632,490 |
| Total Cost Of Sales | 17,779,084,257 | 12,867,698,865 |

6- Other Income

| | | |
|------------------------------|-------------------|-------------------|
| Scrap Sales & Other Supplies | 15,972,235 | 17,325,859 |
| Collected Penalties & Rent | 1,726,313 | 1,749,891 |
| Others | 1,170,707 | 48,546 |
| Total Other Income | 18,869,255 | 19,124,296 |

7- Selling & Distribution Expenses

| | | |
|--|--------------------|--------------------|
| Salaries, Wages & Other Benefits | 36,562,330 | 32,688,840 |
| Cost Of Supplementary Pension Plan | 486,337 | 672,654 |
| Export Expenses | 152,222,462 | 85,689,792 |
| Publicity, Advertising & Public Relation | 31,519,107 | 23,135,631 |
| Property, Plant & Equipment Depreciation | 118,279 | 125,422 |
| Other Expenses | 232,193,980 | 84,965,174 |
| Total Selling & Distribution Expenses | 453,102,495 | 227,277,513 |

8- Administrative & General Expenses

| | | |
|--|--------------------|--------------------|
| Salaries, Wages & Other Benefits | 212,888,398 | 183,061,940 |
| Cost Of Supplementary Pension System | 1,261,936 | 1,745,385 |
| Property, Plant & Equipment Depreciation | 7,008,956 | 7,752,813 |
| Repair & Maintenance Expenses | 2,062,236 | 1,103,900 |
| Security & Cleaning Expenses | 4,818,834 | 6,539,857 |
| Rents | 11,087,315 | 12,910,113 |
| Other Expenses | 109,286,836 | 69,298,522 |
| Total Administrative & General Expenses | 348,414,511 | 282,412,530 |

9- Other Expenses

| | Period Ended 31 March 2023 EGP | Period Ended 31 March 2022 EGP |
|---|--------------------------------------|--------------------------------------|
| Donations | 36,057,736 | 110,898,019 |
| Provided Provisions | 2,918 | 247,829,495 |
| Board Of Directors' Allowances & Expenses | 339,925 | 462,950 |
| Solidarity Contribution For The Comprehensive Health Insurance System | 53,708,932 | 34,997,360 |
| Other Expenses | 25,737,759 | 22,864,636 |
| Total Other Expenses | 115,847,270 | 417,052,460 |

10- Financing Income

| | | |
|--|--------------------|-------------------|
| Interest Income | 303,521,963 | 49,746,356 |
| Amortization Of Accrued Interest On Treasury Bills | 22,158,665 | 4,121,069 |
| Total Financing Income-- | 325,680,628 | 53,867,425 |

11- Financing Costs

| | | |
|--|--------------------|--------------------|
| Interest Expense, Bank Commissions & Bank Expenses | 990,193,633 | 676,795,342 |
| Total Financing Costs | 990,193,633 | 676,795,342 |

12- (Loss) From Translation Of Foreign Balances

| | | |
|--|------------------------|------------------------|
| (Losses) From Translation Of Balances In Foreign currencies | (8,123,498,100) | (1,029,573,610) |
| Total (Losses) From Translation Of Balances In Foreign Currencies | (8,123,498,100) | (1,029,573,610) |

Translation Of Arabic

13- Property Plant & Equipment (Net)

| | Land | | Buildings & Constructions | | Machinery & Equipment | | Vehicles | | Tools | | Furniture & Fixtures | | Computers Software | | Strategic spare Parts | | Total | |
|--|---------------|----------------|---------------------------|-------------|-----------------------|-------------|-------------|---------------|----------------|-----|----------------------|-----|--------------------|-----|-----------------------|-----|-------|-----|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| Cost As of January 1, 2023 | 1,840,580,525 | 11,140,503,563 | 36,167,764,755 | 299,188,862 | 299,931,736 | 211,020,354 | 217,924,534 | 276,870,368 | 50,453,784,697 | | | | | | | | | |
| Additions During The Period | - | 1,595,282 | 24,253,295 | 1,564,680 | 19,055,111 | 2,084,041 | 913,149 | 59,396,813 | 108,862,371 | | | | | | | | | |
| Disposals During The Period | - | (208,710) | - | - | - | (63,577) | (9,123,267) | - | (9,395,554) | | | | | | | | | |
| Rolling Mills Amortization | - | - | - | - | - | - | - | (33,682,942) | (33,682,942) | | | | | | | | | |
| Total Cost As Of March 31, 2023 | 1,840,580,525 | 11,141,890,135 | 36,192,018,050 | 300,753,542 | 318,986,847 | 213,040,818 | 209,714,416 | 302,584,239 | 50,519,568,572 | | | | | | | | | |
| Accumulated Depreciation As Of January 1 2023 | - | 4,350,684,146 | 20,457,430,375 | 293,660,727 | 205,757,700 | 150,096,686 | 134,138,192 | - | 25,591,767,826 | | | | | | | | | |
| Depreciation Of The Period | - | 54,016,097 | 263,196,592 | 864,283 | 8,347,893 | 3,150,475 | 5,090,767 | - | 334,666,107 | | | | | | | | | |
| Accumulated Depreciation Of Disposals | - | (208,710) | - | - | - | (63,577) | (9,123,267) | - | (9,395,554) | | | | | | | | | |
| Acc. Depreciation As Of March 31, 2023 | - | 4,404,491,533 | 20,720,626,967 | 294,525,010 | 214,105,593 | 153,183,584 | 130,105,692 | - | 25,917,038,379 | | | | | | | | | |
| Net Book Value As Of March 31, 2023 | 1,840,580,525 | 6,737,398,602 | 15,471,391,083 | 6,228,532 | 104,881,254 | 59,857,234 | 79,608,724 | 302,584,239 | 24,602,530,193 | | | | | | | | | |
| Fully Depreciated Fixed Assets | - | 581,912,473 | 1,073,952,129 | 281,432,471 | 136,675,481 | 107,068,509 | 50,361,493 | - | 2,231,402,556 | | | | | | | | | |
| Cost As of January 1, 2022 | 1,837,977,725 | 11,128,998,162 | 35,030,811,712 | 299,419,322 | 266,088,735 | 185,990,095 | 212,317,838 | 246,751,171 | 49,208,354,760 | | | | | | | | | |
| Additions During the Year | 2,602,800 | 11,505,401 | 1,155,246,861 | - | 33,855,949 | 25,044,907 | 5,799,782 | 140,200,750 | 1,374,256,450 | | | | | | | | | |
| Disposals During the Year | - | - | (18,293,818) | (230,460) | (12,948) | (14,648) | (193,086) | - | (18,744,960) | | | | | | | | | |
| Rolling Mills Amortization | - | - | - | - | - | - | - | (110,081,553) | (110,081,553) | | | | | | | | | |
| Total Cost As of December 31, 2022 | 1,840,580,525 | 11,140,503,563 | 36,167,764,755 | 299,188,862 | 299,931,736 | 211,020,354 | 217,924,534 | 276,870,368 | 50,453,784,697 | | | | | | | | | |
| Accumulated Depreciation As Of January 1 2022 | - | 4,133,206,971 | 19,462,223,020 | 288,595,630 | 175,020,728 | 138,382,125 | 113,576,457 | - | 24,311,004,931 | | | | | | | | | |
| Depreciation Of The Year | - | 217,477,175 | 1,012,864,249 | 5,295,557 | 30,749,920 | 11,729,209 | 20,754,821 | - | 1,298,870,931 | | | | | | | | | |
| Accumulated Depreciation Of Disposals | - | - | (17,656,894) | (230,460) | (12,948) | (14,648) | (193,086) | - | (18,108,036) | | | | | | | | | |
| Acc. Depreciation As of December 31, 2022 | - | 4,350,684,146 | 20,457,430,375 | 293,660,727 | 205,757,700 | 150,096,686 | 134,138,192 | - | 25,591,767,826 | | | | | | | | | |
| Net Book Value As Of December 31, 2022 | 1,840,580,525 | 6,789,819,417 | 15,710,334,380 | 5,528,135 | 94,174,036 | 60,923,668 | 83,786,342 | 276,870,368 | 24,862,016,871 | | | | | | | | | |
| Net Book Value As Of December 31, 2021 | 1,837,977,725 | 6,995,791,191 | 15,568,588,692 | 10,823,692 | 91,068,007 | 47,607,970 | 98,741,381 | 246,751,171 | 24,897,349,829 | | | | | | | | | |
| Fully Depreciated Fixed Assets | - | 579,872,342 | 1,023,426,686 | 281,404,548 | 130,813,022 | 104,265,124 | 51,299,840 | - | 2,171,081,562 | | | | | | | | | |

The Following Are Environmental Assets Included In The Disclosure Of Fixed Assets At 31/03/2023.

| Description | Building | Machinery | Vehicles | Tools | Furniture & Fixtures | Total |
|---|-------------|---------------|------------|------------|-------------------------|---------------|
| | EGP | EGP | EGP | EGP | EGP | EGP |
| Cost at January 1 st , 2023 | 140,203,470 | 4,135,459,002 | 30,429,499 | 15,793,835 | 1,439,839 | 4,323,325,645 |
| Additions during the period | 21,380,795 | - | - | - | - | 21,380,795 |
| Cost at March 31, 2023 | 161,584,265 | 4,135,459,002 | 30,429,499 | 15,793,835 | 1,439,839 | 4,344,706,440 |
| Acc. Depreciation At January 1 st , 2023 | 29,229,932 | 1,306,969,020 | 30,429,499 | 12,532,306 | 1,299,455 | 1,380,460,212 |
| Period Depreciation | 1,373,036 | 38,441,757 | - | 195,275 | 27,196 | 40,037,264 |
| Acc. Depreciation At March 31 2023 | 30,602,968 | 1,345,410,777 | 30,429,499 | 12,727,581 | 1,326,651 | 1,420,497,476 |
| Net Book Value Of The Environmental Assets As At March 31, 2023 | 130,981,297 | 2,790,048,225 | - | 3,066,254 | 113,188 | 2,924,208,964 |

- Environmental assets is a part from the total value of the above fixed assets disclosure (No:13)
- **Buildings:** comprises of Dust collection systems, firefighting systems, irrigation systems and Manufacturing drainage systems.
- **Machines:** comprises of Gases monitoring system, LCPs plants dust collection systems, Fume extraction system and Ventilations systems.
- **Vehicles:** comprises of Vacuum dumpers trucks, Vacuum cleaners' trucks, fire trucks and road sweeper trucks.
- **Tools:** comprises of Gases and dust monitoring devices, Fume extraction devices and fog cannons
- **Machines Additions During the Period:** comprises of two air centrifugal compressors of compressed air stations No. (2).
- **Furniture Additions During the Period:** comprises of Washing machines & Vacuum cleaner.
- According to the borrowings agreements of Ezz Flat Steel (subsidiary), the subsidiary's land, tangible and intangible assets are mortgaged in addition to its inventory, the subsidiary relinquished its rights in construction, supplies, technical support and insurance contracts in favor of the National Bank of Egypt (domestic guarantees agent).
- The cost of land includes a land area of 928 thousand square meter acquired by Ezz Flat Steel Company (subsidiary) from Gulf of Suez Development Company with a total value about EGP 28 million including the fees of Suez governorate amounting to LE 5 million (equivalent to USD 956 thousands) to establish an industrial project on it. However, according to the contract, this land cannot be registered under the subsidiary's name until all installments are paid. The final installment was paid on October 15, 2010 and currently the procedures to register the land title in the subsidiary's name are in process.
- The land assigned to Iron for Industry, Trading and Contracting (Contra steel) – a subsidiary, located at New Borg El Arab city from the New Urban Communities Authority on which the administrative building of the company is constructed, The procedures for registering the land in the subsidiary's name of the company is still outstanding.
- The vehicles item includes leased equipment from Iron for Industry, Trading and Contracting (Contra steel) – subsidiary company, to Al Ezz Dekheila Steel Company – parent company.
- According to the terms of the contract between Iron for Industry, Trade and Contracting company "Contrasteel" and Exxon Mobil, the value of EGP 4,172,628 have been obtained as an aid to the subsidiary in the renewal and development of the supply and service station for cars owned by the subsidiary which is obliged to return these amount according to the annual sales target, and the actual operation of the plant started after the renewal on September 2, 2018.
- The authentication of the purchase contract of the land allocated to (Contrawood for Wood Products) from the New Urban Communities Authority – 6 October development authority, located in the fourth industrial area, is in process. The subsidiary is currently in process of obtaining a letter from the 6 October development authority directed to the notary authority & Egyptian survey authority in preparation for the obtaining the final contract related to this land.

