



EZZSTEEL REPORTS CONSOLIDATED 9M 2014 RESULTS

Cairo, 17 February 2015 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 30 September 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	<i>EGP Million</i>	<u>9M2013</u>	<u>9M2014</u>	<u>YoY (+/-)</u>
• Net sales		15,981	14,881	-7%
• Gross profit		1,848	513	-72%
• EBITDA*		1,847	504	-73%
• Net Result before tax and minority interest		896	-571	
• Net Result after tax and minority interest		217	-461	
• Earnings per share **		0.40	-0.85	
• Net debt to equity		1.29x	2.11x	

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

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

Comment

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

“During the third quarter of 2014, ezzsteel suffered from the negative impact of three main factors;

The sudden deterioration of the global steel market, which provoked a surge in the import of dumped steel products into the Egyptian market; the constant disruption of utilities during the summer season, which stopped our production facilities and drastically reduced our total output; the unprecedented increase in energy prices and the severe shortage in foreign currencies in Egypt, which inflated our manufacturing costs.

In coordination with the respective concerned parties, ezzsteel has implemented a number of corrective measures, which we hope will gradually rebalance our performance in the coming year.”

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About ezzsteel

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

In 2013, the Company produced 3.7 million tonnes of long products (typically used in construction) and 990 thousand tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales & Production

Consolidated net sales for 9M 2014 were EGP 14.9 billion, representing a decrease of 7 per cent year on year. This decrease in sales is principally due to constant disruption of utilities especially during the summer months. Long product prices were up 1% in the local market, while flat export prices were unchanged.

Local flat prices were also unchanged year on year, but up slightly on the previous quarter, as demand cautiously started to pick up, possibly anticipating a more buoyant Egyptian economy following the conclusion of the Presidential election.

Sales after elimination	ESR/ERM	EZDK	EFS	Consolidated
<i>EGPMn</i>				
Long	4,058	6,373	1,437	11,868
Flat		2,808		2,808
Others		195	10	205
Total	4,058	9,376	1,447	14,881

Long steel products accounted for EGP 12 billion or 80 per cent of sales in 9M 2014, while flat steel products represented 19 per cent of sales at EGP 2.8 billion. Long product exports accounted for 5 per cent of total long sales. Flat product exports accounted for 41 per cent of total flat sales.

Sales Value	Domestic	per cent	Export	per cent
<i>EGPMn</i>				
Long	11,286	95	582	5
Flat	1,644	59	1,164	41

Long sales volumes were 2.63 million tonnes during 9M 2014, 7 per cent lower than the 2.82 million tonnes sold during the same period last year. During the period, the company took the strategic decision to maintain a relatively consistent market position, despite weaker pricing.

Flat sales volumes, which were concentrated at EZDK, fell by 14 per cent to 624,775 tonnes in 9M 2014, due to lower production. Both the domestic and export market saw significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 3.3 million tonnes in 9M 2014, a decrease of 7 per cent from the 3.6 million tonnes sold in 9M 2013.

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

Long steel production volumes totalled 2.8 million tonnes during 9M 2014, down 1 per cent compared to 9M 2013. Flat steel production volumes decreased by 23 per cent to 566,235 tonnes for the period, compared to 733,786 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2014 represented 97 per cent of sales, reflecting a decrease in gross profit margin from 12 per cent in 9M 2013 to 3 per cent in 9M 2014.

EFS's Cost of Goods Sold, at 115 per cent, reflects the continued low capacity utilization level currently at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive scrap and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	4,245	9,317	1,655	14,881
COGS	4,182	8,648	1,911	14,369
COGS/Sales	99%	93%	115%	97%

Gross profit

Gross profit of EGP 513 Million was recorded for 9M 2014, a decrease of 72 per cent from the EGP 1.8 billion recorded in 9M 2013.

EBITDA

EBITDA for 9M 2014 amounted to EGP 504 million, representing a decrease of 73 per cent from EGP 1.8 billion in 9M 2013.

Tax

The company's deferred tax assets amounted to EGP 97 million during the period and the company's income tax expense amounted to EGP 55 million during the period

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 461 million for 9M 2014, in comparison to a profit of EGP 218 million for 9M 2013.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.1 billion and net debt of EGP 12.83 billion. The company has a gearing of Net Debt / Equity of 2.11 times.

Outlook

The continued weakness in the global steel sector, and the detrimental conditions in which our industry operates in Egypt, are the main ongoing challenges that ezzsteel will be facing for the foreseeable future.

To address these challenges, ezzsteel has taken a number of corrective measures which will gradually rebalance our performance in the coming year.

Divisional Overview

<u>EZDK</u>			
Sales (EGP):	9M 2013	9M 2014	
Value:	10,122	9,317	Mn
Volume:			
Long:	1,524,350	1,423,429	Tonnes
Flat:	727,560	624,775	Tonnes
Exports as % of Sales:			
Long:	13	9	
Flat:	46	43	
EBITDA:	1.9	0.6	Bn
Production:			
Long Products:	1,509,533	1,524,641	Tonnes
Flat Products:	733,786	566,235	Tonnes
Billets:	1,554,309	1,551,648	Tonnes
<u>ESR/ERM</u>			
Sales (EGP):			
Value:	4,748	4,246	Mn
Volume:	994,225	961,790	Tonnes
Exports as % of Sales:	7	2	
EBITDA:	70	-48	Mn
Production:			
Long Products:	1,005,765	920,548	Tonnes
Billets:	581,274	579,561	Tonnes
<u>EFS</u>			
Sales (EGP):			
Value:	1,717	1,655	Mn
Volume:			
Long:	307,559	317,045	Tonnes
Flat:	0	0	Tonnes
Exports as % of Sales:			
Long:	0	0	
Flat:	0	0	
EBITDA:	-99	-131	Mn
Production:			
Long Products:	307,240	337,838	Tonnes
Flat Products:	0	0	Tonnes
Billets:	370,154	319,306	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 9 month period ending 30 September 2014. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2014
& limited Review Report

**Limited Review Report on Consolidated Interim Financial Statements
To The Board of Directors of Ezz Steel Company**

Introduction

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

Scope of Limited Review

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

Conclusion

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

Emphasis of matters

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

- 1- As explained in note no. (35-1) to the consolidated interim financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

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

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the company was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on March 3, 2015. Currently, it is difficult to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

- 2- As explained in note no. (32-3-1) of the notes to the consolidated interim financial statements. The tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to LE 219 million according to the forms received from the Tax Authority on February 17, 2011 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million fell due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts till September 30, 2014 amounting to LE 254.2 million, including delay interest amounting to LE 35 million.

The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No.405 of 2011. A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No.963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit and it was postponed to the session that is to be held on February 27, 2015. However, the said delegated expert has not commenced his task up to this date.

- 3- As explained in note no. (20-1) and (36-2) of the notes to the consolidated interim financial statements there is a dispute raised between Al Ezz El Dekheila for Steel - Alexandria (EZDK) company and the Sales Tax Authority about the amount of the additional tax on materials stevedoring category amounting to LE 127.5 million till June 28 2012, on October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks.

The Sales Tax Authority is of the opinion that there is a necessity to be committed to the settlement of the additional tax in order to cease all the procedures that were previously mentioned. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year, along with its right to maintain a reservation on the settlement, Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority.

Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria Port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax. Furthermore, the

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

- 4- As explained in details in note no. (35-3) of the notes to the consolidated interim financial statements, The Cairo Economic court issued its ruling on November 6, 2013 concerning the indictments against some officers of Ezz Steel company and some companies of Ezz group in relation to the violation of competition law and anti-competitive practices during the period from May 16, 2005 until December 31, 2006 and the total amount of the penalties imposed “jointly” on Ezz group companies stated in the said ruling reached LE 200.5 million.
The management of Al-Ezz Group companies appealed against the ruling and resorted to the Court of Cassation. A session date to consider the appealed against ruling has not been determined yet to the said ruling that is used under No.2898/84 J year – Economic Court of Cassation, hence,
On November 25, 2014, the Court of Cassation issued its ruling to the effect of amending the judgment No. 368 for the year 2013 issued by the court of appeal - economic – and accordingly the financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company. The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officials of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.
- 5- As explained in note no. (33-4) of the notes to the consolidated interim financial statements, and In the light of the current economic circumstances in the Arab Republic of Egypt and the scarcity of foreign currencies in the official banking markets, and the impact thereof on increasing the exchange rate risk and operational risk, the Company and its subsidiaries’ management applies extraordinary procedures to face such risks, and that by providing some of its requirements of cash in foreign currency at exceptional exchange rates, that differ from the official exchange rates declared in the official banking markets after approving them and their related internal documents by the Company and its subsidiaries’ Board of Directors and top management, as the best assessment of the exchange rates from its point of view.
- 6- As explained in note No. (32-5) of the notes to the consolidated interim financial statements, on 30 June 2014, presidential decree with law no. 53 of 2014 was issued, amending certain provisions of the income tax law. As the executive regulation is not yet issued till the date of this report, the Company applied the provisions of this law based on its best interpretation. The amounts and results may differ when reliable information become available on the issuance of the executive regulation.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo, February 9, 2015

