EZZSTEEL REPORTS CONSOLIDATED Q1 2019 RESULTS

Cairo, 09 July 2019 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent steel producer in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 March 2019. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Mn

	Q1 2018	Q1 2019	YoY % (+/-)
Net sales	**12,608**	**12,616**	0
Gross profit	**1,761**	**303**	(83)
EBITDA*	**1,787**	**236**	(87)
Net profit after tax and minority interest	**(67)**	**(1,082)**	
Earnings per share**	(0.12)	(1.99)	
Net debt to equity	**2.15x**	**5.21x**	

*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 first quarter of 2019, contrary to all expectations and despite a robust industrial performance in all Ezz Steel plants, we registered a deterioration in our financial results.

The first reason is the continuing absence of any safeguard measures in Egypt which led to a major decrease in the selling price of our finished products during the first quarter of the year. The second reason is the detrimental price of natural gas, the increasing price of electricity, and the exceptionally high cost of funding, all of which remained at much higher levels compared to our global competitors. The third reason is the accidental collapse of a tailings dam in a Brazilian mine of Vale, the main worldwide supplier of Iron Ore that provoked a sharp surge in the price of our main raw material.

In the coming periods, we expect a gradual relief of these exceptional adverse circumstances which have negatively impacted the financial performance of Ezz Steel.

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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 7 million tonnes of finished steel.

In 2018, the Company produced 3.5 million tonnes of long products (typically used in construction) and 1.4 million 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 Q1 2019 were EGP 12.6 billion and were flat on the prior-year period. This was largely driven by lower selling prices despite the higher sales volume.

Long steel as well as flat steel prices started to decline in both the domestic and export markets, marking the first significant quarter-on-quarter decline of the price environment in 18 months. Long export prices were down 6% compared with Q1 2018 to EGP 9,590 per ton while flat export prices fell 6% to EGP 9,947 per ton.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	2,029	4,191	2,980	**9,200**
Flat	-	3,014	268	**3,282**
Others	-	118	16	**134**
Total	**2,029**	**7,323**	**3,264**	**12,616**

Long steel products accounted for EGP 9.2 billion, or 73 per cent of sales in Q1 2019, while flat steel products represented 26 per cent of sales at EGP 3.3 billion. Long product exports accounted for 8 per cent of total long sales, while flat product exports accounted for 42 per cent of total flat sales.

Sales Value *EGPMn*	**Domestic**	**per cent**	**Export**	**per cent**
Long	8,464	92%	736	8%
Flat	1,889	58%	1,392	42%

Long sales volumes were 912 thousand tonnes during Q1 2019, representing an increase of 4 per cent compared to the 876 thousand tonnes sold during the same period last year.

Flat sales volumes increased by 5 per cent to reach 318 thousand tonnes in Q1 2019. While international markets weakened, the domestic market saw an increase in volume of 13% over Q1 2018 and 24% compared to the previous quarter.

The group's consolidated sales volumes totalled 1.23 million tonnes in Q1 2019, an increase of 4 per cent from the 1.18 million tonnes sold in Q1 2018.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2019 were 16 per cent, 58 per cent, and 26 per cent respectively.

Long steel production volumes totalled 897 thousand tonnes during Q1 2019, up 5 per cent compared to Q1 2018. Flat steel production volumes were down 5 per cent at 310 thousand tonnes for the period.

Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2019 represented 98 per cent of sales, leading to a decline in gross profit margin of 12 percentage points year-on-year to 2.4 per cent in Q1 2019.
In the first quarter of 2019, the COGS/Sales ratios deteriorated at all three facilities. At EZDK, the COGS/Sales ratio stood at 94% compared to 85% in Q1 2018. ESR/ERM reported a COGS/Sales ratio of 99% per cent, nine percentage points higher than over the same period in the previous year. EFS' COGS/Sales ratio stood at 108 per cent, up 3 percentage points compared to Q1 2018.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	3,557	7,928	3,265	12,616
COGS	3,511	7,454	3,513	12,313
COGS/Sales	**99%**	**94%**	**108%**	**98%**

Gross profit

Gross profit of EGP 303 million was recorded for Q1 2019, a decline of 83 per cent from the EGP 1,761 million in Q1 2018.

EBITDA

EBITDA for Q1 2019 amounted to EGP 236 million, representing a decrease of 87 per cent from EGP 1,787 million in Q1 2018.