- Contrawood for wood products obtained a permanent operating license based on its legal advisor memo, the subsidiary paid the allocated land value and establishing an industrial project on it. The subsidiary obtained all the required approvals and licenses for operation, also all the requirements of civil defense & fire, the environmental approvals and industrial security were fulfilled. The Ezz Rolling Mills Company did not register the land of the new factory project in Ain Sokhna in its title, which amounted EGP 29,635,882.
- According to the confirmation of the national bank of Egypt (guarantee agent) on March 31, 2023, there is a mortgage on some of assets of Ezz Rolling Mills in favor of group of banks.
- The commercial register of Ezz Rolling Mills Company (a subsidiary) there is a commercial mortgage in favor of the guarantee agent on behalf of himself and on behalf of the lending banks on all the tangible and intangible components, machines, equipment and goodwill and all the industrial copyright related to the company.
- The cost of fixed assets of Ezz Rolling Mills Company's were included according to its Fair Value as a result of acquisition of the company.

14-Projects Under Construction

| | 31 March 2023 | 31 December 2022 |
|---|----------------------|----------------------|
| | EGP | EGP |
| Projects Under Construction | | |
| Buildings & Constructions | 26,557,831 | 17,630,014 |
| Machinery & Equipment During Installation | 3,636,688,187 | 3,231,059,763 |
| Advance Payments To Purchase Property Plant & Equipment | 19,001,142 | 18,891,342 |
| Total Projects Under Construction | 3,682,247,160 | 3,267,581,119 |

- * This particular represent the value of the outstanding projects that were not completed yet until March 31, 2023. (Note no. 35)

15-Investments

| | 31 March 2023 | 31 December 2022 |
|---|------------------|------------------|
| | EGP | EGP |
| 15-1 Investments In Associates | | |
| - The Cost Value From The Company Share Is The Capital Al Ezz - For Medical Industries (Total Share Percentage 30%) | 3,000,000 | 3,000,000 |
| - The Cost Of Investment Of The Parent Company In The Capital Of Al Ezz – El Dekheila For Steel – Egypt (EZDK) (LLC) (Representing 50% Of Investee's Capital) | 25,000 | 25,000 |
| - The Cost Of Investment Of The Parent Company In The Capital Of EZDK Steel UK LTD (Representing 50% Of Investee's Capital) | 510 | 510 |
| Less | | |
| Impairment Loss In The Value Of The Investment | (510) | (510) |
| Net Investments In Associates | 3,025,000 | 3,025,000 |

| | | <i>Translation Of Arabic</i> | |
|-------------|--|------------------------------|----------------------|
| | | 31 March 2023 | 31 December 2022 |
| | | EGP | EGP |
| 15-2 | Financial Investments With Fair Value Through Other Comprehensive Income | | |
| - | The Acquiring Value Of The Company's Contribution In Al Ezz Steel Company Is Amounting EGP 53,278,802 For A Number Of Shares Of 9,462,714 Shares, And Its Par Value Is EGP 105,982,397. | 329,586,328 | 219,818,846 |
| - | Iron For Industry, Trading And Contracting "Contrasteel" Is Contributing By 5% In The Issued Capital Of USD 50 Million To Atlantic Pacific Shipping And Trading Company (SAE) Amounting To USD 2.5 Million. Contrasteel Paid An Amount Of USD 250 Thousand (Equivalent To EGP 4.014 Million) Representing 10% Of The Value Of This Contribution. | -- | 4,015,736 |
| | Net Investment At Fair Value Through Comprehensive Income | 329,586,328 | 223,834,582 |
| 15-3 | Investment | | |
| | The Cost Of The Parent's Investment In Egyptian Steel Company (Representing 18% Of The Investee's Capital). Total Investment Cost 2.5 Billion EGP. | 2,499,919,350 | 2,499,960,544 |
| | The Cost Of Investment Of The Parent Company In The Capital Of Arab Company For Special Steel (S.A.E) | 4,262,830 | 4,262,830 |
| | *According To Extraordinary General Assembly In 2020 The Capital Was Restructured To Become 1% Instead Of 5%. | | |
| | Less: | | |
| | Impairment Loss In The Value Of The Investment | (4 262 830) | (4,262,830) |
| | The Company's Share In The Net Assets Of Egyptian German Flat Steel Marketing Company Ltd. (Franco) (L.LC) (Under Liquidation) | 71,947 | 71,947 |
| | Less: | | |
| | - Impairment Loss In The Value Of The Investment | (71,947) | (71,947) |
| | Net Investments | 2,499,919,350 | 2,499,960,544 |
| | Total Investments | 2,832,530,678 | 2,726,820,126 |

16- Long -Term Lending

The long-term lending included in the consolidated interim financial statements in the long-term assets, amounting to EGP 64 million on March 31, 2023 (the comparative figure is EGP 58 million) represent the long-term portion of the loans and employees' advances amounting to EGP 120 million (the comparative is EGP 116 million), after deducting an amount of EGP 47 million (the comparative figure is EGP 49 million) which represent short-term loans and advances, and the differences arising from the change in the present value amounting to EGP 9 million (the comparative figure is EGP 9 million).

17- Other Long-Term Assets

The item represented in the amount equivalent of paid to the industrial development authority by Al Ezz Flat Steel Company (subsidiary) for obtaining steel production license as follows:

| | 31 March 2023 | 31 December 2022 |
|------------------------------------|-------------------|-------------------|
| | EGP | EGP |
| Cost As Of January 1 2023 | 25,612,734 | 30,735,272 |
| Less: | | |
| Amortization For The Period / Year | (1,280,634) | (5,122,538) |
| Net Cost | 24,332,100 | 25,612,734 |

18- Tax Assets & Liabilities

18-1 Recognized Deferred Tax Assets & Liabilities Are Represented In:-

| | 31/03/2023 | | 31/12/2022 | |
|---|----------------------|------------------------|----------------------|----------------------|
| | Assets EGP | Liabilities EGP | Assets EGP | Liabilities EGP |
| Deferred Tax | | | | |
| Property Plant And Equipment | | 3,291,005,912 | - | 3,337,950,364 |
| Provisions And Impairment Losses Of Assets And Others | 134,497,127 | | 134,497,127 | |
| Result Of Modifying Cost Of Assets | | 268,579,229 | | 276,457,140 |
| Result Of Foreign Currency Exchange Differences | 1,932,036,656 | | 505,882,238 | - |
| Carried Forward Tax Losses | 819,297,514 | | 1,054,100,910 | - |
| Unrealized Evaluation Differences For Financial Investment Available For Sale | - | 62,169,193 | - | 37,471,510 |
| A Deferred Tax Liability For Net Fair Value Of The Acquired Assets* | - | 660,495,498 | - | 665,354,865 |
| Total Deferred Tax Assets / Liabilities | 2,885,831,297 | 4,282,249,832 | 1,694,480,275 | 4,317,233,879 |
| Net Deferred Tax | | 1,396,418,535 | | 2,622,753,604 |
| Brought Carried Tax | | (2,622,753,604) | | (2,915,444,367) |
| Deferred Tax Previously Charged To The Comprehensive Income Of Al-Ezz Rolling Mills | | (24,697,681) | | (17,629,036) |
| Settlement of Tax liabilities | | - | | 22,453,189 |
| Deferred Tax (Charged To) / The Consolidated Income Statement For The Financial Period | | (1,251,032,750) | | (287,866,610) |

18-2 Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following accounts:-

| | 31/03/2023 | 31/12/2022 |
|---|--------------------|--------------------|
| | EGP | EGP |
| Impairment Loss Of Trade Receivables & Debtors& Other Debit | 2,480,373 | 2,480,373 |
| Provisions | 107,255,265 | 111,967,028 |
| Deferred Tax Losses | 727,130,840 | 481,119,767 |
| Total | 836,866,478 | 595,567,168 |

Deferred tax assets have not been recognized in respect to these accounts because of the incompleteness of the tax deduction conditions, or the low probability that future taxable profit will be available in which the company can use the benefits from those assets.

19- Inventory

| | 31/03/2023 | 31/12/2022 |
|----------------------------------|-----------------------|----------------------|
| | EGP | EGP |
| Main Raw Materials And Additives | 5,325,967,769 | 3,736,953,545 |
| Spare Parts And Supplies | 2,304,091,850 | 1,858,585,223 |
| Semi - Finished Goods | 747,540,106 | 1,026,403,082 |
| Finished Products (Rebar) | 901,195,234 | 322,409,067 |
| Finished Products (Flat) | 1,966,286,782 | 1,344,973,103 |
| Oil Lubricants And Others | 41,236,792 | 33,892,800 |
| Total Inventory | 11,286,318,533 | 8,323,216,820 |

20- Trade Receivables & Debtors & Other Debit Balances

| | Note | 31/03/2023 | 31/12/2022 |
|---|------|-----------------------|-----------------------|
| | No. | EGP | EGP |
| Trade Receivables - Export | | 3,845,483,943 | 1,771,731,523 |
| Notes Receivable | | 2,593,103,979 | 4,101,944,907 |
| Trade Payables - Debit Balances * | | 900,578,089 | 402,110,916 |
| Deposits With Others | | 1,620,992,779 | 1,190,170,338 |
| Customs Authority (Deposits) | | 486,770,781 | 360,865,103 |
| Tax Authority (Debit Balances) ** | | 2,905,256,426 | 2,568,284,418 |
| Prepaid Expenses | | 14,682,884 | 20,154,814 |
| Short-Term Lending And Borrowings To Employees | (16) | 47,280,903 | 49,091,740 |
| Accrued Revenue | | 527,032 | 847,580 |
| Advance Payments Under Account Of Dividends | | - | 5,150,013 |
| Cash Custodies | | 14,594,827 | 6,790,842 |
| Other Debit Balances | | 1,955,048,559 | 1,161,143,015 |
| | | 14,384,320,202 | 11 638 285 209 |
| (Less): | | | |
| Impairment On Trade Receivables & Debtors & Other Debit Balances*** | | (129,995,679) | (129,995,679) |
| Total Trade And Other Receivables | | 14,254,324,523 | 11,508,289,530 |

• Trade payable debit balances include the advances paid to the main contractor and subcontractors assigned for the construction contract and supplies contract no 5/2021 & 16/2012 respectively signed with by the subsidiary "Al Ezz Flat Steel Company" for establishing an electric furnace and its components with a contracting value of EGP 450 million. (Contra steel – a subsidiary).

** Tax authority – debit balances include the advances paid to tax authority in order to keep the subsidiary "Iron For Industry, Trading And Contracting "Contra steel" (S.A.E)" obtaining the advantages of the tax advances system as per law. The interests accrued in advances related to this system are included in the subsidiary's income statement.

20-1 Contractual Assets

The contractual assets arisen from contracts related to (Iron for Industry, Trading and Contracting (Contra steel) – Subsidiary company) amounting to EGP 171,206,151 on March 31, 2023 comprise the amount of supplies of electrical, mechanical and thermal equipment which represent the supply contract 16/2021 with Ezz Suez Flat Steel to construct the new smelter furnace project (amounting to EGP 157,193,627 on December 31, 2022) .

21- Financial Investments (Treasury Bills)

The financial investments comprise of Egyptian treasury bills, at its purchasing value as follows:

| | 31/03/2023 | 31/12/2022 |
|--|--------------------|--------------------|
| | EGP | EGP |
| The Egyptian Treasury Bills Recoverable Value At Maturity Date * | 569,493,140 | 526,000,000 |
| Less: | | |
| Unearned Interest Income | (14,902,542) | (7,811,287) |
| Recoverable Value | 554,590,598 | 518,188,713 |

* The amount is represented in the total realized interest income from financial investments (treasury bills) before deducting the tax due of 20% from the collected treasury interest income from those bills at its maturity dates according to law.

22- Cash On Hand & At Banks

| | 31/03/2023 | 31/12/2022 |
|---|-------------------------|------------------------|
| | EGP | EGP |
| Cash On Hand | 70,815,876 | 64,042,631 |
| Current Accounts | 17,821,104,483 | 11,135,831,242 |
| Deposits | 54,728,627 | 61,401,537 |
| Checks Under Collection | 101,846,349 | 178,630,195 |
| Cash On Hand & At Banks | 18,048,495,335 | 11,439,905,605 |
| Banks Credit Balances | | |
| Banks – Overdraft | (3,706,290,511) | (638,717,362) |
| Banks – Credit Facilities * | (14,010,359,132) | (9,234,285,355) |
| Banks Credit Balance | (17,716,649,643) | (9,873,002,717) |
| | 31/3/2023 | 31/12/2022 |
| | EGP | EGP |
| For The Purpose Of Preparing Consolidated Interim Statement Of Cash Flow | | |
| Cash On Hand & At Banks | 18,048,495,335 | 11,439,905,605 |
| Less: | | |
| Banks Overdraft Balance | (3,706,290,511) | (638,717,362) |
| Restricted Time Deposits And Current Accounts With Credit Limit Granted From Banks | (5,745,419,933) | (1,097,208,120) |
| Net Cash And Cash Equivalents At The End Of The Period/Year For The Consolidated Cash Flows Statement Purposes | 8,596,784,891 | 9,703,980,123 |

* * Banks credit facilities represent the value of the short-term credit facilities granted by domestic banks in Egyptian pound and foreign currencies to finance working capital. The credit facilities included a joint revolving facility from Banque Misr and the National Bank of Egypt to finance the working capital needs of Al Ezz Rolling Mills Company and Al Ezz Flat Steel Company (subsidiaries). The balance on March 31, 2023 amounted to EGP 2714,04 million recorded as a liability on Al-Ezz Flat steel and Al Ezz Rolling.