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Balance Sheet
As of September 30, 2014

	Note <u>No.</u>	30/09/2014 <u>LE(000)</u>	31/12/2013 <u>LE(000)</u>
<u>Long Term Assets</u>			
Fixed assets (net)	(4)	11 161 756	11 287 009
Projects under construction	(5)	3 841 931	3 177 523
Financial investments in associates	(6-1)	115	115
Financial investments available-for-sale	(6-2)	109 880	109 880
Long term lending to others	(7-1)	34 435	31 160
Sales tax installments	(8)	190 747	172 333
Goodwill	(3-8)	315 214	315 214
Total long term assets		<u>15 654 078</u>	<u>15 093 234</u>
<u>Current Assets</u>			
Inventory	(9)	3 959 723	3 225 266
Trade and notes receivable	(10)	41 014	167 112
Debtors and other debit balances	(11)	1 701 818	1 108 358
Suppliers - advance payments		45 091	68 297
Investments in treasury bills	(3-7)	40 877	43 124
Cash and cash equivalents	(13)	1 053 978	2 153 736
Total current assets		<u>6 842 501</u>	<u>6 765 893</u>
<u>Current Liabilities</u>			
Banks - overdraft	(14)	90 670	86 431
Loan installments and facilities due within one year	(15)	7 131 577	6 547 153
Bonds loan due within one year	(25)	-	437 798
Installments due within one year	(20-2)	112 200	56 100
Trade and notes payable	(16)	1 342 237	1 687 555
Trade receivables - advance payments		332 608	267 489
Creditors and other credit balances	(17)	714 753	494 069
Income tax		54 976	400 949
Liability of the supplementary pension scheme	(18)	2 849	1 233
Provisions	(19)	197 864	197 312
Total current liabilities		<u>9 979 734</u>	<u>10 176 089</u>
Increase of current liabilities over current assets		<u>(3 137 233)</u>	<u>(3 410 196)</u>
Total investment		<u>12 516 845</u>	<u>11 683 038</u>
Financed as follows:			
<u>Shareholders' Equity</u>			
Issued and paid - up capital	(22-2)	2 716 325	2 716 325
Reserves	(23)	3 978 919	3 978 919
Retained earnings		1 288 879	1 281 430
Net (loss) for the period / profit for the year		(461 129)	134 361
Treasury stocks	(24)	(71 921)	(71 921)
Translation difference adjustments		442 413	404 226
Company's share in employees interim dividends & board of directors remunerations of EZDK-subsiidiary company- during the year		-	(51 844)
		<u>7 893 486</u>	<u>8 391 496</u>
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 599 573)	(3 599 573)
Total holding company shareholders' equity		<u>4 293 913</u>	<u>4 791 923</u>
Non-controlling interest		1 436 381	1 732 182
Total Shareholders' equity		<u>5 730 294</u>	<u>6 524 105</u>
<u>Long Term Liabilities</u>			
Long-term loans	(15)	5 494 934	3 426 968
Other liabilities	(20)	548 304	892 816
Deferred tax liabilities	(26-1)	743 313	839 149
Total long term liabilities		<u>6 786 551</u>	<u>5 158 933</u>
Total equity and long term liabilities		<u>12 516 845</u>	<u>11 683 038</u>

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

Chairman & Managing Director

Paul Philippe Chekaiban

Limited Review Report "attached"

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Statement of Income

	<u>No.</u>	<u>For The nine Months Ended in:</u>		<u>For The Three Months Ended in:</u>	
		<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>
		<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Sales (net)	(3-17)	14 881 469	15 980 997	4 617 748	4 839 641
Less :					
Cost of sales	(27)	14 368 614	14 133 271	4 703 020	4 413 881
Gross profit		<u>512 855</u>	<u>1 847 726</u>	<u>(85 272)</u>	<u>425 760</u>
Less:					
Selling and marketing expenses	(28)	100 063	109 189	32 372	33 331
Administrative and General expenses	(29)	436 462	397 751	150 856	151 051
Impairment loss on assets	(12)	962	6 812	889	6 722
Provisions	(19)	650	8 624	650	524
Total expenses		<u>538 137</u>	<u>522 376</u>	<u>184 767</u>	<u>191 628</u>
Results from operating activities		<u>(25 282)</u>	<u>1 325 350</u>	<u>(270 039)</u>	<u>234 132</u>
Finance cost					
Interest & finance expenses		(617 009)	(658 215)	(224 517)	(206 800)
Interest income		58 539	69 394	9 183	28 046
Amortization of bonds issuance expenses		(2 200)	(1 650)	- .	(550)
Foreign exchange differences		(22 745)	76 219	38 583	(23 131)
Net finance cost		<u>(583 415)</u>	<u>(514 252)</u>	<u>(176 751)</u>	<u>(202 435)</u>
Add :					
Reversal of impairment loss on assets		- .	13 634	- .	- .
Other revenues		25 476	71 144	7 859	7 456
Capital gain		12 575	479	- .	261
		<u>38 051</u>	<u>85 257</u>	<u>7 859</u>	<u>7 717</u>
Net (loss) profit for the period before income tax		<u>(570 646)</u>	<u>896 355</u>	<u>(438 931)</u>	<u>39 414</u>
(Less) Add :					
Income tax	(3-19)	(54 976)	(338 686)	48 317	(95 257)
Deferred tax	(26-2)	97 230	35 297	4 725	27 206
Net (loss) profit for the period		<u>(528 392)</u>	<u>592 966</u>	<u>(385 889)</u>	<u>(28 637)</u>
Attributable to:					
Equity holders of the holding company		(461 129)	217 729	(285 380)	(84 114)
Non-controlling interest		(67 263)	375 237	(100 509)	55 477
Net (loss) profit for the period		<u>(528 392)</u>	<u>592 966</u>	<u>(385 889)</u>	<u>(28 637)</u>
(Losses) Earnings per share for the period (LE/s)	(34)	<u>(0.87)</u>	<u>0.26</u>	<u>(0.54)</u>	<u>(0.15)</u>

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

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

	Note No.	30/9/2014 LE(000)	30/9/2013 LE(000)
<u>Cash flows from operating activities</u>			
Net (loss) profit for the period before income tax		(570 646)	896 355
<u>Adjustments to reconcile net (loss) profit to net cash (used in) provided by operating activities</u>			
Depreciation	(4)	527 327	506 183
Amortization of accrued interest		(3 113)	(4 199)
Amortization of bond issuance costs		2 200	1 650
Reversal of impairment loss on assets		-	(13 634)
Impairment loss on assets	(12)	962	6 812
Provisions		650	8 624
Capital gain		(12 575)	(479)
Interest & finance expenses		617 009	658 215
Amortization of the difference resulting from the change in fair value of long term lending		(1 339)	(1 162)
Differences resulting from the change in liability of the supplementary pension scheme		12 400	11 302
Foreign currency exchange differences		9 665	20 508
		582 540	2 090 175
<u>Changes in working capital</u>			
Inventory		(719 366)	(97 679)
Trade receivables, debtors and other debit balances		(243 177)	(269 324)
Trade payables, creditors and other credit balances		(612 295)	253 189
Liability of the supplementary pension scheme		2 953	2 904
Used provisions		(98)	(12 002)
Cash (used in) provided by operating activities		(989 443)	1 967 263
Income tax paid		(400 949)	(274 848)
Interest paid		(624 788)	(662 690)
Net cash (used in) provided by operating activities		(2 015 180)	1 029 725
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects under construction		(892 500)	(608 755)
Payments for purchase of financial investment (treasury bills)		(140 115)	(154 636)
Proceeds from reclaim of financial investment (treasury bills)		145 475	162 400
Proceeds from sale of fixed assets		12 618	479
payments for sales tax authority - installment of capital goods		(18 414)	-
Payments for lending others		(15 752)	(32 159)
Proceeds from lending others		11 010	16 564
Net cash used in investing activities		(897 678)	(616 107)
<u>Cash flows from financing activities</u>			
Proceeds / (payments) from credit facilities		2 248 730	739 852
Payments for long term liabilities		(22)	(12)
Proceeds from blocked time-deposits and current accounts		290 013	79 145
Payments for loans		(1 077 743)	(910 754)
Proceeds from loans		1 423 221	665 234
Payments for bond loan		(440 000)	-
Dividends paid		(321 510)	(209 892)
Net cash provided by (used in) financing activities		2 122 689	363 573
Net change in cash and cash equivalents during the period		(790 169)	777 191
Cash and cash equivalents at beginning of the period	(13)	1 502 725	603 393
Translation differences		1 264	(1 880)
Cash and cash equivalents at the end of the period	(13)	713 820	1 378 704