23- Long Term Liabilities

Long-term liabilities after deducting installments due within one year are represented as follows:-

23-1 Medium And Long-Term Loans & Facilities

23-1-1 Medium And Long-Term Loans

| | 31/03/2023 | 31/12/2022 |
|---|----------------------|----------------------|
| | EGP | EGP |
| Medium And Long-Term Loans (Al Ezz Dekheila Steel, & Al Ezz Rolling Steel Company) | 8,531,874,621 | 8,357,090,516 |
| | 8,531,874,621 | 8,357,090,516 |

23-1-2 Medium-Term Facilities

| | | |
|---|-----------------------|-----------------------|
| Facility In Local Currency (Al Ezz Dekheila Steel Alexandria & Al Ezz Flat Steel Company) | 7,068,681,867 | 6,840,147,088 |
| | 7,068,681,867 | 6,840,147,088 |
| | 15,600,556,488 | 15,197,237,604 |

23-1-3 Installments Due Within One Year

| | 31/03/2023 | 31/12/2022 |
|---|----------------------|----------------------|
| | EGP | EGP |
| Short-term Instalments (Al Ezz Dekheila & Al Ezz Flat Steel Company& Al Ezz Rolling Mills Company) | 4,079,404,998 | 3,384,561,907 |
| | 4,079,404,998 | 3,384,561,907 |

Medium And Long-Term Loans On March 31, 2023 (The Amounts Presented In Million)

| Banks | Loan Amount | Currency | No. Instalments | Maturity Date | Total used by EGP |
|--|-------------|----------|-----------------|-------------------|-------------------|
| Qnb | 69,5 | \$ | 26 Quarterly | August 31,2025 | 951,77 |
| Qnb | 565 | EGP | 26 Quarterly | January 13, 2029 | 521.6 |
| Aaib | 61,5 | \$ | 28 Quarterly | November 28, 2025 | 844,33 |
| Bank Of Alexandria | 50 | \$ | 26 Quarterly | January 15, 2026 | 822.02 |
| Hsbc | 12,5 | € | 12 Semi-annual | January 15, 2026 | 211.17 |
| Hsbc | 80 | EGP | 12 Semi-annual | January 15, 2026 | 25.57 |
| Nbk | 20 | \$ | 26 Quarterly | August 28,2026 | 333.70 |
| Nbe | 2,602 | EGP | 20 Quarterly | June 15,2028 | 2001.60 |
| Banque Du Caire | 500 | EGP/\$ | 28 Quarterly | December 31,2028 | 524,99 |
| Ebe | 300 | EGP | 24 Quarterly | February 17, 2028 | 252 |
| Total Medium And Long-Term Loans In Addition To Installments For The Period On March 31, 2023 | | | | | 6 531.16 |

Medium-Term Credit Facilities On March 31, 2023. (The Amounts Presented In Million)

| Banks | Facility Amount | Currency | Renew Date | Total used by EGP |
|---|-----------------|----------|-----------------|-------------------|
| Nbe | EGP 1500 | EGP | October 17,2024 | 355.62 |
| Ebe | EGP 321 | EGP/\$ | December, 2024 | 578,09 |
| Aaib | USD 171 | EGP/\$ | July, 2023 | 3277,14 |
| Banque Du Caire | EGP 880 | EGP/\$ | December, 2024 | 614,34 |
| Banque Misr | EGP 4500 | EGP/\$ | June, 2025 | 1559,51 |
| Total Medium Credit Facilities On March 31, 2023 | | | | 6 384.70 |

Al - Ezz Flat Steel Company

The banks – credit facilities of this subsidiary include an amount of EGP 2,768 million comprises the amounts withdrawn from the credit facilities granted from local banks in EGP against several guarantee the most important guarantee is a pledge over its inventory from its parent "Al Ezz Dekheila Steel Alexandria Company" (note no. 36-2). Also to relinquish to banks for all the collections of export contracts and to deposit all the revenues of local sales into those banks and insuring the inventory against fire & robbery for banks favor. These facilities were bearing variable interests related to borrowing rate announced by the Central Bank of Egypt in addition to the commission on the highest debit balance During the Period of re-scheduling the repaying of these credit facilities referred to over 24 quarterly unequal installments according to identified rates from the facility balance the first instalments will be on March 31, 2021 and the last installment will be on December 31, 2026.

Royal Bank of Scotland RBS superseded by National West Minister Bank in coordinating the loans of Al Ezz Flat Steel Company (subsidiary) in addition to intercreditor agent for the provided loans from foreign banks in which 9 banks participated in these loans.

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 real estate and commercial mortgage on land, tangible and intangible assets of the company, a possessory lien on inventory and relinquish the company's rights stated in the contracts of construction, supply, technical support contracts and insurance policies in favor of those banks.

AI - Ezz Flat Steel Company (Continued)

The interests on the National Bank of Egypt (NBE) loans and Italian exports guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the Central Bank of Egypt.

During November 2018, The company rescheduled local loans while the rescheduling of foreign loans are in process. The balance of the loan installments due within a year of Al Ezz Flat Steel Company (subsidiary company) amounted to EGP 1,256 million.

AI-Ezz Rolling Mills Company

- On January 26, 2010, the company obtained a long-term loan from the National Bank of Egypt and Banque Misr with a credit limit of EGP 2.27 billion divided into three tranches, the first amounted EGP 1.8 billion and the second one is amounting EGP 350 million and the third is amounting EGP 120 million and the actual withdrawal took place On April 21, 2010.

The Loan Will Be Repaid As Follows:

- The first and second tranches are to be repaid in 23 unequal quarterly payments starting after ending a period of 3 months after the end of the grace period (i.e. 18 months from the date of activation the new appendix of contract or the completion date of the project whichever is earlier) with a quarterly interest equal to the one-night lending rate imposed from the Central Bank of Egypt 2 working days before the start of each return period (3 months) in addition to a margin above this rate.
- The third tranche is to be repaid within a maximum of 180 days from the date of withdrawal with a monthly interest equal to the one-night lending rate imposed from the Central Bank of Egypt 2 working days before the start of each return period (month) in addition to a margin above this rate.
- On March 28, 2015, the subsidiary obtained the approval of the lending banks to increase the value of the loan (the first tranche) by an amount of EGP 228 548 000 ; the second and the third tranches will remain as is. The total credit limit will reach up EGP 3.050 billion, the grace period ended on 31 March 2015. The loan repayment will be as follows:
 - The first and second tranche will be repaid over 27 unequal quarterly payments that start Six months after the end of the grace period (June 30, 2016) with a quarterly interest equal to the one-night lending rate in effect from the Central Bank 2 working days before the start of each return period (3 months) in addition to interest Margin.
 - The third tranche is to be repaid within a maximum of 180 days from the date of withdrawal with a monthly interest equal to the one-night lending rate imposed from the Central Bank of Egypt, 2 working days before the start of each return period (month) in addition to a margin above this rate.
- The necessary procedures were taken to provide a set of real estate mortgages, which was annotated in the commercial register.
- Tranche (C) was raised from the amount of EGP 270 million to the amount of EGP 2.6 billion on the date of October 31, 2018; such action took place on November 5, 2018 and was used to pay bridge loans to banks (Arab African Bank, Banque Misr, Banque Du Cairo , And a loan share from the National Bank of Egypt).
- As per the confirmation of the National Bank of Egypt guarantee agent as at March 31, 2023 there is a real estate mortgage on some of assets located in Tenth of Ramadan City in banks' favor.
- As the commercial register of the company it was annotated that there is a commercial mortgage in favor of the guarantee agent in the loan agreement on behalf of himself and on behalf of other borrower banks involved in such agreement on all the tangible and intangible components, and machinery, commercial reputation and industrial property rights related to subsidiary.
- The aim of this long-term loan is to finance the project of reduced iron; On December 10, 2020 the banks participated in this long-term loan agreed restructure the outstanding balances of the three tranches 1, 2 & 3 and the interests computed till December 31, 2020 of maximum amount of EGP 6.5 billion. The repayment of the first installment will be on March 31, 2021. The interest rate will be modified to be 1.5% above corridor rate through the first year of loan then the rate will be 2% above corridor rate till its due date (instead of 3.5% above corridor rate for tranches 1,2 &3 and 1.75% above corridor rate for the third tranche)
- On 16-June-2021, Loans rescheduling was activated.

24- Long-Term Notes Payable and other liabilities

| | 31/03/2023 | 31/12/2022 |
|--|----------------------|----------------------|
| | EGP | EGP |
| Long Term Notes Payable * | 268,402,255 | 503,135,294 |
| Borrowing From Italian Danieli ** | 2,553,872,445 | 1,915,479,898 |
| *Accrued To Acquire Investments (Represent The Incurred Amount Out Of The Investment In "Egyptian Steel Company") | -- | 624,979,902 |
| Balance Long-Term Notes Payable | 2,822,274,700 | 3,043,595,094 |

The long term portion of liabilities comprises of amount due to Utilities Co.

** The debts of Danieli include amounts incurred in favor of the supplier Danieli, on 27/1/2021 a settlement agreement was signed with this supplier to reschedule the principle debt and the interests added according to the following terms:

- The supplier's obligation as per the purchasing invoices amounting to the equivalent of EGP 852 million is to be paid over 21 installments starting from 1/11/2020 till 10/3/2026.
- The settlement agreement include that the supplier will relinquish the incurred interests related to the obligation of acquiring machinery & equipment in previous years, for The Year from the invoice due date up to 31/10/2020 equivalent to EGP 291 million included in the supplier's balance in 31/03/2023 on the term that the company will pay the quarterly installments in a regular manner according to the settlement agreement.
- According to the settlement agreement the part due for payment during 2022 equivalent to EGP 246 million and the remaining part of the debt will be paid till March 10, 2026.
- The holding & parent companies signed a joint guarantee agreement in favor of this supplier as a guarantee that the subsidiary will pay his debt included in the settlement agreement.

25- Trade & Other Payables

| | 31/03/2023 | 31/12/2022 |
|---|-----------------------|-----------------------|
| | EGP | EGP |
| Trade Payables | 17,685,630,490 | 12,551,110,549 |
| Notes Payable | 661,195,865 | 539,915,925 |
| Credit-Receiveable | 2,447,349,957 | 1,783,254,045 |
| Accrued Interest | 584,006,243 | 400,366,254 |
| Accrued Expenses | 1,900,478,545 | 1,821,994,410 |
| Retention | 106,169,582 | 96,640,883 |
| Tax Authority | 414,990,623 | 367,153,167 |
| Dividends Payable | | 51,513 |
| Other Payables | 341,250,279 | 505,909,480 |
| Total Trade & Other Payables | 24,141,071,584 | 18,066,396,226 |

26- Provisions

| | Balance As Of 1/1/2023 | Established During The Period | Utilized During The Period | Balance As Of 31/3/2023 |
|---------------------------------|---------------------------|-------------------------------------|-------------------------------|----------------------------|
| | EGP | EGP | EGP | EGP |
| Provision For Taxes And Claims* | 789,666,544 | 2,919 | (155,474) | 789,513,989 |
| Provision For Employees' Claims | 1,955,018 | - | - | 1,955,018 |
| | 791,621,562 | 2,919 | (155,474) | 791,469,007 |

* The provision for taxes and claims comprises of in the value of claims for liabilities with undetermined timing and amount related to the Company's activities. The management reviews these provisions periodically and adjusts the amount of the provision in accordance with the latest updates, discussions and agreements with those parties.

* The information regarding the provisions has not been disclosed as usual according to the EAS number 28 "provisions assets and contingent liabilities" as the parent company's management believes that it would affect the results of negotiations with those parties.