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Statement of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2014

	Capital	Reserves	The difference resulting from the acquisition of additional percentage in subsidiaries capital	Retained earnings	Translation difference adjustments	Treasury stocks	Employees and board of directors' share in interim distributions	Net profit/(loss)	Total holding company Shareholders	Non- controlling interest	Total shareholders' equity
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE(000)	LE (000)	LE (000)	LE (000)
Balance as of 1/1/2013	2 716 325	3 966 993	(3 599 573)	1 408 519	273 693	(71 921)	(43 719)	8 381	4 658 698	1 648 762	6 307 460
Adjustment to retained earnings	-	-	-	(31 839)	-	-	-	-	(31 839)	-	(31 839)
Setting off profit of year 2012 in retained earnings	-	-	-	8 381	-	-	-	(8 381)	-	-	-
Setting off company's share & non-controlling interest in employees and the board of directors' share in EZDK interim dividends of 2012	-	-	-	(43 719)	-	-	43 719	-	-	-	-
Setting off company's share & non-controlling interest in employees and the board of directors' share in EZDK dividends of 2012	-	-	-	(47 304)	-	-	-	-	(47 304)	(41 134)	(88 438)
Setting off EZDK company's share & non-controlling interest in employees and the board of directors' share in Contra Steel Company dividends of 2012	-	-	-	(649)	-	-	-	-	(649)	(540)	(1 189)
Transferred to legal reserve	-	11 926	-	(11 926)	-	-	-	-	-	-	-
Dividends for the year 2012 to non-controlling interest in EZDK Company	-	-	-	-	-	-	-	-	-	(121 385)	(121 385)
Result of Disposal of Ezz Algeria company according to its liquidation	-	-	-	(33)	-	-	-	-	(33)	(29)	(62)
Translation difference adjustments	-	-	-	-	108 840	-	-	-	108 840	65 400	174 240
Net profit for the period from 1/1/2013 to 30/9/2013	-	-	-	-	-	-	-	217 729	217 729	375 237	592 966
Balance as of 30/9/2013	2 716 325	3 978 919	(3 599 573)	1 281 430 #	382 533 #	(71 921)		217 729 #	4 905 442	1 926 311	6 831 753
Company's and non-controlling share in employees and the board of directors' share in EZDK in the interim dividends of 2013	-	-	-	-	-	-	(51 844)	-	(51 844)	(45 801)	(97 645)
Non controlling share in EZDK Company interim dividends of 2013	-	-	-	-	-	-	-	-	-	(182 078)	(182 078)
Translation difference adjustments	-	-	-	-	21 693	-	-	-	21 693	(6 210)	15 483
Net (loss) profit for the period from 1/10/2013 to 31/12/2013	-	-	-	-	-	-	-	(83 368)	(83 368)	39 960	(43 408)
Balance as of 31/12/2013	2 716 325	3 978 919	(3 599 573)	1 281 430	404 226	(71 921)	(51 844)	134 361	4 791 923	1 732 182	6 524 105
Setting off profit of year 2013 in retained earnings	-	-	-	134 361	-	-	-	(134 361)	-	-	-
Setting off company's share & non-controlling interest in employees and the board of directors' share in EZDK interim dividends of 2013	-	-	-	(124 382)	-	-	51 844	-	(72 538)	(63 017)	(135 555)
Dividends for the year 2013	-	-	-	-	-	-	-	-	-	(182 078)	(182 078)
Transferred to retained earnings - Adjustment to Non controlling	-	-	-	(2 530)	-	-	-	-	(2 530)	(2 106)	(4 636)
Translation difference adjustments	-	-	-	-	38 187	-	-	-	38 187	18 663	56 850
Net (loss) profit for the period from 1/1/2014 to 30/9/2014	-	-	-	-	-	-	-	(461 129)	(461 129)	(67 263)	(528 392)
Balance as of 30/9/2014	2 716 325	3 978 919	(3 599 573)	1 288 879	442 413	(71 921)	-	(461 129)	4 293 913	1 436 381	5 730 294

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

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

1. BACKGROUND

- Al Ezz Steel Rebars Company “an Egyptian Joint Stock Company” was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to “Ezz Steel”, this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebnon street– El Mohandseen – Cairo – Egypt. Chairman is Mr. / Paul Philipe Chekaiban.

Subsidiaries

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) - an Egyptian Joint Stock Company was established in 1982 as a joint Investment Company under law No. 43 of 1974 which was replaced by law No. 8 of 1997.

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

Al Ezz Flat Steel Company (EFS) - an Egyptian Joint Stock Company - was established in 1998 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997.

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) – was established according to the decree of the specialized committee in the ministry of economy and foreign trade (corporate fine) under the provisions of law No. 159 of 1981.

Misr for Pipes & Casting Industry Company – was established in August 29, 1992 under the provisions of law No. 159 of 1981.

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

The Purpose of the Company & Its Subsidiaries

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

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

	<u>30/9/2014</u> Percentage <u>Share %</u>	<u>31/12/2013</u> Percentage <u>Share %</u>
Al Ezz Rolling Mills Company (ERM)	98.91	98.91
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	54.59
Al Ezz Flat Steel (EFS)	63.84	63.84
	(Direct & Indirect) Throw Al Ezz El Dekheila	(Direct & Indirect) Throw Al Ezz El Dekheila

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

	<u>30/9/2014</u> Percentage <u>Share %</u>	<u>31/12/2013</u> Percentage <u>Share %</u>
Al Ezz Flat Steel (EFS)	55	55
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	87 (Indirect)	87 (Indirect)

Issuance of Consolidated Interim Financial Statements

This Consolidated Interim Financial Statements were approved by the company's management on February 9, 2015

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

2.1 *Statement of compliance*

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

2.2 *Basis of measurement*

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

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

- The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

2.5 Basis of consolidation

- The consolidated interim financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the holding company, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated interim financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of subsidiary companies are included in a separate item "non controlling interest" in the consolidated interim financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated interim financial statements. Non controlling share in profits and losses of the subsidiary companies are included in a separate line item in the income statement.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the mother company's control, its directly recorded in shareholders' equity.

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

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

LE (000)

Represent the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group. 3 280 493

Represent the difference between the cost of acquiring 55% of Al Ezz Flat Steel (EFS) capital –subsidiary – on July 2009 through Al Ezz El Dekheila for Steel – Alexandria and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group. 191 918

3 472 411

Represent the difference between the cost of acquiring additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital – subsidiary – on April 2010 (which represents 1.35% from its capital) and the net carrying amount of these shares since this transaction was made in the presence of the company's control over the subsidiary. the company has purchased these shares from shareholders outside Ezz group. 127 162

3 599 573

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency translation

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

Financial statements of Al Ezz Flat Steel (EFS)

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

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

Ezz Algeria company maintains its accounting records in Algeria Dinar For the purpose of preparation of the consolidated financial statements, the assets and liabilities are translated into Egyptian Pound at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pound at the average exchange rate for the period. Exchange differences arising from the translation are recorded in the shareholders equity.

3.2 Fixed assets and depreciation

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

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

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

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

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

3.3 Cost subsequent to acquisition

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

3.4 Projects under construction

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

3.5 Investments in associates

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

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

3.6 Available-for-sale investments

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

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

3.7 Investments in treasury bills

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

3.8 Goodwill

Goodwill represents the difference between the acquisition cost and the company share in the fair value of the assets and liabilities of the Al Ezz El Dekheila for Steel – Alexandria – a subsidiary company. Goodwill is tested for impairment annually. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss “If any” is charged to the consolidated income statement for the period.

3.9 Inventory

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

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

3.10 Trade and notes receivables and debtors & other debit balances

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

3.11 Cash and cash equivalents

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

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

3.12 Trade and notes payable and creditors & other credit balances

Trade and notes payable and creditors & other credit balances are primarily stated at fair value and subsequently measured by depreciated cost using the actual interest rate.

3.13 Impairment

A- Financial assets

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

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

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

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

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

B- Non-financial assets

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

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

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

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

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

3.14 Interest-bearing borrowings

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

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

3.15 Provisions

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

3.16 Share capital

Repurchase of share capital

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

3.17 Revenues

a) Sales revenues

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

b) Dividends

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

c) Interest income

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

3.18 Earnings per share

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

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

3.19 Income Tax

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

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at the balance sheet date.

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

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

4. FIXED ASSETS (NET)

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvements	Total
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Cost as of January 1, 2014	661 307	4 024 814	15 705 922	149 384	99 706	60 494	3 902	20 705 529
Additions during the period	-	19 251	160 081	23 076	15 839	4 726	-	222 973
Disposals during the period	-	(60)	(597)	(21 592)	(1 442)	-	-	(23 691)
Translation differences	2 673	71 033	160 808	61	407	1 070	-	236 052
Cost as of September 30, 2014	663 980	4 115 038	16 026 214	150 929	114 510	66 290	3 902	21 140 863
Accumulated depreciation as of January 1, 2014	-	1 248 482	7 960 084	98 009	69 621	38 422	3 902	9 418 520
Depreciation for the period	-	72 421	431 167	13 339	6 418	3 982	-	527 327
Accumulated depreciation of disposals	-	(32)	(588)	(21 585)	(1 410)	-	-	(23 615)
Translation differences	-	10 758	45 169	56	360	532	-	56 875
Accumulated depreciation as of September 30, 2014	-	1 331 629	8 435 832	89 819	74 989	42 936	3 902	9 979 107
Carrying amount as of September 30, 2014	663 980	2 783 409	7 590 382	61 110	39 521	23 354	-	11 161 756
Carrying amount as of December 31, 2013	661 307	2 776 332	7 745 838	51 375	30 085	22 072	-	11 287 009
Fixed assets fully depreciated still in use as of September 30, 2014	-	133 458	284 016	63 346	48 104	18 721	3 902	551 547

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

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

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

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

	30/9/2014	30/9/2013
	<u>LE(000)</u>	<u>LE(000)</u>
Operating expenses	516 236	498 861
Selling expenses	2 128	1 551
General & administrative expenses	8 963	5 771
	527 327	506 183

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

5. PROJECTS UNDER CONSTRUCTION

	Note	30/9/2014	31/12/2013
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
Constructions expansion		31 768	10 269
Machinery under installation		2 443 558	2 204 254
Capitalized borrowing cost		588 273	414 349
Temporary License for Al Ezz Rolling Mills Company	(35-1)	271 537	259 441
Advance payments for purchase of land		471	471
Design and construction of administrative building		3 930	3 930
Advance payments for purchase of machinery		502 050	284 095
Advance payments for building		344	306
Advance payments for purchase of furniture		-	408
		<u>3 841 931</u>	<u>177 523</u>

6. INVESTMENTS

	Participation	Investments cost	
	Percentage	30/9/2014	31/12/2013
	<u>%</u>	<u>LE (000)</u>	<u>LE (000)</u>
6-1 Financial investments in associates			
(Al Ezz El Dekheila For Steel - Alexandria (EZDK))			
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
Contribution in EZDK Steel UK LTD – note no. (36-1)	50	-	-
		<u>115</u>	<u>115</u>

		Investments cost	
	Note	30/9/2014	31/12/2013
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
6.2 Financial investments Available-for-sale			
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment “Ezz Industries”*		109 800	109 800
		<u>127 606</u>	<u>127 606</u>
Less:			
Impairment loss on Arab Company for Special Steel	(12)	17 726	17 726
		<u>109 880</u>	<u>109 880</u>

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

7. LONG TERM LENDING TO OTHERS

7.1 Long term lending is represented in the following:

	Note No.	30/9/2014 LE (000)	31/12/2013 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		12 497	8 656
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(7-2)	16 943	17 669
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(7-4)	1 303	1 915
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(7-5)	2 340	1 303
Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a period up to 7 years (interest free)	(7-6)	1 352	1 617
		34 435	31 160

7.2 Present value of the employees' housing loan installments:

The book value of the employees' housing loan installments:

	Note No.	30/9/2014 LE (000)	31/12/2013 LE (000)
Total employees' housing loan		32 689	33 441
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	4 301	4 049
Nominal value of the long term- employees' housing loan		28 388	29 392
Less:			
Differences resulting from the change in the fair value of the employees' housing loan		11 445	11 723
The present value of the employees' housing long term loan installments		16 943	17 669

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

The number of beneficiaries from this loan till September 30, 2014 is 1 430 beneficiary with a total value of LE 32.7 million and the collectible due installments during the year amounted to LE 4.3 million which is recorded under the item of debtors & other debit balance – short term lending, the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

7.4 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 k per employee or LE 18 k per employee with one or more members of his family, in addition to the financial support provided by the company with an amount of LE 1 000 per employee, LE 2 000 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager’s decision on December 19, 2012 provided that the said loan shall be paid over 24 months. Thus, the installments due for collection in one year amounted to LE 3.4 Million were recorded under the item of debtors & other debit balances- short term lending (note no.11).

7.5 The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees once in their career with an amount of LE 30 k which the company provide financial support to the employee with an amount of LE 4 k and premium the remaining amount for 6 years according to the Human Resources Manager’s decision on March 28, 2013. Thus, the installments due for collection in one year amounted to LE 511 k were recorded under the item of debtors & other debit balances- short term lending (note no.11).

7.6 Present value of the installments of the employees’ housing loan granted to those who were negatively affected by gate No.(8) project:

The book value of the employees’ housing loan installments:

	Note	30/9/2014	31/12/2013
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
Total employees’ housing loan		2 362	2 708
<u>Less:</u>			
Short term lending (under the item of debtors & other debit balances)	(11)	513	507
		1 849	2 201
Nominal value of the long term- employees’ housing loan for those who were negatively affected by gate No.(8) project			
<u>Less:</u>			
Differences resulting from the change in the fair value of the employees’ housing loan for those who were negatively affected by gate No.(8) project		497	584
		1 352	1 617
The present value of the employees’ housing long term loan for those who were negatively affected by gate No.(8) project installments		1 352	1 617

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

This loan was granted by an amount of LE 3 k per year within a maximum limit LE 20 k according to the remaining years for the beneficiary until the retirement age to be paid on installments without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan till September 30, 2014 is 171 beneficiary with a total value of LE 2.4 million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 513 k which is recorded under the item of debtors & other debit balance – short term lending (note no.11), the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 190 747 k as of September 30, 2014 represent in the balance of sales tax installments related to import capital goods (against to LE 172 333 k as of December 31, 2013) in Ezz Rolling Mills Company- a subsidiary.

9. INVENTORY

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Raw materials and supplies	1 660 857	1 159 556
Work in process	135 447	183 877
Finished products	827 455	464 605
Spare parts and supplies	1 330 283	1 324 722
Goods in transit	5 417	68 356
Letter of credit	264	24 150
	<u>3 959 723</u>	<u>3 225 266</u>

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

10. TRADE AND NOTES RECEIVABLE

	Note	30/9/2014	31/12/2013
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
Trade receivables		57 588	178 876
Notes receivable		13 083	17 893
		<u>70 671</u>	<u>196 769</u>
<u>Less:</u>			
Impairment loss on trade receivables	(12)	29 657	29 657
		<u>41 014</u>	<u>167 112</u>

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2014 LE (000)	31/12/2013 LE (000)
Deposits with others		521 428	246 425
Tax Authority *		642 396	558 131
Tax Authority – usufruct **		127 889	127 477
Tax Authority – sales tax		38 551	-
Customs Authority		17 020	3 241
Accrued revenues		1 263	1 325
Prepaid expenses		32 012	35 393
Alexandria Port Authority		42 489	42 489
Short - term lending – employees’ housing loan	(7-2)	4 301	4 049
Short - term lending – employees' loans		13 956	9 823
Short - term lending – employees' Umrah loans	(7-4)	3 405	2 870
Short - term lending – employees' Hajj and Jerusalem visit loans	(7-5)	511	264
Short - term lending – employees’ housing loan for those who were negatively affected by gate No.(8) project	(7-6)	513	507
Letters of guarantee cash margin		135	135
Due from related parties	(21-1)	189 580	42 532
Advance payment under the account of employees’ dividends		34 842	63 034
The Cairo Economic court***		35 060	-
Other debit balances****		61 729	32 736
		1 767 080	1 170 431
<u>Add:</u>			
Notes receivable		5 500	7 800
		1 772 580	1 178 231
<u>Less:</u>			
Impairment loss on debtors and other debit balances	(12)	70 762	69 873
		1 701 818	1 108 358

* The Tax Authority balances include an amount of LE 254 million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary – with respect to the flat steel projects according to what is mentioned in detail in Note No.(32-3-1) in addition to an amount of LE 102 million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008.