27- Liabilities Of Supplementary Pension Plan:-

Total supplementary defined benefit plan cost for the financial period ended March 31, 2023 reached an amount of EGP 9 million charged to consolidated income statement according to the annual actuarial expert report.

| | 31/03/2023 | 31/12/2022 |
|--|--------------------|--------------------|
| | EGP | EGP |
| Total Liabilities Of Supplementary Pension Plan | 224,903,987 | 219,790,211 |
| Distributed As Follows: | | |
| Included In The Current Liabilities | 28,004,533 | 26,714,825 |
| Included In The Long-Term Liabilities | 196,899,454 | 193,075,386 |
| | <u>224,903,987</u> | <u>219,790,211</u> |
| The Movement Of The Obligations During The Financial Period/Year Are As Follows: | | |
| | 31/03/2023 | 31/12/2022 |
| | EGP | EGP |
| Balance At The Beginning Of The Period/ Year | 219,790,213 | 246,343,437 |
| Add: | | |
| Current Service Cost | 577,962 | 16,007,641 |
| Interest Cost | 8,222,412 | 31,286,098 |
| | <u>228,590,587</u> | <u>293,637,176</u> |
| Employee's Subscriptions Paid During The Period | 1,886,886 | 1,368,429 |
| Employees Benefit Under Settlement | -- | (61,865,719) |
| | <u>230,477,473</u> | <u>239,139,886</u> |
| Less: | | |
| Pensions Paid | (5,573,486) | (19,349,675) |
| | <u>224,903,987</u> | <u>219,790,211</u> |

28- Financial Instruments & Related Risk Management

The main financial instruments of the company are represented in loans, credit facilities, treasury bills and time deposits. The main objective of financial instrument is financing the company activities. The parent and subsidiaries companies have different financial instrument such as trade and supplies direct from the company activities.

The parent company and its subsidiaries does not enter in derivatives operations for trading or to cover in the risks of fluctuation on exchange rates and interest rates.

The main risks of parent company activities and subsidiaries are foreign currency risk, interest rate and credit risk.

The Egyptian Accounting Standard No. (47) "Financial Instruments" which superseded EAS No. (26) Financial Instruments: Recognition and Measurement. EAS no. (47) Issued on April 2019, this standard is to be applied for the financial years starting from or after January 1st, 2021; the standard permits the early adoption except for "Hedging Accounting". The standard obliges to be applied retrospectively while restating the comparative figures is not mandatory. While the requirements of the "Hedging accounting" is to be applied prospectively with some limited exceptions.

The appropriate study was prepared; which resulted in the fact that there is no material financial impact on the Consolidated Interim Financial Statements For The period Ended March 31, 2023.

This fact is applied for the acquired company and its subsidiaries; as these companies already provide for the impairment required for those customers who have any doubts in their ability to pay their debts in favor of the group companies.

28-1 Foreign Currency Exchange Risk

The foreign currency risk is represented in the fluctuation of the financial instruments value as a result of the change in exchange rates.

The parent company and its subsidiaries are exposed to foreign currency risk when buying from foreign suppliers and foreign currency loans. The main currencies with risk USD, Euro, Japanese Yen and Sterling Pound.

| <u>Foreign currency</u> | (deficit) | (deficit) |
|-------------------------|---------------|---------------|
| | 31/03/2023 | 31/12/2022 |
| USD * | (793,037,735) | (634,167,764) |
| Euro | (56,267,491) | (57,114,024) |
| JPY | (35,600,275) | 9,335,965 |
| Sterling Pound | 244,163 | 19,450,590 |

* The USD /EGP exchange rate of three months - forward finance contract, used to translate the monetary assets and liabilities of the company at closing date.

28-2 Sensitivity Analysis

A 1% increase of the foreign currencies against the Egyptian pound as of March 31, 2023 would have increased deficit by an amount of EGP 298 million (increase deficit in EGP 166 million as of December 31,2022). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the comparative year.

A 1% decrease of the foreign currencies against the Egyptian pound as of March 31,2023 would have had the equal but adverse effect on the foreign currencies.

28-3 Interest Rate Risk

The interest rate risk is the risk that the financial instrument will fluctuate as a result of changing interest rates prevailing in the market. This is reflected in the change in the interest rates of the company's indebtedness to the banks which are represented in the balances of loans and credit facilities, The interest and financing expenses related to these balances, take into Consideration the adverse effect of a financial instrument on the balance of time deposits and yielding current accounts as well as the interest income which related to these balances.

28-4 Credit Risk

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

The parent company's financial assets include trade receivables representing amounts due from customers, time deposits, saving deposits and investment. These financial assets do not represent significant concentration of risk. Trade receivables are divided over various sectors. There is strict control on credit and impairment losses are recognized properly, the company manage the credit risk related to investment by ensuring that the evaluation was under taken for these investments. Time deposits are held in commercial banks after performing an accurate assessment for the credit risk for these banks.

28-5 Fair Value Of Financial Instruments

Fair value represented in the value of exchange of assets or settlement of liability between two parties that are willing to exchange on their free will.

The book value approximates fair values for the other financial instruments of the parent company otherwise investments are not registered in the stock market, and classified as held-for-sale presented with its cost deducted from its impairment losses, as there is no reliable estimate fair value for financial instrument.

Estimate Fair Value

The following are the major ways to estimate current value for financial instruments.

Investments

Investments in unquoted associates companies are recognized at cost less impairment loss, the fair value of the quoted investments is determined according to the quoted market price at the financial position date without any deduction for transaction cost.

Interest Bearing Borrowings & Loans

Fair value is calculated based on discounted cash flows of the principal and expected future interest.

Receivables & Payables

For receivables/payables with a remaining life of less than one period, the nominal value is deemed to reflect the fair value.

Interest Rate Used For Determining Fair Value

The parent Company uses the effective interest rate as of March 31,2023 in addition to an adequate constant credit distribution to discount financial instruments.

29- Owners' Equity

29-1 Capital Share

i) Authorized Capital

The authorized capital of the parent company was determined to be EGP 4 billion represented in 40 million shares with nominal name 100 EGP according to the resolutions of two meetings of the Extra-ordinary general assembly held on September 22, 2019, as well as the resolution of the General Authority for Investment & Free Zones finally it was annotated in commercial registry on May 17, 2020

ii) Issued And Paid-Up Capital

Issued and paid-up capital as of March 31, 2023 amounted to EGP 1,951,203,700 distributed over 19,512,037 shares of a par value EGP 100 per share. In accordance with the resolutions of the two extra-ordinary general assembly's held on September 22, 2019 and the company's board of directors' resolutions dated April 7, 2020.

The parent's capital consists of 19,512,037 shares (nineteen million five hundred and twelve thousand and thirty-seven shares), and the capital has been subscribed as follows: -

| The Name Of The Shareholder | Nationality | Number Of Shares | Nominal Value In EGP |
|---|-------------|-------------------|----------------------|
| Ezz Steel Company | Egyptian | 12,500,000 | 1,250,000,000 |
| National Investment Bank | Egyptian | 1,589,983 | 158,998,300 |
| National Bank Of Egypt | Egyptian | 1,127,562 | 112,756,200 |
| Social Insurance Fund For Workers In The Government Sector | Egyptian | 852,348 | 85,234,800 |
| Egyptian General Petroleum Corporation | Egyptian | 640,180 | 64,018,000 |
| Misr Insurance Company | Egyptian | 474,437 | 47,443,700 |
| Misr Life Insurance Company | Egyptian | 245,652 | 24,565,200 |
| Banque Misr | Egyptian | 434,568 | 43,456,800 |
| Insurance Fund For Workers In The Public And Private Business Sectors | Egyptian | 434,297 | 43,429,700 |
| Public Authority For The Implementation Of Industrial And Mining Projects | Egyptian | 274,360 | 27,436,000 |
| Other Destinations And Individuals | Egyptian | 938,650 | 93,865,000 |
| Total | | 19,512,037 | 1,951,203,700 |

iii) Share Premium Reserve

The balance of share premium reserve is amounted to EGP 5,839,125,940 as at March 31, 2023. An amount of EGP 780,942,964 was deducted from share premium reserve and provided for the legal reserve. Accordingly, the legal reserve had reached up half of capital after increase this action was done in accordance with the article (49) of law No 159 of 1981 and its amendments. The share premium represents the premium resulted from the increase in capital which represent the difference between the fair values of the share and its nominal value.

iv) Reserve

- Legal Reserve

According to the parent Company's statute, a percentage of 5% is to be deducted annually from the net profit to be provided to legal reserve. Providing the legal reserve shall cease once its balance reached 20% of the paid-up capital. If the reserve falls below the mentioned percentage, then the parent Company is required to resume the deduction.

- General Reserve

According to the company's statute, an additional percentage is allowed to be deducted from the remaining profit after profit distribution to be provided to general reserve which is to be determined based on the resolution of the general assembly of company according to the recommendation from the board of directors .

29-2 The Difference Resulted From Acquisition & Change In Subsidiaries' Equity (Under Joint Control)

| | 31/03/2023 | 31/12/2022 |
|---|------------------------|------------------------|
| <u>Al Ezz Flat Steel Company</u> | EGP | EGP |
| The Difference Resulted From Acquisition Of A Subsidiary Under A Joint Control* | (360,458,754) | (360,458,754) |
| Result Of Change In Equity Shares Of Subsidiaries | 424,602,371 | 424,602,371 |
| | 64,143,617 | 64,143,617 |
| <u>Less:</u> | | |
| The Difference Resulted From Acquisition Of Non-Controlling Shares In Al Ezz Flat Steel Company** | (5,260,839,533) | (5,260,839,533) |
| | (5,196,695,916) | (5,196,695,916) |

29-2 The Difference Resulted From Acquisition & Change In Subsidiaries' Equity (Under Joint Control)(Continued)

- * This item is represented in the difference between the acquisition cost of a share of 44% (compared to 55% in 2014) of Al-Ezz for Flat Steel company capital – subsidiary company under joint control – and the net value of Ezz for Flat steel company at acquisition date. The investment in the subsidiary company changed to be 44% after the increase of the issued capital of the subsidiary company by 15 million share amounting USD 255 million (with a fair value of USD 17 per share), in which Ezz Steel Company (the parent company) invested all the increased shares according to the approval of the Extraordinary General Assembly for the subsidiary company and the General Authority for Investments and Free zone resolution dated November 12, 2015, the change in the percentage of invested shares did not result in loss of control by being a shareholder in the invested company. Al-Ezz Dekheila Steel Alexandria Company- still has a significant influence on outcomes through its authority on that investment.

* **The Difference Resulted From Acquisition Of The Non-Controlling Interest In Al Ezz Flat Steel Company**

| | 31/3/2023 |
|--|----------------------|
| | EGP |
| Acquisition Cost * | 6,875,867,071 |
| Less: | |
| Non-Controlling Interest At March 31, 2023 | (1,615,027,538) |
| | 5,260,839,533 |

29-3 Result of modifying cost of property, plant and equipment

Following is the movement During the Period as a result of modifying cost of property, plant and equipment that resulted from applying the special accounting treatment to deal with the subsequent effects due to the floatation of the foreign currencies exchange rates on November 3, 2016.

| | EGP |
|---|----------------------|
| Balance As Of December 31, 2021 | 1,012,932,584 |
| Realized Amount During The Financial Year Ended December 31, 2022 (Transferred To Accumulated Losses During the Year) | (111,048,730) |
| Balance As Of December 31, 2022 | 901,883,854 |
| Realized Amount During The Financial Period Ended March 31,2023 (Transferred To Accumulated Losses During the Period) | (27,135,028) |
| Balance As of March 31,2023 | 874,748,826 |

30- Tax status

30.1 Tax Status for Al Ezz Dekheila Steel Alexandria Company (Parent Company)

The company submits the tax returns regularly and pays the due amounts at the legal dates. A summary of the tax status is as follows:

30-1-1 Corporate Tax

1. From The Inception Date Till 2017

The company has been inspected by the tax authority, the due tax has been paid till 2017 and there are not any tax claims.

2. Years 2018/2020

- Tax returns have been presented in the legal dates according to the tax law no.91 of 2005 and its amendments.
- The tax inspection for those years is in process.

3. Status Of Tax Disputes

- Year from 2000 till 2004 : For the exemption of flat steel project amounted to EGP 254 million , the dispute is currently submitted to Alexandria Court Of Appeal. The judgement of the Court of Appeal was issued on 10 November 2022 in case No. 268 of 74 in favour of the Company invalidating the "Corporate Tax No. 3.4" forms issued in numbers 1380-1381-1382-1383, dated 17/2/2011 for the years 2000/2004, and follow up with the large tax payer centre in preparation for the execution .For the year 2005-2006 : For the exemption of flat steel project for the fifth year with an amount of EGP 215 million, the dispute is submitted to the administrative court.