** Tax Authority – usufruct balances represents the value of advance payments of additional sales tax usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 128 million Note No. (36-2).

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

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**** Other debit balances caption includes the investment in Ezz Steel Algeria Company amounted to LE 7 610 k, Also the impairment loss on debtors and other debit balances includes the impairment loss on investment in Ezz Steel Algeria Company amounted to LE 7 610 k, that is according to the decision of the Extraordinary General Assembly Meeting on May 29, 2013 for Ezz Steel Algeria Company to dissolve and liquidate Ezz steel Algeria Company, On September 3, 2013 the company was deleted from the Commercial Registry in Algeria Governorate.

12. IMPAIRMENT LOSS ON ASSETS

	Note	Balance as of 1/1/2014	Charged to the statement of income	Balance as of 30/9/2014
	No.	LE (000)	LE (000)	LE (000)
Impairment loss on trade receivables	(10)	29 657	-	29 657
Impairment loss on debtors and other debit balances	(11)	69 873	889	70 762
Impairment loss on advances to suppliers		5 538	73	5 611
Impairment loss on investments available for sale	(6-2)	17 726	-	17 726
Write-down of inventory	(9)	3 969	-	3 969
		<u>126 763</u>	<u>962</u>	<u>127 725</u>

13. CASH AND CASH EQUIVALENTS

	30/9/2014	31/12/2013
	LE (000)	LE (000)
Banks – Deposits	200 510	181 166
Banks – current accounts	815 423	1 935 695
Cheques under collection	9 832	34 912
Cash on hand	27 262	1 068
Investment funds*	951	895
	<u>1 053 978</u>	<u>2 153 736</u>
Less:		
Cheques under collection	9 832	34 912
Banks – overdraft	90 670	86 431
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	239 656	529 668
Cash and cash equivalents in the statement of cash flows	<u>713 820</u>	<u>1 502 725</u>

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

14. BANKS - OVERDRAFT

This item represented within the current liabilities caption amounting to LE 90 670 K as of September 30, 2014 in banks – overdraft in Egyptian pound and US Dollars (against LE 86 431 K banks – overdraft as of December 31, 2013).

15- LOANS & CREDIT FACILITIES

<u>Borrowing company</u>	<u>Borrowing purpose</u>	<u>Interest rate</u>	<u>Payment terms</u>	<u>Period</u>	<u>Short term portion</u> <u>LE(000)</u>	<u>Long term portion</u> <u>LE(000)</u>	<u>Total</u> <u>LE(000)</u>	<u>Warranties and conditions</u>
<u>Ezz Steel</u>								
Loans - local currency	Payment of the last 2 installments of the bond loan	4.25% over corridor minimum 13%	10 installments Semiannual	1-5 years	10 000	421 834	431 834	The company should keep the percentage of share 54.59 % in Al Ezz El Dekhaila for Steel – Alexandria during the loan period and the company should keep the same financial ratios stated in the income statement during the loan period .
Banks - credit facilities		Average 11 % for the Egyptian Pound			1 903 911	-	1 903 911	Without guarantees within a limit of LE 2 billion.
<u>Ezz Rolling Mills</u>								
Loans - local currency	To finance activities of DRI Factory	Lending rate for one night from central bank before 2 working days beginning from every interest period (3 month) in addition to the margin. 3% over corridor on the uncovered portion from the limit	Unequal quartely installments	1-10 years	68 972	2 046 738	2 115 710	Within a limit of LE 2.82 billion granted by group of real estate mortgages and commercial mortgage
Banks - credit facilities		corridor lending + 0.5% -1.5% Average corridor lending and deposit + 2.25%			50 000	-	50 000	Without guarantees within a limit of LE 50 million.
<u>Al Ezz El Dekhaila for Steel - Alexandria</u>								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Variable interest	Semiannual installments fully paid in one installment on its due date	2-6 years	359 286	1 155 350	1 514 636	
Loans - foreign currency		Fixed interest 3% - 5.5% Variable interest 3%-4% over monthly Libor	Semiannual installments fully paid in one installment on its due date	2-8 years		1 871 012	1 871 012	
Banks - credit facilities	To finance working capital and letter of credit	Average lending and discount rate publishe from the central bank on withdrawn amount of egyptian pound libor rate on withdrawn amounts of US Dollar			2 849 341		2 849 341	
<u>Al Ezz Flat Steel</u>								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	August 8, 2004 until February 18, 2013	68 302	-	68 302	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts.
Loans - foreign currency					690 542	-	690 542	
Banks - credit facilities		Based on an interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 131 223	-	1 131 223	Possession mortgage on inventories amounted to LE 761 million which is equivalent to US Dollars 106 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery and fire for the banks favor.
Balance as of June 30, 2014					7 131 577	5 494 934	12 626 511	
Balance as of December 31, 2013					6 547 153	3 426 968	9 974 121	

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15.1 Ezz Steel Company (Holding company)

- On 9/6/2014 the company obtained a medium term loan from Arab African International Bank amounted to LE 437 million for the payment of the last two installments of the bond loan which is due during 2014. The loan will be paid on 10 installment due on April 30, and October 31, semi annual, the first installment due on 30/4/2015 and the last installment due in 31/10/2019, with interest rate 4.25% above the corridor issued by the Central Bank of Egypt with minimum rate 13%. due every six months and paid with the installments, also the company should keep the percentage of share in Al Ezz El Dekhaila for Steel – Alexandria of 54.59 % during the loan period and the company should keep the financial ratios stated in the loan contract during the loan period.
- An amount of LE 10 million stated in long term loan installments due within one year.

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

- The balance of the local loans in Egyptian pounds includes the amount of LE 719 million, which is the remaining balance of a joint short-term financing contract with a group of banks were signed in February 2009, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) and after the deduction of 10 installments represent the paid amount until September 30, 2014. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for 6 months and the loan will be fully paid on August 2016, an amount of LE 359 million is recorded as long term liabilities installments due within one year.
- In March 28, 2010, Al Ezz El Dekheila for Steel - Alexandria acquired a revolving medium term loan from Arab African International Bank that amounted to USD 40.3 million in a manner that did not exceed the equivalent of an amount of LE 225 million for the purpose of restructuring of the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016), with interest rate of 0.5% above corridor- lending announced by the Central Bank for the Egyptian pound and 3% above libor for one month for US Dollar.

On March 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 1.5% above corridor- lending announced by the Central Bank and 3.5% above libor for one month in respect of the amounts withdrawn in foreign currency. The balance as of September 30, 2014 is LE 187 million equivalent to USD 26 million.

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

The medium-term revolving facility included a portion in the local currency whose balance amounted to EGP 80 million, as at September, 30, 2014, and another portion in the foreign currency whose balance amounted to EGP 745 million that represented the equivalent of USD 98 million and EUR 4.9 million, as at September 30, 2014

- The revolving medium term facility includes a portion in local currency amounting LE 80 million as of September 30, 2014, and the portion in forging currency amounting LE 745 million equivalent to USD 98 million and EURO 4.9 million which represents as of September 30, 2014.

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

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

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

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

- As of June 30, 2014 Qatar National Bank has agreed upon extending the short term credit facilities granted to the company in addition to the remaining amount of the revolving medium term loan to become a revolving medium term facility amounting to USD 90 million or the equivalent in local currency for 3 years payable as of June 30, 2017 to finance the ongoing activities of the company with an interest rate of 1.5% above over night corridor declared by the Central Bank for the Egyptian pound withdrawals and 3.5% above Libor for 1 month for US Dollars withdrawals.

- The revolving medium term loan includes a portion in local currency amounting to EGP 97 million as of September 30, 2014 and the portion in foreign currency amounting to USD 52 million the equivalent of EGP 373 million, which represents as of September 30, 2014.

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

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

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

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

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

The balance as of September 30, 2014 is LE 359 million equivalent to USD 50 million.

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

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

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

The balance as of September 30, 2014 is LE 597 million.

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- On June 30, 2014 the company has made an agreement with the Export Development Bank of Egypt to extend the short term credit facilities granted to the company to become a revolving medium term credit facility (for 3 years) with an amount of EGP 350 million or the equivalent in foreign currency to finance the ongoing activities of the company at an interest rate of 2.5% above corridor mid-rate of the Central Bank for over one night with respect to withdrawals in Egyptian pound and 3% above LIBOR for a month with respect of withdrawals in US Dollars.
- The revolving medium term loan includes a portion in local currency amounting to EGP 23 million as of September 30, 2014 and a portion in foreign currency amounting to USD 44 million and Euro 43 K the equivalent of EGP 208.4 million, which represents as of September 30, 2014.

15.3 Al Ezz Flat Steel (Subsidiary)

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

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

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

15.4 Ezz Rolling Mills (Subsidiary)

The loan balance represents as follows:-

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Total loan balance	2 021 099	1 506 158
Capitalized interest on project under construction	39 776	28 261
Unamortized borrowing cost	(14 137)	(19 750)
Net long term loan for the period / year	<u>2 046 738</u>	<u>1 514 669</u>

16. TRADE AND NOTES PAYABLE

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Trade payables	1 318 073	1 654 791
Notes payable	24 164	32 764
	<u>1 342 237</u>	<u>1 687 555</u>

Ezz Steel Company
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17. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2014 LE (000)	31/12/2013 LE (000)
Fixed assets – creditors		292 253	8 887
Accrued interest		55 157	64 206
Accrued expenses		139 318	151 527
Accrued claims*		-	32 102
Tax Authority		85 313	96 801
Performance guarantee retention		17 753	14 159
Sales tax installments		23	23
Tax Authority – sales tax		47 243	33 537
Dividends payable		1 561	1 561
Due to related parties		309	89
Alexandria Port Authority		5 135	5 013
Alexandria Port Authority - sales tax	(20-1)	3 973	3 973
Other credit balances		66 715	82 191
		<u>714 753</u>	<u>494 069</u>

18. Liability Of The Supplementary Pension Scheme

As of the first of January 2013, according to decision of the board of directors of Al Ezz El Dekheila for Steel - Alexandria dated December 27, 2012, The company resolved to grant the employees of the company the benefit of supplementary pension scheme as well as Contra Steel company, for the benefit of any case of retirement at the age of sixty, death or occupational disability of any employee as the company grants all the employees a fixed monthly pension at the age of sixty for ten years and the pension amount is determined based on the year of disbursement and the subscription is collected from the employees of the company based on their age categories while the company bears the remaining cost.

The balance of the subscriptions share paid till September 30, 2014 amounted to LE 9 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 2.4 million till September 30, 2014 while the value of the supplementary pension scheme cost reached during the financial period ended as at September 30, 2014 the amount of LE 12.4 million which was charged to the consolidated income statement according to the report prepared by the actuary that was issued on July 25, 2013.

	Note No	30/9/2014 LE (000)	31/12/2013 LE (000)
Present value of the non-financed scheme liabilities		93 666	81 019
Less:			
Unrecognized cost of Previous service benefit scheme*		59 646	62 352
		<u>34 020</u>	<u>18 667</u>
Total liability Of The Supplementary Pension Scheme and distributed as follow:			
Recorded in current liabilities		2 849	1 233
Recorded in long term liabilities	(20)	31 171	17 434
		<u>34 020</u>	<u>18 667</u>

* This item is represented in the previous service benefits cost till September 30, 2014 that is not due and amortized based on straight-line method over the average period during which the said benefits become due, that reached 17.6 years according to the calculation made by the actuary and for which an actuarial certificate was issued on July 25, 2013.

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

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

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Balance at the beginning of January 2014	77 485	-
Present service cost	3 850	4 732
Return cost	5 741	6 592
Present value of the non-financed liabilities for previous service periods	-	66 097
Employees paid subscriptions	9 050	4 674
	<u>96 126</u>	<u>82 095</u>
Less:		
Paid pensions during the period / year	2 460	1 076
	<u>93 666</u>	<u>81 019</u>

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

	30/9/2014
	<u>LE (000)</u>
Current service cost	3 850
Return cost	5 741
Previous service cost installment recognized during the period	2 809
	<u>12 400</u>

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

Average assumptions to determine the assets of the benefits	<u>30/9/2014</u>	<u>31/12/2013</u>
A- Average discount rate	10 %	10 %
B- Average inflation rate	6.45 %	6.45 %
Average assumptions to determine the liabilities of the benefits	<u>30/9/2014</u>	<u>31/12/2013</u>
A- Average discount rate	10 %	10 %
B- Average inflation rate	6.45 %	6.45 %

Sensitivity Analysis of the system:

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

	Discount rate	Discount rate	Discount rate
	<u>9.75 %</u>	<u>10 %</u>	<u>10.25 %</u>
Liability current cost	68 290	66 097	63 999
Service cost	4 457	4 302	4 156

The expected liabilities of the supplementary pension scheme

	30/9/2014
	<u>LE (000)</u>
Expected compensations during the period	1 073
	<u>1 073</u>

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

19. PROVISIONS

	Balance as of 1/1/2014 <u>LE (000)</u>	Charged to statement of Income <u>LE (000)</u>	Used During the period <u>LE (000)</u>	Balance as of 30/9/2014 <u>LE (000)</u>
Tax provision and claims	195 357	650	(98)	195 909
Lawsuits and claims provision	1 955	-	-	1 955
	<u>197 312</u>	<u>650</u>	<u>(98)</u>	<u>197 864</u>

20. OTHER LIABILITIES – LONG TERM

	Note <u>No.</u>	30/9/2014 <u>LE (000)</u>	31/12/2013 <u>LE (000)</u>
Fixed assets- creditors		99	322 851
Alexandria Port Authority	(20-1)	37 509	36 019
Sales tax installments –Import capital goods		104 090	104 090
New temporary license installments	(20-2) , (35-1)	109 837	153 841
Liability of the supplementary pension scheme	(18)	31 171	17 434
lending from others	(20-3)	265 598	258 581
		<u>548 304</u>	<u>892 816</u>

20.1 The balance recorded in the other liabilities- long term amounted to LE 37 509 k represents the value of delay interest claimed by the Port Authority related to previous years and there is legal dispute regarding these concern that has not been settled till now. Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority inspit of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities due within one year amounted to LE 5 135 k represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between the Port and Tax Authorities about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court.

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

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

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

Ezz Steel Company
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Consequently, the company filed an appeal against the ruling under No. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action No.54 for the judicial year No.35 Supreme Constitutional court is constitutionally settled, and the constitutional action was considered on November 10, 2013 before the Board of State Commissioners, The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (Note No. 36-2).

Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El – Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax. Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly ,Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority (Note No. 36-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

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

	Note	30/9/2014	31/12/2013
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
Total value of license	(35-1)	330 000	330 000
<u>Less:</u>			
Paid amount from the license	(35-1)	49 500	49 500
		280 500	280 500
<u>Less:</u>			
Differences resulting from the change in the fair value of the license		58 463	70 559
Installments due within one year		112 200	56 100
Present value for the license installments		109 837	153 841

20.3 Al Ezz Flat Steel Company borrowed USD 37 054 K equivalent to LE 265 598 K from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

21. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales transactions of products in favor of those companies which amounted to LE 32 189 K and purchasing amounted to LE 629 K in addition to rent amounted to LE 987 K which resulted in the following balances

Company's	Nature of	Transaction	Balance as	Balance as of	Balance Sheet
<u>Name</u>	<u>Transaction</u>	<u>Volume</u>	<u>of</u>	<u>30/9/2014</u>	<u>31/12/2013</u>
		<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>Caption</u>
Al Ezz for Trading and Distributing Building Materials	Sales	32 124	309	-	Creditors and other credit balances – due to related parties
Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	Sales	65			
	Purchases	629	30 550	33 669	Debtors and other debit balances – due from related parties
	Rent	987			

21.1 Due from related parties - Debtors and other debit balances

	<u>Nature of</u>	<u>30/9/2014</u>	<u>31/12/2013</u>
	<u>Relationship</u>	<u>LE (000)</u>	<u>LE (000)</u>
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	30 550	33 669
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	152 111	2 086
Gulf of Suez Development Company	Affiliated company	159	17
Ezz Steel Algeria*		6 760	6 760
		<u>39 580</u>	<u>42 532</u>

* The due amount from related parties has been decreased by the value of the due amount from Ezz Steel Algeria company that amounted to LE 6 760 k. the impairment loss was recorded under the item of impairment loss on debtors and other debit balances caption. (Note No.11)

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014*

22. CAPITAL

22.1 Authorized capital

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

22.2 The issued and paid in capital

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

23. RESERVES

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Legal reserve*	1 358 163	245 949
Other reserves**	<u>2 620 756</u>	<u>3 732 970</u>
	<u>3 978 919</u>	<u>3 978 919</u>

* **Legal reserve:** 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case the reserve balance becomes less than stated percentage, the appropriation will continue. The legal reserve may be used for the benefit of the Company based on a proposal by the Board of Directors after approval by the General Assembly.