30 Tax status (Continued)

30.1.2 Payroll Tax

1- Years From The Inception Date Till 2016:

The inspection has been done by the tax authority , the due amounts have been paid in full till 2016 and there are not any tax claims.

2- From 2017/2019 :

The inspection has been done, the company was informed by the form no. 38 payroll on 20/05/2022. The company submit its application to apply the law no. 153 for the year 2022 in order to benefit from the waiver of 65% from the delay fine.

30.1.3 Sales Tax And Value Added Tax

1- Years From The Inception Date Till 2015:

The inspection and tax assesment have been done by the tax authority , disputes have been ended, the due amounts have been paid and there are not any tax claims.

2- Years From 2016 Till 2020

Tax inspection took place for these years and the company was informed with Form No. 15 value added tax. The tax due amounts were fully paid.

3- Status Of Tax Disputes

Years from 2008 to 2012 the additional tax over the incurred sales tax were imposed retrospectively on the raw material of "Iron Oxide" as the refunded tax amounted EGP 108 million. A verdict of the court in the company favor was issued by refusing the suit filed by the finance ministry against the company. The debt department in the large payers Centre cancel the claim filed against the company.

30.1.4 Stamp Tax

1- Years From The Inception Date Till 2016:

The inspection has been done by the tax authority , the due amounts have been paid in full till 2016 and there are not any tax claims.

2- From 2017 Till 2020:

These years were inspected and the company has been informed by the form no 19 on 28/2/2022 with an amount EGP 7,173,113, but it was appealed on 24/3/2022, The internal committee was established on 18/05/2022, where the tax was reduced to EGP 2,398,406, and the full due amounts have been paid.

30.1.5 Property Tax

The committee of Ending Tax Disputes authorized by the minister of finance to reduce the annual property tax from EGP 17 million to EGP 10.70 million , the adjustment has been done with the Tax Authority until 31/12/2021.

The re-estimation of property tax as stated in law no 196 for the year 2008 and the reckon of property every five years leads to an increase in annual tax from LE 10.7 million to be LE 12.3 million starting from 1/1/2022 which represent a percentage of 15%.

A request has been submitted to Al-Ajamy Real Estate Tax Authority to benefit from the Prime Minister's Decree No. 61 of 2022 that the Ministry of Finance bears the Real Estate tax on building for the industrial sectors.

30.2 Tax Status For Iron For Industry, Trading & Contracting (Contrasteel)- A Subsidiary

30-2-1 Corporate Tax

- The company presents its annual tax return for corporate tax to the tax authority in the legal date and pays due tax according to tax returns (if any). According to the applied tax law in Egypt, the final due tax liability will be assessed after the tax authority inspection held by the tax authority whether through internal committee or appeal committee or the judgment.
- The tax dispute with the Tax Authority has been ended till December 31, 2013 and the principal tax amount has been paid in full and the delay fee was waived according to Form 9A / Reservation
- The tax inspection for the years 2014 and 2015 has been done and the company received form (19) in April 16,2020 including tax differences amounted to EGP 1,225,416 which has been appealed by the company according to the notice of appeal submitted to the Tax Authority in May 5,2020 and The dispute was referred to the Appeal Committee, and the Appeal Committee decision was reached to reduce the amount to EGP 133,917 , the legal procedures were taken to appeal against the decision of the Appeal Committee, pursuant to Case No. 12125 of 77 before the Administrative Court of the State Council in Alexandria, in which the decision was issued in session 04/10/2023 deputizing an expert to attend and submit a report. In the session of 06/26/2023, noting that a provision was made at a rate of 89%.
- The tax re-examination has been performed for the years 2016 & 2017 in accordance with Appeal Committee Resolution No. 292 of 2022 dated 15/02/2023, as well as the examination of the years 2018/2019, and the final forms for the years 2016/2019 are being issued, noting that a provision of 56% has been formed.

30- Tax status (Continued)

30-2-2 Sales Tax/Value Added Tax

- Tax inspection for the years from 1995 till 2014 has been done, the company paid the due tax and there is no dispute for these years.
- Tax inspection for 2015 has been done that resulted in tax differences amounted to EGP 5,703 appealed by the company on May 5, 2019, the company paid the tax for that year.
- Tax inspection for the years from 2016 till 2019 took place. The company was notified of Form 15 with tax differences amounts to EGP 51,317,979, and an appeal was filed under a statement of appeal against the legal dates, and the decision of the appeal committee was issued to cancel the estimates of the Tax authority, re-examine and discuss points of disagreement with the company in light of the documents submitted, re-examination and the issuance of the decision was followed up by the appeal committee held on 29/4/2023, the decision was postponed to 24/5/2023, to complete the discussions between the members of the appeal committee and the tax center for major financiers regarding the dispute based on the due tax and pending the examination memorandum, noting that a provision of 40% was formed.

30-2-3 Payroll Tax

- The company has been accounted for the payroll tax for the years from 1995 till 2004, paid all the due tax and there are not disputes for those years.
- The company paid the due tax for the years from 2005 till 2009 amounting EGP 93,549 before the issuance of law no 173 for the year 2020 accordingly nothing will be incurred as delay penalty.
- The company paid tax principal for the years from 2010 till 2012 amounted to EGP 629,319 before Law no.173 of 2020 that lead to the waiver of the full delay penalty. The company is waiting for the Examination Division's memorandum to cancel the delay Consideration.
- Tax inspection from 2013 to 2019 has been done, the company paid EGP 754,650 from the principal tax due amount and EGP 155,473 of the delay fines amount, noting that a 100% provision has been Utilized in this subject.

30-2-4 Stamp Tax

- The inspection has been done for the years from 1995 till December 31,2014, the company paid the due tax and there are not disputes for those years.
- The tax inspection for the years from January 1, 2015 till December 31,2018 took place and the incurred tax were paid amounting EGP 8,480.
- Inspection requirements were prepared for the years 2019-2020 The company was notified, using Form (19), amounting to EGP 153,743 and it was appealed according to an appeal document within the legal dates, noting that the formation of a 100% provision.

30.3 Tax Status For Al Ezz Flat Steel (A Subsidiary)

30-3-1 Corporate Tax

- The company is subject to tax on the profits of legal persons as of May 5, 2008, after canceling the company's license to operate under the private free zone system according to Law No. 114 of 2008
- The tax inspection for the years from May 5, 2008 the inception date till 2018 has been done and resulted in tax losses.
- The company presented the tax returns in the legal dates for 2019/2022 in accordance to the provisions of the income Tax Act No.91 of 2005, as amended.

30-3-2 Payroll Tax

- The inspection has been done for the years from the inception date till 2019 and there is no due tax.
- The years 2020/2022 the company deduct and repay the tax. The related tax authority did not perform the tax inspection yet.

30-3-3 Sales Tax / Value Added Tax

- The tax inspection has been performed from the inception date till 2020, tax assessment and payment have been done in the legal dates and there is not a due tax.
- The tax inspection has not been done for 2021/ 2022 and the company presents the monthly tax returns in the legal dates, although the tax inspection has not been informed yet, as the tax authority have not request tax inspection.

30-3-4 Stamp Tax

- The tax inspection has been performed till 2020 and there is not a due tax.
- The company pay the tax in legal. Due dates on 2021/2022.

30-3-5 Property Tax

- The years from the beginning of the law until 2021: the assessment and payment for the first five-year period, which ends on 12-31-2021, according to the law.
- Year 2022 The Ministry of Finance shall bear the full value of the tax on the built property prescribed by Law 196 of 2008 for the industrial
- sectors specified in the Prime Minister's Decision No. 61 of 2022.

30- Tax status (Continued)

30.4 Tax Status For Contra Wood For Wooden Products (A Subsidiary)

30-4-1 Corporate Tax

Tax Exemption

- The company presents its annual tax return for corporate tax to the tax authority in the legal date and pays due tax according to tax returns (if any). According to the applied tax law in Egypt, the final due tax liability will be assessed after the tax authority inspection held by the tax authority whether through internal committee or appeal committee or the judgment.
- A dispute arose between the company and the tax authority about the company's right of the tax exemption according to article no.24 of Law no.59 of 1979 of new urban communities which has been replaced by article no.16 of Law no. 8 of 1997 of the investment guarantees and incentives regarding determining the tax exemption to become ten years as the tax authority considers that the company has not started operating and there are not any operating procedures before May 12,1997 which is the commencement date of law 8 of 1997. The operating started at the beginning of February 2002, which was subsequent to the commencement date of law 8 of 1997; therefore, the company has no right to exemption from tax. However, the company's management considers the projects in new urban communities obtain tax exemptions as long as the legal form is completed in accordance with the provisions of the law regulating their field of business, and all of these legal actions took place before May 12, 1997 which is the commencement date of law 8 of 1997; therefore, the company would obtain legally provided exemption until December 31, 2012.
- In case No. 36532 of 59 was issued at a sitting of 28 October 2006, the Court of Administrative Jurisdiction issued a judgement that the company was entitled to a tax exemption for a period of 10 years that start from the year subsequent to the start of production or the conduct of activity that is from January 1, 2003 to December 31, 2012, which includes The Year from the date of production commencing March 25, 2002 to December 31, 2002, which is noted in the tax card, with the right of the Authority to subject any sales outside the urban community to inspection, and to revoke an exemption in the case of an appeal ruling that does not correspond to the ruling handed down in case No. 36532 of 59.
- The company is subject to tax starting from January 1, 2013 after the tax exemption were ended on December 31, 2012.

Status Of Tax Inspection

Years From 1999 Till 2004

The due tax for the these years amounted to EGP 25,312 has been paid in November 12, 2019 and the delay penalty amounted to EGP 6,312 has been paid at that date so there is no due tax though the company appealed this decision in front of the counsel of state in appeal no. 43528 of year 72.

The years from 2005 up to date were not inspected the subsidiary submit its annual tax returns within the legal dates. The subsidiary had not been selected for inspection for these years. The subsidiary had not been informed by the tax form 32 related to inspection.

30-4-2 Payroll Tax

- The company is subject to the payroll tax for the year 1996-2004.
- A decision of the committee of appeal is issued for the years from 1997 till 2014 amounted to EGP 11,214 and a delay penalty (EGP 8,721) that have been paid in September 9,2018.
- The tax re-examination was carried out from 2005 until December 31, 2019, and the company pays the tax due on salaries and wages based on the submitted tax returns- the re-examination report were objected and the matter is circulating before the internal committee of the joint-stock companies tax office.

30-4-3 Stamp Tax

- The tax inspection has been performed for the year from January 1, 2001 till December 31, 2004 and there are no disputes.
- The years from 2005 up to date were not inspected. Up to date, the subsidiary had not been informed by the tax form 32 related to inspection.

30-4-4 Sales Tax / Value Added Tax

- The tax inspection has been performed till 2016 and the tax differences have been paid.
- The decision of the committee of appeal has been issued for the years from 2006 till 2016 .The company paid the due amounts EGP 142,932 according to the committee of appeal though the management appealed the decision in front of the administrative court, and the company has been paid these amounts.
- The tax inspection did not take place for the years from 2017 till March 31,2021, the VAT monthly returns through these years were submitted in the legal dates and the due tax paid regularly according to these returns.

30- Tax status (Continued)

30-5 Tax Status For Al-Ezz Rolling Mills Company

30-5-1 Corporate Tax

The company was exempted according to law no.59 of 1979 of new urban communities for 10 years starting from January 1,1990 till December 31,1999.

• **Years From The Inception Date Till 2017**

The tax inspection has been performed by the tax authority and disputes have been ended, the tax assessment has been done, the company paid the due tax and there are no due tax claims. The tax inspection resulted in authorized tax loss amounted to EGP 73,862,454 for 2016 and EGP 1,321,346,695 for 2017.

• **Years 2018/2022**

The tax return has been paid in the due date according to law no.91 of 2005 and its amendments and the according to the tax returns amounted to EGP 939,152,608 for 2018, EGP 1,846,897,397 for 2019, EGP 1,794,424,889 for 2020, and EGP 757,240,854 for 2021.

The tax inspection has not been done by the tax authority.

Year 2022

An extension of the tax return has been provided in accordance with article 85 of the Income Tax Act No. 91 of 2005. The tax return has been prepared and raised on the electronic system.

30-5-2 Sales Tax/ Value Added Tax

• **Year From The Inception Date Till 2018**

The tax inspection has been performed by the tax authority, disputes have been ended, the tax assessment has been done and the company paid the due amounts

• **Years 2019/2020**

- The tax inspection was finalized and the tax due was paid till the final settlement performed.

• **2021/2022**

- The company presents the monthly tax authority regularly in the due dates.

30-5-3 Payroll Tax

• **Years From The Inception Date Till 2015**

The tax inspection has been performed by the tax authority, disputes have been ended, the tax assessment has been done and the company paid the due amounts.