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

24. TREASURY STOCKS

- Treasury stocks as of June 30, 2014 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

Ezz Steel Company
 Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

25. BONDS LOAN

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
<p>The balance of bonds loan granted to the company according to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1.1 billion (one billion and 100 million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that was due on June 30, 2010) with the value of LE 110 million per installment.</p> <p>These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts from certain some banks.</p> <p>These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008*.</p>	-	440 000
<u>Less:</u>		
- Bonds issuance cost balance	-	(2 202)
-Installments due within one year recorded in the current liabilities in the balance sheet.	-	437 798

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

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

Ezz Steel Company
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In accordance with item No.16,19 of the issuance terms and conditions of the subscription prospectus of Ezz Steel bonds (second issuance) and its amendments that are approved by the Egyptian Financial Supervisory Authority, on May,30 2014 the company announced the following:

- 1- Payment of the due installment on 30/6/2014 for 2 200 000 bonds with an amount of LE 220 million on its due date.
- 2- Accelerate the payment of the last installment due on 31/12/2014 for 2 200 000 bonds with an amount of LE220 million on 30/6/2014.

Accordingly, the amount that will be paid on 30/9/2014 is the total amount of the bonds that are currently listed and are represented in 4 400 000 bonds with a total amount of LE 440 million.

26. DEFERRED TAX

26.1 Recognized deferred tax assets and liabilities

	30/9/2014		31/12/2013	
	Assets <u>LE (000)</u>	Liabilities <u>LE (000)</u>	Assets <u>LE (000)</u>	Liabilities <u>LE (000)</u>
<u>Deferred tax</u>				
Fixed assets	-	(1 655 964)	-	(1 619 906)
Provisions	30 827	-	25 689	-
Impairment loss on debtors	14 161	-	11 801	-
Impairment loss on investments	5 318	-	4 432	-
Write-down of inventory	1 141	-	992	-
Tax losses carried forward	861 204	-	737 843	-
Total deferred tax	912 651	(1 655 964)	780 757	(1 619 906)
Netting off	(912 651)	912 651	(780 757)	780 757
Net deferred tax liability	-	(743 313)	-	(839 149)

26.2 Recognized deferred tax charged to statement of income.

	30/9/2014	30/9/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Net deferred tax	(743 313)	(751 963)
<u>Less:</u>		
Translation difference	(1 394)	(1 265)
Previously charged deferred tax	(839 149)	(785 995)
Deferred tax charged to statement of income	97 230	35 297

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
For the nine months ended September 30, 2014

26.3 Unrecognized deferred tax assets

	30/9/2014	30/9/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Receivables , debtors and other debit balances	15 122	14 466
Provisions	23 305	23 639
	38 427	38 105

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

27. COST OF SALES

	For the nine months ended	
	30/9/2014	30/9/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Raw Materials	11 164 622	11 414 315
Salaries & Wages	704 386	636 303
Fixed assets depreciation	516 236	498 861
Supplementary pension scheme cost	8 072	7 388
Manufacturing overhead	1 660 878	1 505 274
Manufacturing cost	14 054 194	14 062 141
Change in inventory – finished product and work in process	314 420	71 130
	14 368 614	14 133 271

28. SELLING & MARKETING EXPENSES

	For the nine months ended	
	30/9/2014	30/9/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Salaries & Wages	44 818	46 669
Advertising	2 906	1 558
Fixed assets depreciation	2 127	1 551
Supplementary pension scheme cost	744	745
Other expenses	49 468	58 666
	100 063	109 189

29. ADMINISTRATIVE & GENERAL EXPENSES

	For the nine months ended	
	30/9/2014	30/9/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Salaries & Wages	276 980	260 463
Maintenance expenses	7 800	9 010
Fixed assets depreciation	8 964	5 771
Supplementary pension scheme cost	3 584	3 169
Other expenses	139 134	119 338
	436 462	397 751

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
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30. CONTINGENT LIABILITIES

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

	30/9/2014	31/12/2013
	<u>LE (000)</u>	<u>LE (000)</u>
Letters of guarantee		
Egyptian Pound	1 406	1 379
US Dollar	1 100	1 100
Letters of credit		
US Dollar	53 881	110 372
Euro	5 288	4 182
GBP	68	-

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

The amount of letters of guarantee issued by the banks in favor of Contra Steel Company – subsidiary – to others on September 30, 2014 amounted to LE 245 k fully covered against (LE 255 k on December 31, 2013).

31. CAPITAL COMMITMENTS

The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at September 30, 2014 are represented in machines in the amount of LE 65 million as follows:

	30/9/2014
	<u>LE (000)</u>
Construction project fence Land Bzan	11 657
Establishing the billet storage yard	5 058
Construction of customers service building	2 047
The issuance of raw materials in El Dekheila port	1 106
Constructing southern land fence	1 085
Project of year-old direct reduction plants	6 315
Project of alarm fire	3 969
Supplying and installing of heaters melting pots 80 tons	180
Supplying and installing two melting pots	1 184
Project of construction of scrap transportation truck	7 013
Improvement project of electricity station	1 663
Supplying and installing two forklift	7 808
Improvement project of workshop rolls	4 914
Supplying of two cars pull dust	5 659
others	5 524
	65 182

Ezz Steel Company

Notes to the consolidated interim financial statements (Continued)

For the nine months ended September 30, 2014

- The capital commitments also include amount of \$ 4.5 million (equivalent to LE 32 million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.
- The capital commitments for Contrasteel company – subsidiary company – on September 30, 2014 is amounted LE 40 million at the project of Construction of cracking slag and metal separation plant, an amount of LE 22.7 million has been included in the Project under construction item.

32. TAXATION

32.1 Ezz Steel Company

32.1.1 Corporate tax

- The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2004 and there is no taxes dues.
- The Tax Authority inspected the Company's books for years from 2005 till 2009 and there is an objection by form No. (19) and the dispute is submitted to the Appeal Committee and according to the company's tax advisor this dispute did not result in any tax liability on the company.
- The Tax Authority is currently inspecting years 2010-2011.
- The Company submitted tax returns for years 2010 until 2013 according to the provisions of Law No. 91 of 2005.

32.1.2 Sales tax

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

32.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2011 and there is no any due amounts on the company.
- The company paid advance payments under the tax account for year 2012 and up to this date until the tax inspection takes place.

32.2 Al Ezz Rolling Mills Company

32.2.1 Corporate tax

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

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
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32.2.2 Sales tax

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

32.2.3 Salary tax

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

32.3 Al Ezz El Dekheila for Steel – Alexandria Company

32.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000/ 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005.
- The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee, and on June 12, 2010 the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004. The due tax was paid in full and form No. (9) paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.
- The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million.
- These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again.

*Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
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- The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.
- The Tax Authority has garnished the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts till June 30, 2014 amounting to LE 254.2 million, including delay interest amounting to LE 35 million, The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011.
- A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No. 963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit and it was postponed to the session is postponed to November 27, 2015. However, the said delegated expert has not commenced his task up to this date.
- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 94.56 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the Appeal Committee.
- The company filed the lawsuit No.245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, in addition to referring the lawsuit to the Ministry Of Justice experts office for perusal of the lawsuit file that which shall be considered before court in the session that is to be held on April 30, 2014 and it was postponed to January 28, 2015.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 million, and the company appealed against these forms on the legal due dates. The said differences are currently considered by the Internal committee. During the month of October 2014, the Company paid the amount of EGP 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once the court judgment is issued in favor of the Company.
- The company submitted its tax returns for the years 2009-2012 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns. The Company's books for years 2009-2010 are currently being inspected and the company did not notify with any forms.

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- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit No.639 for the year 2013, And a session shall be held on April 17, 2014 and it was postponed to December 7, 2014 to expert report And a session shall be held on February 15, 2015 for expert report.

32.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The years from 1990 to 1994 were tax inspected and the resolution of the appeal committee was issued to the effect of having due tax amounting to LE 19 million in addition to delay interests, The dispute was referred to the court, and the ruling of the Court of Appeal was issued on August 17, 2011 to the effect of confirming the resolution of disputes dispersal committee, the previous tax assessment was cancelled and a tax re-assessment was carried out in addition to a delay interests with the amount of LE 2.1 million that was paid in full.
- The tax inspection for the years 2005-2007 was finalized and the company was notified of form No. (38 – Salaries) with tax differences amounting to LE 11.6 million, and objection was made thereto, and the dispute was referred to the Internal Committee which decided that there is due tax amounted to LE 3.9 million which the company paid in full.
- Tax inspection was made for the years 2008-2012 and the company has not been notified of the results up to this date.

32.3.3 Sales Tax

- The company submits its monthly tax returns regularly on the specified legal due dates.
- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified us of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.3 million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to law No. 9/2005 and the ministerial decrees Nos. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.

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- However the ruling of the Court of First Instance was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling, On August 29, 2013 the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and the session for considering the said appeal has not been determined up to this date.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the large tax payer center.

And points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 million and the dispute is represented in the amount of LE 7 million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company paid an amount of LE 4.5 million, And the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.

32.3.4 Sales Tax on imports of iron oxide ore

The Egyptian Customs Authority claimed the amount of LE 1.9 billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.

Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.

- The company filed lawsuit No.9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and a session to consider the said lawsuit was determined to be held on April 26, 2014, on December 6, 2014 session the college of commissioners decided keeping the lawsuit for report and currently follow up depositing.

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

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority to that effect without prejudice to the lawsuit No. 797 for the year 2010 that re-registered under No. 5804 for the year 2012 Civil Court, and a ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date - note No. (36.2).

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32.3.6 Service Charges Paid to the Customs Authority

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

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

32.4 Al Ezz Flat Steel Company

32.4.1 Corporate tax

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

32.4.2 Salary tax

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

32.4.3 Sales tax

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

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32.4.4 Fiscal stamp tax

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

32.5 Certain provisions of the income tax Law

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

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

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

The executive regulation of the law has not been issued, which may result in different interpretations for provisions of the law. The company assessed the results and the amounts of these amendments according to the best of its interpretation the provisions of the law. These amounts and results may differ upon the issuance of the executive regulation.

32.5.2 Issued law no. 44 of 2014

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

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

33.1 Financial instruments

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

33.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduction of bonds issuance cost), loans and credit facilities which amounted to LE 12 626 511 K as of September 30, 2014 (LE 7 646 670 K as of December 31, 2013). Financing interest and expenses related to these balances amounted to LE 617 009 K during the period (LE 658 215 K during the previous period).

Time-deposits and investment fund amounted to LE 200 510 K as of September 30, 2014 (LE 182 061 K as of December 31, 2013), interest income related to these balances amounted to LE 58 539 K during the period (LE 69 394 K during the previous period). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

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33.3 Credit risk

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

33.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 893 631 K and LE 8 212 985 K respectively, as of the Balance sheet date.

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

<u>Foreign Currency</u>	<u>(Deficit)/Surplus</u> <u>In thousand</u>
US Dollars	(919 690)
Euro	(77 781)
Swiss Frank	13
Sterling Pound	(405)
Japanese Yen	(15 393)

As shown in note no. (3-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the balance sheet date.

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

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

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34. (LOSSES) PROFIT EARNINGS PER SHARE

	For the nine months ended	
	<u>30/9/2014</u>	<u>30/9/2013</u>
Net (loss) profit for the period (LE 000)	(461 129)	217 729
Less:		
Holding company's share in employees' and board of directors' share in dividends from subsidiaries	4 981	78 301
	<u>(466 110)</u>	<u>139 428</u>
Average number of outstanding shares during the period (share)	<u>533 802 313</u>	<u>533 802 313</u>
(Losses) Profit Earnings per share for the period (LE / share)	<u>(0.87)</u>	<u>0.26</u>

35. THE LITIGATION STATUS

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

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

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

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

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the company was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on March 3, 2015.

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

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35.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

35.2.1 Workers Lawsuits Regarding Profits Differences

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

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

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

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

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

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

35.2.2 The lawsuits Referred to the Criminal Court

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

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

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

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

- 1- The appeal resulted in the cancellation of all sanctions issued against former officials of the company and a re-trial again for them, especially after the Court of Cassation rejected the appeal of the public prosecutor in acquittals.
- 2- On legal basis the ruling does not affect its stipulation regarding the principal penalties that are represented in the detentive penalties and the financial penalties imposed on the activity of the company or its financial standing due to the fact that the judicial person of the company is legally separate from the financial standing and the juridical person of the shareholders and the company's employees whereas the penalty is personal whether it is a detentive penalty or a principal financial penalty and such aspect does not affect the funds of the company or its assets in general as it did not impose any obligations on the part of the company.
- 3- The ruling stipulated consequential penalties that are represent in discharge from the position and reimbursement of the amounts of money for those who were convicted, and this aspect also does not negatively affect the financial standing of the company based on the above mentioned paragraph, and the dues to the employees, against whom the penalties of discharge and reimbursement were issued, were suspended until studying the legal consequences regarding the said dues taking into consideration.

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

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

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

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

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

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

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

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

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

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The management of Al-Ezz Group Companies appealed against the ruling and resorted to the Court of Cassation to the said ruling that is used under No.2898/84 J.year – Economic Court of Cassation, On November 25, 2014, the Court of Cassation issued its ruling to the effect of amending the judgment No. 368 for the year 2013 issued by the court of appeal - economic – and accordingly the financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company. The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officials of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.

36. OTHER TOPICS

36.1 EZDK Steel UK limited Company

On July 11, 2011, a ruling was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD, a subsidiary company, to be under the managerial control of BDO LLP England Institute in the United Kingdom due to its insolvency and based on the fact that the shareholders reached an agreement in regard to the procedures necessary to be taken to the effect of the company's liquidation.

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

36.2 Alexandria Port Authority

On June 19, 2011 Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011.

The amounts kept at the banks under attachment reached the amount of LE 66 million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012.

And a judgment was issued to the effect of dismissing the case and an appeal against the lawsuit No. 747 for 2012, the session will be held on March 25, 2013 and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year No.35 is constitutionally settled and the constitutional lawsuit will be considered on November 10, 2013 before the Board of State Commissioners. The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (note No.20-1).

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

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

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

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

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

37. SUBSEQUENT EVENTS

- On October 1, 2014 the Ordinary General Assembly for Al Ezz El Dekheila for Steel – subsidiary – decided distributing interim dividends according to the separate financial statements for the period ended June 30, 2014 amounted to LE 260 million included share in employees & board of directors remunerations with LE 15 per share.
- On August 11, 2014 ,the Board of Directors of Al Ezz El Dekhaila for Steel- Alexandria approved the conclusion of the studies on finance alternatives for restructuring the finance of Al Ezz Flat Steel Company to reach the optimal way to finance its expansions and maximize the use of the available resources or the resources planned to be used and according to the studies made in this regard that are related to the increase of capital of the company in accordance with the results that have been reached in these studies.

The Holding Company for Natural Gas notified Al Ezz El Dekheila for Steel – Alexandria of reducing the quantities of gas supply for the company's factories for a period of one month starting from August 15, 2014 until the completion of the implementation of some emergent and necessary maintenance works of the national gas grid while taking into consideration that this reduction will result in the shutdown of the factories of direct redox reactions of the company completely throughout the mentioned period and the company's management will try to provide what can be found as alternative raw materials during the period of cessation to enable the factories to maintain the continuity of operation in a manner that does not affect the production quantities of the finished product of full lengths and with an attempt to reduce the negative impact on the finished product of flat steel, on the second half of September 2015 The company has been agreed with The Holding Company for Natural Gas to supply the gas to the company in the range of 75% of the previous supplied power that is accessible to 100% of the power by the first of November 2014.

Ezz Steel Company
Notes to the consolidated interim financial statements (Continued)
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On October 18, 2014 the company paid the amount of LE 750 million pursuant to the agreement signed on September 29, 2014 between Al Ezz El Dekheila for Steel – subsidiary- and The Holding Company for Natural Gas (GASCO) that of under the withdrawals from the account of the gas to be settled 50% of the value of withdrawals half monthly bill in exchange for the settlement of the previous amount paid as a down payment on a regular basis.

- On October 27, 2014 the Board of Directors of Al Ezz El Dekheila for Steel – subsidiary – approved to Subscription on the increase of the Arab Company for Special Steel (Arco Steel) (that included in Financial investments Available-for-sale item) amount of LE 6.4 million in case of Arco Steel complete the financial package for the expansion projects.
- On October 27, 2014, the Board of Directors of the Company approved to increase of Al Ezz Flat Steel capital through the credit balance due from it according to the share fair value basis. On November 12, 2014, the Board of Directors of Al Ezz Flat Steel approved the increase of issued capital through transferring Al Ezz Steel Company credit balance to the Company's capital.
- On October 15, 2014 Al Ezz El Dekheila for Steel – subsidiary – paid the amount of LE 112 million to the difference of tax inspection for the corporate tax for years 2005/2006 included the delayed penalties till August, although the company paid the amount of LE 15 million under the account of corporate tax for years 2007/2008 included the delayed penalties for this years, the company made a lawsuit to keep its right to refund these amounts in case of a court ruling in favor of the Company.
- On January 18, 2015 the company signed agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to restructure the banks credit facilities granted to the company to grant the company a joint long term loan amounted to L.E 1.7 billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the Banks, to conclude and register a first degree fond de commerce mortgage on.