• **Years 2016 /2018**

The tax inspection has been performed, dispute has been ended in the internal committee and we think that it will be for the sake of the company.

• **Years 2019/2020**

The tax inspection for these years finalized. Currently the company is settling and paying the due tax.

• **Year 2021/2022**

The company deducted and repaid the payroll tax. The tax authority did not perform tax inspection till now.

30-5-4 Stamp Tax

• **Years From The Inception Date Till 2020**

The tax inspection has been performed by the tax authority, disputes have been ended, the tax assessment has been done and the company paid the due amounts.

• **Year 2021/2022**

The company pay the tax in its legal due dates

Tax Inspection did not take place yet

30-5-5 Property Tax

- The tax assessment has been done and the company paid the due amounts till December 31 ,2021.

- Year 2022/2023 The Ministry of Finance shall bear the full value of the tax on the built property prescribed by Law 196 of 2008 for the industrial sectors specified in the Prime Minister's Decision No. 61 of 2022.

30-5-6 Social Insurance

The company contributes to the social insurance system of the Social Insurance Authority for employees in accordance with the Social Insurance Authority Act No. 148 of 2019, as amended. These contributions are charged to income statement in accordance to accrual basis.

31- (Loss)/Earnings Per Share

The (Loss) / Earnings per share of parent company's shareholders are as follows:

| | | <u>31/03/2023</u> | <u>31/03/2022</u> |
|--|--------------------|------------------------|---------------------|
| Net (Loss) / Profit For The Period | (EGP) | (2,373,562,048) | 1,184,480,760 |
| Weighted Average Of Number Of Shares Outstanding During the Period | (No. of Shares) | 19,500,077 | 19,500,077 |
| (Loss)/Earnings Per Share For The Period | (EGP/Share) | <u>(121,72)</u> | <u>60,74</u> |

A number of 11,960 shares has been excluded on calculating the weighted average of number of shares During the Period; which represents treasury stocks (37-2).

32- Pension & Post Retirement Plans

The parent company contributes in the governmental social insurance scheme under the Social Insurance Authority for the benefit of its employees in accordance with the social insurance law no. 148 of 2019 and its amendments. The contributions of the group for the year ended 31 March 2023 are amounting EGP 21 million EGP are charged to the consolidated income statement in accordance to accrual basis. In addition to, the company has a private insurance fund as a separate legal entity for its employees; the company incurs 26.25% of monthly subscription wage of the fund.

The total value of the company's contribution to this fund for the fiscal year ending on March 31, 2023 amounted to 7 million Egyptian pounds, which was charged to the consolidated interim income statement.

33- Related Parties

Transactions with related parties represent the company's transactions with companies that the parent company contributes in and the companies owned by its stockholders have a significant influence and control. Transactions occurred with related parties are represented in Note No. (33-2).

Ezz Group Companies

The parent company sell some of its products, render services and different materials to Ezz group companies (El Ezz for commerce and distributing building materials – Ezz Steel - Ezz Rolling Mills company – Al Ezz for ceramics and porcelain "Gawhara") and the balances due to or from the parent company as a result of these transactions presented within balances due from / to related parties in the consolidated financial statements and value of these transactions is agreed upon from General Assemblies of these companies and transaction balances with related parties are presented as follow:

33-1-1 Due From Related Parties

| | 31/03/2023 | 31/12/2022 |
|--|--------------------|----------------------|
| | EGP | EGP |
| AL Ezz Steel Company | 906,069,753 | 1,393,514,192 |
| Al Ezz For Trade And Building Materials Distribution Co. | 3,670,986 | 3,670,986 |
| Ezz For Medical Industries | 19,727,200 | 17,568,960 |
| Total Debit Balance | 929,467,939 | 1,414,754,138 |

33-1-2 Due To Related Parties

| | | |
|--|---------------|---------------|
| Al Ezz For Trade And Building Materials Distribution Co. | 12,367 | 12,367 |
| Total Credit Balance | 12,367 | 12,367 |

33-2 Summary Of Significant Transactions With Related Parties During The Financial period Ended March 31, 2023

Transactions with related parties represent the Company's transactions with companies that the parent company have investment on them and the companies owned by its stockholders have a significant influence and control. The parent company's ordinary course of transaction with related parties are recorded according to its management terms and on the same basis of transaction with others and the approval of the value of such basis of transaction shall be obtained from general assemblies.

| Company Name | Nature Of Transaction | Amount Of Transactions | |
|--------------|-----------------------|------------------------|--------------------|
| | | Sales EGP | Purchase EGP |
| Al Ezz Steel | REBAR | 15,525,841 | 21,689,752 |
| | RAW MATERIALS | 765,150,240 | 491,497,805 |
| | BILLET | 470,068,594 | -- |
| | | 1,250,744,675 | 513,187,557 |

33-3 There is co-ordination between the parent Company and Al- Ezz group related to sales policy and contractual terms for the common customers, also there is co-ordination in raw material purchased from others according to contracts terms and decisions of general assembly.

33-4 The parent company deals with "NI Capital Company" which is a subsidiary of the National Investment Bank who is a shareholder in the parent company in the investments sector.

33- Related Parties (Continued)

- 33-5 The parent company deals with Misr Insurance Company shareholder in the company's capital and such transactions are represented in the insurance on the company's assets.
- 33-6 The parent company committed to deal with the insurance fund of the public and private sector workers (which owns a share in the company's capital) according to the Social Insurance Law No. 148 of 2019.
- 33-7 The parent company deals with the insurance fund of the company's employees as a future employee benefits in accordance with insurance fund's rules.
- 33-8 The parent company deals with the National Bank of Egypt shareholder in the company's capital indirectly through Al-Ahly Capital for Investments Company, as the company obtain a medium –term revolving loan.

34- Capital Commitments

The capital commitments amounted of EGP 79 million as of March 31,2023 as follows: -

| | <u>Amount In</u> <u>EGP</u> |
|--|--------------------------------|
| 1- Two finishing blocks drives upgrade of Rod Mill plant. | 33,804,284 |
| 2- Firefighting system of administrative buildings. | 9,244,842 |
| 3- Aerosol Fire Fighting System for electric panels. | 6,510,117 |
| 4- Power center upgrade project of Rod Mill plant. | 5,552,992 |
| 5- Firefighting system of Refractories store. | 4,736,193 |
| 6- Mineral jetty firefighting system "Increasing capacity". | 4,404,262 |
| 7- T2 & T3 automation server and workstations upgrade project - Mineral jetty. | 3,541,721 |
| 8- Firefighting System of Different Sites | 2,529,576 |
| 9- Dust collection system upgrade of DRP#3 | 2,469,600 |
| 10- Fixed assets items for IT department (Phones & server) | 2,082,010 |
| 11- Gunning system for hot repair EAF refractories of SMP#1 | 1,513,503 |
| 12- ROD mill automation system | 1,114,405 |
| 13- Drainage system Civil works of Mineral Jetty wind barriers | 1,104,183 |
| 14- Others | 269,830 |
| Total | <u>78,877,518</u> |

35- Contingent Liabilities

- 35-1 In addition to the amounts considered among various items of the Consolidated financial statements, there are contingent liabilities represented in the amounts of L/Cs and L/Gs issued by the parent and subsidiary companies Banks' in favor of others that are outstanding at the end of the financial period / year represented as follows:-

| | <u>31/03/2023</u> <u>Equivalent In EGP</u> | <u>31/12/2022</u> <u>Equivalent In EGP</u> |
|------|---|---|
| L/Cs | 10,878,296,857 | 2,262,982,008 |
| L/Gs | 86,169,247 | 289,940,500 |

- 35-2 A joint guarantee contract was signed in favor of Al-Ezz Flat Steel Company (a subsidiary company) and Al-Ezz Rolling Mills Company (a subsidiary company) to guarantee the restructuring of the existing long-term debts, and short-term facilities with the National Bank of Egypt and Banque Misr , amounting to EGP 8 billion. Approval of the conclusion of a settlement and joint guarantee contract with Danieli Company for the purpose of settling all amounts due and arising from contracts for the supply of equipment and spare parts to the two companies, Al-Ezz Rolling Mills and Al-Ezz Flat Steel Industry (subsidiaries), with a maximum of USD 7 million and Euro 43 million.

36- The Litigation & Claims Status:

36-1 Employees' Lawsuits Regarding Profits Differences

All lawsuits filed against the company from terminated employees have been resolved except one lawsuit remains pending, relating to previous years' profit bonuses.

36-2 Alexandria Port Authority

The Following Are Summary For The Outstanding Disputes And Issues With Alexandria Port Authority:

- Case concerning the claim by the Authority for sales tax and the delay fine imposed on the trading category.
- The lawsuit related to the authority's claim for the right to use the mining ores berth equipment and related to the handling of raw materials in the port of Dekheila.-
- The lawsuit filed by the company against both the port authority and the tax authority to claim the refund of what was collected from the company under the name of sales tax for The Year from 15/02/2003 to 31/12/2013.
- The lawsuit filed by the company requesting reimbursement of what was collected under the name of sales tax on exchange for the license to use The Year from January 2014 to September 2016.

The board of directors of Ezz ELDekeila Steel Company – Alexandria, approved in the first meeting held in 2022 dated 26 January 2022, to settle the disputes and outstanding filed suites with the General Authority of Alexandria Port peacefully; in order to end up the outstanding dispute with the Port Authority.

36-3 Recently Issued Laws

- A new resolution was issued from the ministry of finance no 14 for the year 2021 regarding setting a mechanism for applying some of articles of the law no 16 for the year 2018 amended by the law no 4 for 2021 related to establishing a fund for Honoring martyrs, victims, missing and injured as a result of wars, terrorists and security operations and their families. In the article no 8 from the law referred to is stipulating that a percentage of 5 from 10000 from the salary of employees in the public and private parties those who are subject to the labor law except the irregular employees.

37- Significant & Subsequent Events

- 37-1 The worldwide countries did not recover yet from the negative implications of the spread of the pandemic of "Covid-19" to enter in a new wave of negative implications of the slowing down of the economies of many of the great countries during the previous period, such situation that led to mixed raises in the prices of main goods, disorders in the supply chains and an increase in international freight, in addition to fluctuations in the stock exchange markets of emerging countries, this complex situation led up to inflationary pressures on the economies of many countries including Egypt, also the Russian Ukrainian war lead to a decrease in the foreign cash flows generated from the tourism and a decrease in the direct foreign investment. Generally, all of these reasons resulted in an increase in level of prices.

This increase in general price index caused an additional pressure on the local currency of Egypt, that lead the Central Bank of Egypt to interfere through raising the interest rates on the Egyptian Pound (EGP) and moving the exchange rate of EGP against the main foreign currencies during end of March and October 2022 , to reflect the new global and domestic reality resulting in a significant fall in the value of the Egyptian pound against the US Dollar during that period ..

The prime Minister's Decision No. 4706 of 2022 was issued on 27 December 2022 amending certain provisions of the Egyptian Accounting Standards by adding the appendix "c" of the Egyptian Accounting Standards No. (13) for – "Effects of changes in foreign exchange rates" contained in the Egyptian Accounting Standards in conformity with the Decision of the Minister of Investment No. 110 of 2015 , which allowed for special accounting treatment "Optional " to deal with the implications of moving foreign exchange rates over the past period. The company's management decided not to apply the optional accounting treatment added by the appendix (c) which was reflected on the results of the year presented by approximately EGP 2 billion because of its short and long – term foreign currency liabilities balances and its need to cover its import operations in dollars and other foreign currencies.

The company's management decided to apply paragraph "7" only of the optional accounting treatment only (Ezz flat steel - related company).

37-2 Treasury Stocks

On June 4, 2020, the parent's Board of Directors approved the acquiring of treasury shares within 1% of the company's paid capital, equivalent to a number of 195,000 shares through the stock exchange market. During the Period from January 5, 2021 to January 20, 2021, the company acquired 11,960 shares with a total value of EGP 4,826,824, with an average of EGP 403.58 per share. The company's management intend to take all the necessary actions in this respect in the near future.

37-3 Subsequent Events

New Accounting Standards and Changes on Accounting Standards

On March 6, 2023, the Prime Minister issued Decree No. 883 of 2023 amending certain Egyptian Accounting Standards, which includes:

- Replacing the preliminary appendix to the Egyptian accounting standards issued by the Minister of Investment's decree No. (110) of 2015 with the preliminary appendix attached to Decree No. 883 of 2023.
- Replacing of the Egyptian accounting standards No. (10) Property, Plant and Equipment (23) Intangible Assets, (24) Real Estate Investment, (35) Agriculture, and (36) Exploration For and Evaluation Of Mineral Resources from the Egyptian accounting standards referred to, with new standards accompanying Decree No. 883 of the year 2023.
- Adding a new standard No. (50) Insurance Contracts and canceling Accounting Standard No. (37) Insurance Contracts
- These amendments or new standards apply to financial periods beginning on or after January 1, 2023, and it is not expected that there will be a material impact on the financial statements unless the management changed the company's policy

38- Significant Accounting Policies

The accounting policies set out below have been applied consistently during the financial years presented in these consolidated financial statements and for all the group companies.

38-1 Basis Of Consolidation

The consolidated financial statements include assets, liabilities and results of operations of Al Ezz Dekheila Steel Alexandria Company (Parent Company) & all subsidiary companies upon which it has significant control & this control is achieved directly or indirectly by the ability to control the financial & operational policies of subsidiary companies to obtain benefits from its operations. As, future voting rights in the ability of control are also taken into consideration, the subsidiary companies financial statements are included in the consolidated financial statements from the date of controlling the company to the date of losing this control, a subsidiary company is not included in the consolidated financial statements if the parent company loses its control over the financial & operational policies in the subsidiary and basis of preparation of the consolidated financial statements is represented in the following:

- The Parent company investments in the subsidiary companies is excluded in exchange for addition of subsidiary company's assets and presenting non – controlling interest in the subsidiary companies alongside the owner's equity non – controlling interest item.
- All intercompany balances and transactions are eliminated, unrealized profits or losses and resulted from group transactions is completely excluded taking into consideration that the losses may refer to impairment in the exchanged assets which may require recognition in the consolidated financial statements.
- Presenting share of the non – controlling interest in the subsidiary company in a separate account within shareholders equity after shareholder equity and before liabilities in the consolidated financial position and minority interest is also presented in net income for the year after tax in a separate account before determining profit of the parent company in the consolidated income statement and it is calculated by what's equal to their share in the Book value of the net assets of the subsidiary company at the date of preparation of consolidated
- Subsidiary company is not included in the consolidated financial statements when the parent company loses its control over financial and operational policies of the subsidiary company for the purpose of benefiting from its operations.
- In case of acquisition that occur to subsidiary companies under joint control, the difference between acquisition cost and parent company share in the fair value of the net assets of the subsidiary company at the date of acquisition is recognized directly to owners' equity in the account of difference occurred from acquisition operations of subsidiary companies under joint control.

38-2 Foreign Currency Translation

The parent company presents its accounts by Egyptian pound and transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated financial statements date are retranslated to Egyptian Pound at the exchange rate at that date. Foreign currency differences arising from retranslation are recognized in the consolidated income statement. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Except for:

- Monetary assets and liabilities denominated in a foreign currency agreed upon its collection or payment according to predetermined exchange rates.
- And according to monetary assets and liabilities in a foreign currency which doesn't have prevail exchange rate in exchange for Egyptian pound, its exchange rate is determined by using US dollar as an intermediate exchange rate between currencies and Egyptian pound.
- Foreign currency differences resulted from transaction During the Period and from retranslation at the date of consolidated financial statements is recognized within consolidated income statement.
- Except losses from revaluation differences resulted from retranslation of monetary items at the date of foreign currency which have been recognized within other comprehensive income items (instead of income statement) and recording these differences in the same financial year within retained earnings (losses) at December 31, 2016.
- The flat steel company changed presentation company from us dollar to Egyptian pound.

38- Significant Accounting Policies (Continued)

38-3 Property, Plant & Equipment And Depreciation

i) Initial Recognition And Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, when parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (main component) of property, plant and equipment, profit and loss resulted from disposal of assets is recognized within income statement.

During 2016 modified cost model is adopted as the cost and accumulated depreciation for some categories of property, plant and equipment (machinery and equipment, vehicles, furniture and office equipment, tools and supplies) were modified using modification factors stated in annex (A) of the Egyptian Accounting Standard No. (13), the increase of net fixed assets which are qualified to modification, were recognized as a consolidated item in other comprehensive income statement and was presented as a separate item in equity under the name of "modification the cost of fixed assets" the realized portion of modification the cost of fixed assets was transferred to retained earnings or losses in case of releasing or getting rid of the asset eligible to adjust or the result of usage. (depreciation difference resulting from the adoption of the special accounting treatment), at December 31, 2016.

ii) Subsequent Acquisition Costs

The cost of replacing part of an item of property, plant and equipment is recognized at the book value of the item after deducting its cost when incurred by the company and if it is probable to generate future economic benefits for the company.

iii) Depreciation

Depreciation is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of each part of an item of Property, plant and equipment to reflect the economic benefits of these assets. As, land is not depreciated. The management reviews the remaining useful life for the fixed assets periodically to be matched with the prior estimated life, if material discrepancies are found, the depreciation will be calculated over the estimated residual useful life for these assets, Rolling Mills depreciation is calculated based on actual consumption by millimeter.

The Estimated Useful Life For Current And Comparative Year Is As Follows:

| | <u>Estimated Useful Life</u> <u>(Year)</u> |
|--|---|
| Buildings & Constructions | |
| - Administrative Buildings | 50 |
| - Factory Buildings | 33.3 |
| - Constructions | 25 |
| Plant Machinery & Equipment | |
| - Direct Reduction Plant | 25 |
| - Continuous Melting, Casting & Lime Calcining Plant | 20 |
| - Other Plants | 20-25 |
| - Other Machines | 4-40 |
| Vehicles | |
| - Cars And Trucks | 5 |
| - Motorcycles And Internal Transportation Vehicles | 4 |
| - Bicycles | 2 |
| - Other | 10 |
| Tools | 4-10 |
| Furniture & Fixtures | |
| - Furniture & Computers | 4-6.6 |
| - Furniture & Fixtures | 5-10 |
| Rolling Mills | According to actual usage |

38-4 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 property, plant and equipment when they are completed and are ready for their intended use.

38- Significant Accounting Policies (Continued)

38-5 Borrowing Cost

The borrowing cost represented in interest expense and bank charges are recognized directly in the consolidated income statement with exception of borrowing costs which are directly related to acquisition, Construction or production of property, plant and equipment are capitalized as part of the assets book value and depreciated over its estimated useful life, the cost of borrowing is capitalized as a part of the property, plant and equipment cost when the actual expenditure of the asset starts and During the Period the company incurs such costs, the borrowing costs capitalization ceases During the Period where the preparation of the asset temporarily stops or when the asset is ready for its intended use.

38-6 Investments

38-6-1 Investments In Associates

Investment in associates are investments in companies at which the company has a significant influence but it is neither a subsidiary company nor a share in a joint venture. The existence of a significant influence is assumed when the investor owns a percentage of 20% or more of the voting rights of the investee directly or indirectly through its subsidiaries, except for the cases in which the ownership does not represent a significant influence or on the other hand, The investor owns directly through its subsidiaries a percentage less than 20% of voting rights of investee so, it is assumed that the investor does not have a significant influence in it unless the existence of this influence was proved, it is noted that the ownership of majority of shares does not necessarily prevent that another investor would have a significant influence on the investee.

Investments in associates are accounted for in the Independent financial statement at cost including acquisition cost. In case of impairment in the value of those investments, the book value of each investment individually would be adjusted by this impairment and charges to the income statement. Impairment loss is reversed only to the extent to the asset's book value that would have been determined if no impairment loss had been recognized.

38-6-2 Financial Investments At Fair Value Through Other Comprehensive Income

The financial investments are initially measured at fair value and as of the consolidated reporting date, the change in the fair value whether gain or loss is recognized directly to equity, except for impairment losses in the value of investment as it is recognized in the consolidated income statement. When an investment is derecognized, the cumulative gains or losses which previously recognized in the consolidated owner's equity directly are recognized to the consolidated income statement. The fair value for investments is identified based on the quoted price of the exchange 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.

38-7 Investments In Saving Certificates

Investment in saving certificates is measured at cost and revenue of these certificates is realized according to effective interest rate and accrual basis.

38-8 Financial Investments (Treasury Bills)

The financial investments (Treasury Bills) – if any- are valued at their acquisition cost. The difference between the acquisition cost and the net realizable value During the Period from the date of acquisition until the date of maturity are recognized on an effective interest using the effective interest rate, the revenue is realized according to the accrual principal, and recognized in the Consolidated income statements at the year realized within.

38-9 Goodwill

Goodwill arising from the acquisition of a subsidiary or a joint operation represents the excess of the cost of the acquisition over the Group's share in the fair value of the net assets of the acquired entity at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost, less any impairment losses.

For the purpose of impairment tests, goodwill is allocated to each unit of the group that is able to generate cash flows that are expected to benefit from that combination. These units are subjected to the impairment test annually or more periodically when there are indicators of impairment for the unit.

If the recoverable value of these units is less than their book value, the losses of this impairment are used first to reduce the book value of any goodwill distributed over the unit in advance, then to reduce the rest of the other assets of the unit on a proportional basis according to the book value of each asset in the unit, taking into account that the losses The impairment of goodwill is not reversed in subsequent years.

When a subsidiary or a joint operation is disposed of, the goodwill is taken into consideration when determining the profits or losses of that disposal, which also applies to the associate company, where the investment cost in the associate includes the value of the goodwill. The company's policy regarding the goodwill that arises upon the acquisition of an associate company has been disclosed in the note "investments in associates" above.

38-10 The Impairment Of Goodwill

The goodwill impairment test is performed by comparing the recoverable amount of the cash-generating units to which the goodwill relates with their carrying amount. The recoverable amount of the cash-generating unit is the "fair value less costs to sell" or "value in use", whichever is greater. The valuation process requires the use of valuation models such as the expected discounted cash flows, which require the use of assumptions by management to estimate future cash flows. Determining the value in use depends largely on the discount rate used to calculate the net present value of future cash flows in the model, in addition to expectations related to those cash flows (in terms of amounts and timing) and the growth rate used in the model.

38- Significant Accounting Policies (Continued)

38-11 Inventory

Inventories are measured at lower of cost or Net Realizable Value. Net Realizable Value is the estimated selling price in the ordinary course of business, less estimated completion cost and selling expenses.

The inventory cost is determined as follows:

- a) Raw materials, spare parts and supplies are valued at cost using the weighted average method.
- b) The scrap which is cascaded from production phase is valued by monthly weighted average to purchase the last month's local onerous scrap.
- c) WIP products is valued at prime direct costs which include material cost, direct labor cost and indirect manufacturing costs for the last production stage that has been reached.
- d) Finished and unfinished products available for sale are valued by actual manufacturing cost (direct and indirect).
- e) The inventory of Goods for sale is recognized at the lower of cost or Net Realizable Value and its cost is determined according to weighed average.
- f) Al- Ezz for Flat Steel Company's inventory (Subsidiary Company) is valued at the end of the year at cost and the cost is calculated based upon First in First out (FIFO), but raw materials, spare parts and other supplies by weighed average.

38-12 Trade Receivables, Debtors & Notes Receivables

Initial recognition of trade receivables, debtors and other debit balances at fair value and subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less impairment losses.

38-13 Cash & Cash Equivalent

Cash and cash equivalents includes cash balances, bank, current accounts, time deposits, treasury bills and mutual fund bills which do not exceed three months (if any) and banks overdrafts that are repayable on demand and form an integral part of the company's cash management preparing are included as a component of cash equivalents for the purpose of preparing the consolidated statement of cash flows.

38-14 Impairments

Non-Derivative Financial Assets

Financial Instruments And Assets Arising From The Contract

The company recognizes loss provision for expected credit losses for the following:

- Financial assets measured at amortized cost;
- investments in debt instruments that are measured at fair value through other comprehensive income; And
- The assets arising from the contract.

The Company Measures Loss Allowances At An Amount Equal To The Lifetime ECL, Except For The Following, Which Are Measured At An Amount Equal To The 12-Month ECL:

- debt instruments that were identified as having low credit risk at the reporting date; And
- The other debt instruments and bank balances in which the credit risk (i.e., the risk of default over the expected life of the financial instrument) has not increased significantly since the first recognition.
- Provisions for losses of commercial customers and contract assets are always measured at an amount equal to the expected credit losses over their life.
- In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and known credit assessment, including forward-looking information.
- The company assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

The Company Considers A Financial Asset To Be In Impaired When:

- it is unlikely that the borrower will pay its credit obligations to the group in full, without resorting to the company by measures such as liquidating the guarantee (if any); or
- The financial asset is more than 90 days old.
- The company considers debt instruments to have low credit risk when their credit risk rating is equal to the globally understood definition of "investment grade"
- The expected credit losses over the life span of the asset are the expected credit losses resulting from all possible failures over the life expectancy of the financial Instruments.
- Expected credit losses over 12 months are Part of expected credit losses resulting from possible failures within 12 months after the date of the report (shorter period if the instrument's life expectancy is less than 12 months) Maximum period taken into account when estimating expected credit losses and maximum contractual period in which the company is exposed to credit risks.

Measuring Expected Credit Losses

- It is a probability-weighted estimate of credit losses. The present value of all cash shortfalls is measured (that is, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).
- Expected credit losses are discounted at the financial asset's effective interest rate.

38- Significant Accounting Policies (Continued)

38-14 Impairments (Continued)

Credit Impaired Financial Assets

- At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments measured at FVOCI are credit-impaired. The financial asset is considered "credit impairment," when one or more events that have a detrimental effect on the estimated future cash flows of the financial asset occur.

Evidence That Financial Assets Are Credit Impaired Includes Observable Data.

- Significant financial difficulty for the lender or issuer and
- Violation of the contract such as failure or being overdue for a period of more than 90 days and
- the restructuring of a loan or advance by the company on terms that the company will not take into account in one way or another; And the
- The borrower is likely to enter bankruptcy or other financial reorganization; or
- The disappearance of an active stock market due to financial difficulties.
- Disclosure of the provision for expected credit losses in the statement of financial position.
- The loss allowance for financial assets measured at amortized cost is deducted from the total carrying amount of the assets.
- For securities in debt securities that are measured at fair value through other comprehensive income, the loss allowance is charged to the profit or loss and is recognized in other comprehensive income.

Write-Off

- The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

38-15 Capital

i) Common Stocks

Incremental costs directly attributable to the issue of common stock and share options are recognized as a deduction from consolidated shareholders' equity.

ii) Repurchase Of Capital Shares

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

iii) Dividends

Dividends are recognized as a liability in the year in which they are declared and approved by Company's general assembly.

38-16 Loans

Interest-bearing borrowings and credit facilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are recognized at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the year of each borrowing separately on an actual interest basis.

38-17 Trade Creditors & Other Payable

Trade creditors and other payables balances are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, creditors and other credit accounts are stated at amortized cost using the effective interest rate. the liabilities (accruals) are recognized with the value to be paid in the future for goods and services received.

38- Significant Accounting Policies (Continued)

38-18 Provisions

Provisions are recognized in the financial position when the company has a present legal or constructive obligation as a result of previous event, and it is probable that an outflow of economic benefits will be required to settle this 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 assessments of the time value of money and, where appropriate, the risks specific to the liability.

38-19 Revenue

i) Goods Sold & Services Rendered

Recognizing revenue from the sale of goods is taking place when transferring the control related to ownership of these goods have been transferred to the customer once there is a certainty regarding the recovery of the consideration due, associated costs or the possible return of goods. The management is not capable to make any subsequent effects on the goods sold. The revenue shall be measured in a reliable way. In case of export sales the transferring of control on the sold goods according to shipment terms.

The Egyptian Accounting Standard No 48 – Revenue From Contracts With Customers

The Egyptian accounting standards no 48 is identifying a comprehensive frame to identify value and timing of the recognizing of revenue this standard supersede the Egyptian Accounting Standards no 11 & 18 related to construction contracts and revenue recognition.

- The revenues are recognized when the client have the control on goods or services. The identification of the timing of transferring the control, even through a time interval or at a point of time, require personnel judgment.
- The additional costs recognized to have a contract with a client is recorded as an asset if the company is expecting to recover such costs.

The Probable Effect On The Financial Statements

In light of the current activities of the company and in addition to the applied accounting policies the effect of applying the accounting standard no 48 will be immaterial.

ii) Credit Interest

Interest income is recognized in the consolidated income statement using an effective interest basis according to the accrual basis.

38-20 Employees' Share In Profit

According to the parent company bylaw, the company pays a share from cash dividends as employees share in profit according to the regulations suggested by the Company's board of directors and approved by the general assembly. Employees' share in profit is recognized as dividends within changes in the consolidated owner's equity statement and as a liability during the financial year whereas the Company's shareholders approved these dividends.

38-21 Expenses

The recognition of all operating expenses, including general and administrative expenses charged and selling and distribution to the consolidated income statement in accordance with the accrual basis in the financial year where these expenses were incurred.

i) Rental Payments

Payments made under operating leases are recognized in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as integral part of the total lease expenses, over the term of the lease.

ii) Interest Expense

Interest expense on interest-bearing borrowings and credit facilities is recognized in the consolidated income statement using the effective (prevailing) interest rate method according to the accrual basis.

iii) Employees' Pension & Insurance

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employer contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to the consolidated income statement using the accrual basis of accounting.

38-22 Income Tax

The current tax and deferred tax are recognized as an income or an expense in the profit or loss of the year except in cases where the tax arises from an operation or event recognized - in the same year or in a different year - outside profit or loss either in other comprehensive income or within equity directly or assembling works.

38- Significant Accounting Policies (Continued)

38-23 Current Income Tax

Current and prior years taxes that have not been yet repaid are recognized as a liability. If the taxes already paid in the current and prior years are greater than the amount due for such years, the increase is recognized as an asset. The current tax liabilities (assets) for current and prior years measured at the value expected to be paid to (refunded) by the tax administration, using the tax rates (and tax laws) in force or to be issued at the end of the financial year, the dividends are taxed as part of the current tax. Tax assets and tax liabilities are offset only when certain conditions are met.

38-23-1 Deferred Tax

Deferred tax is recognized for temporary differences between the accounting basis of assets, liabilities and the tax base of such assets and liabilities, except for the following:

- Initial recognition of good will -if any-
- Or the initial recognition of the asset or liability of the process which:
 - 1- Not a compilation of works.
 - 2- Does not affect net accounting profit or tax profit (tax loss).

The deferred tax asset arising from the transfer of tax losses, the right to unused tax deduction and temporary deductible differences are recognized when there is a strong probability that future taxable profits may be realized through which the asset can be utilized. The future tax profit is determined by the future work plan of the company. The unrecognized deferred tax assets are re-estimated at the end of each financial year and recognize the deferred tax assets that have not previously recognized to the extent that it is probable that there will be a tax gain in the future that will allow the deferred tax asset to be accommodated.

Deferred tax is measured using the tax rates expected to be applied when temporary differences are recognized.

When the deferred tax is measured at the end of the financial year, the tax effects of the group's procedures for recovery or the carrying amount of its assets and liabilities are taken into account.

Tax assets and liabilities are offset only when certain conditions are met.

38-24 Employees' Supplementary Pension Plan

The parent Company Al Ezz Dekheila Steel Alexandria Company and Contrasteel (subsidiary company) provide employees with a defined benefit pension plan, the defined benefits obligate the company to pay amounts or to remain a certain amount of payments for future benefits thus the company is subjected to a medium term and long term risk.

The defined benefit Obligation plan is presented among the liability in the financial position – supplementary pension plan obligation to cover the total amount of those liabilities. The defined benefit pension plan obligation is recalculated on a regular basis by an independent actuarial expert using estimated additional unit method. This technique involves assumptions regarding the population sciences, the employees' turnover, and the rate of increase in the employees' salaries and the discount rate of the inflation. The fair value of the plan assets is deducted from the obligation of the benefit plan.

The re-measure of Net defined benefit plan liability (Asset) of supplementary pension are recognized in other comprehensive income statement and the re-measurement of net liability (Asset) comprise: -

- 1- Actuarial gains on losses resulted from changes in actuarial assumptions, experience modifications.
 - 2- The return assets excluding amounts on net interest on net defined benefit plan liability (Asset).
- previous service cost is the change in the present value of defined benefit plan liability resulting from modifying or curtailing the system, previous service cost is recognized as an expense in income statement when there is a modification or curtailment in supplementary pension system or when the company recognizes the related restructuring costs or end of service benefits which happens first.

38-25 Earnings Per Share

The Company presents basic earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the parent Company by the weighted average number of common shares outstanding During the Period.

38-26 Other Assets

- Other assets represent cost of licenses expected to generate future economic benefit for the company.
- Other assets recorded with cost of purchase, which include any other expenses required for asset to be ready for use less accumulated impairment loss & amortization.

38- Significant Accounting Policies (Continued)

38-27 Grants Related To Assets

Grants related to assets are recorded as deferred revenues and recognized as revenues according to grant terms. The balance of deferred revenue is included within long-term liabilities after deducting due deferred revenue During the Period that presented within current liabilities.

38-28 Egyptian Accounting Standard No. (47) Financial Instruments

The Egyptian Accounting Standard No. 47 sets out requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard replaces EAS No. 25 Financial Instruments: Presentation and Disclosure, FAS No. 26 Financial Instruments: Recognition and Measurement, and EAS No. 40 Financial Instruments: Disclosures applicable to disclosures for the year 2021.

A- Classification & measurement Of financial Assets & Financial Liabilities

The new standard requires the company to evaluate the classification of financial assets in its financial statements according to the cash flow characteristics of the financial assets and the company's relevant business models for a particular class of financial assets.

Egyptian Accounting Standard No. 47 no longer has an "available-for-sale" classification for financial assets. The new standard contains different requirements for financial assets in debt or equity instruments.

B- Debt Instruments Are Classified & Measured In One Of The Following method:

Amortized cost, for which the effective interest rate method or will be applied, or

Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss on sale of the financial asset or

Fair value through profit or loss.

C- Classification & Measurement Of Investments In Equity Instruments Other Than Those Considered & Applied To Equity Accounting In One Of The Following Ways:

Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss on sale of the financial asset, or

Fair value through profit or loss.

The company continues to measure financial assets initially at fair value plus transaction costs upon initial recognition, with the exception of financial assets measured at fair value through profit and loss in accordance with current practices. The classification of the majority of financial assets was not affected by the transition to Egyptian Accounting Standard No. 47 on January 1, 2021. Statement of reclassification made upon transition to Egyptian Accounting Standard No. 47 explained above In this note, Egyptian Accounting Standard No. 47 largely maintains the same existing requirements in Egyptian Accounting Standard No. 26 for classification and measurement of existing liabilities.

The application of Egyptian Accounting Standard No. 47 did not have a material impact on the company's accounting policies related to financial liabilities and derivative financial instruments.

D- Impairment

The Egyptian Accounting Standard No. 47 uses the expected credit loss model. Which replaces the actual loss model in the Egyptian Accounting Standard No. 26, where there was no need to create a provision for doubtful debts, except in cases where a loss actually occurred. On the contrary, the expected credit loss model requires the company to recognize a provision for doubtful debts on all financial assets carried at amortized cost, as well as debt instruments classified as financial assets at fair value through other comprehensive income since the first recognition, regardless of whether the loss occurred.

39- Long-Term Lending

Represents one of the employees' benefits granted to employees according to the company's applied regulations. The employees' loans are recorded as per the payments' schedules according to its present value and charging cost to the year income statement.

40- The Acquisition On Subsidiary Companies – (Al - Ezz Rolling Mills Company)

| Description | 31/03/2023 |
|---|------------------------|
| | EGP |
| Acquisition Cost | 2,083,837,903 |
| The Fair Value Of The Identifiable Assets | |
| Property Plant & Equipment (Net) | 9,161,944,134 |
| Investments Available For Sale | 98,506,853 |
| Projects Under Construction | 1,554,158 |
| Current Assets | 2,910,651,511 |
| Total Assets | 12,172,656,656 |
| Total Liabilities | (9,619,356,375) |
| Deferred Tax Resulting From Assets Revaluation | (723,667,275) |
| The Fair Value Of The Net Identifiable Assets At Date Of Acquisition | 1,829,633,006 |
| Less: - | |
| Non – Controlling Shares Through Business Combination | (5,488,899) |
| | 1,824,144,107 |
| The Fair Value Of The Net Identifiable Assets Of The Parent Company | 1,824,089,383 |
| Balance At The Acquisition Date (Included In Other Assets As Goodwill) | 259,748,520 |

41- Corporate Social Responsibility

The Company is committed to taking care of corporate social responsibility through a number of initiatives which include:

- Maintaining workplace health and safety of its employees and clients by providing a safe and healthy working environment and training its employees on workplace health and safety code.
- Enhance the environmental impacts of production processes by applying industry best practices to reduce emissions and manage waste and resources used in production
- Local community support by providing financial and moral support for philanthropic projects and developing educational and training programs in areas that benefit local communities.

The Company outlines these initiatives in its annual report on community environmental practices and corporate governance related to sustainability in accordance with the requirements of the General Authority for Financial Control No. 107 and 108 for 2021, which includes an introduction to social responsibility and its importance, the strategy followed by the company in this area, details of the initiatives taken and their results, the environmental and socio-economic performance of the company in the past period, and the company's future commitments in this field.