Tax

In Q1 2019, ezzsteel had deferred liabilities of EGP 27.9 million and income tax expense of EGP 6.8 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1,082 million for Q1 2019 compared to a loss of EGP 67 million in the prior year period.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2.4 billion and net debt of EGP 25 billion. The company has a gearing of Net Debt / Equity of 5.21 times.

Outlook

In the coming periods, we expect a gradual relief of the exceptional adverse circumstances that have negatively impacted the financial performance of Ezz Steel in the first quarter of 2019.

Divisional Overview

The below figures represent sales before elimination.

EZDK Sales (EGP):	**Q1 2018**	**Q1 2019**	
Value:	9,620	7,928	Mn
Volume:			
Long:	624,286	486,731	Tonnes
Flat:	272,090	291,553	Tonnes
Exports as % of Sales:			
Long:	10	16	
Flat:	48	48	
EBITDA:	1,386	416	Mn
Production:			
Long Products:	462,836	468,164	Tonnes
Flat Products:	276,879	284,576	Tonnes
Billets:	511,739	531,509	Tonnes
ESR/ERM Sales (EGP):			
Value:	3,828	3,557	Mn
Volume:	227,675	199,361	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	351	(46)	Mn
Production:			
Long Products:	230,700	164,354	Tonnes
Billets:	147,809	161,967	Tonnes
DRI	272,503	345,224	Tonnes
EFS Sales (EGP):			
Value:	2,312	3,265	Mn
Volume:			
Long:	168,895	295,294	Tonnes
Flat:	30,445	26,239	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	48	-	
EBITDA:	(4)	(142)	Mn
Production:			
Long Products:	163,533	264,612	Tonnes
Flat Products:	49,126	25,553	Tonnes
Billets:	196,937	265,866	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 3-month period ending 31 March 2019. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East 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 Three Months Ended March 31, 2019
And Limited Review Report

Translation from Arabic

Ezz Steel Company
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Ezz Steel Company
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Consolidated Statement of Financial Position as of:

	Note No.	31/3/2019 LE(000)	31/12/2018 LE(000)
Non Current Assets			
Fixed assets (Net)	(10-1)	25 710 270	26 456 608
Projects under construction	(11)	402 507	361 503
Investments in associates	(12-1)	115	115
Investments available-for-sale	(12-2)	80	109 880
Deferred tax assets	(30-1)	1 740 050	1 778 346
Long term lending to others	(13)	49 363	51 011
Other assets	(14)	21 687	22 306
Goodwill	(38-9)	315 214	315 214
Total non current assets		**28 239 286**	**29 094 983**
Current Assets			
Inventory	(15)	11 502 083	12 903 759
Trade and notes receivables	(16)	1 125 816	371 877
Debtors and other debit balances	(17)	4 315 823	4 293 285
Suppliers - advance payments		1 051 822	697 060
Investments in treasury bills	(38-8)	11 651	10 580
Cash and cash equivalents	(19)	2 389 816	2 621 422
Total current assets		**20 397 011**	**20 897 983**
Total Assets		**48 636 297**	**49 992 966**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-2)	1 933 204	1 965 084
Retained losses		(6 185 097)	(5 037 010)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		3 814 543	3 945 964
Interim dividends		–	(98 212)
Total holding company shareholders' equity		**2 389 144**	**3 602 320**
Non-controlling interest		2 413 347	2 661 410
Total Shareholders' equity		**4 802 491**	**6 263 730**
Liabilities			
Non Current Liabilities			
Long-term loans	(27)	11 727 507	11 233 811
Long-term liabilities	(29)	1 411 549	1 601 397
Deferred tax liabilities	(30-1)	3 847 578	3 853 011
Total non current liabilities		**16 986 634**	**16 688 219**
Current Liabilities			
Banks - overdraft	(19)	151 522	35 918
Credit facilities and loan installments due within one year	(27)	15 531 983	15 431 817
Trade and notes payables	(23)	6 753 656	6 607 327
Customers - advance payments		1 046 320	1 938 125
Creditors and other liability balances	(24)	2 445 533	2 086 599
Income tax liabilities		679 775	703 829
Liability of the supplementary pension scheme	(25)	14 105	13 124
Provisions	(26)	224 278	224 278
Total current liabilities		**26 847 172**	**27 041 017**
Total liabilities		**43 833 806**	**43 729 236**
Total shareholder's equity and liabilities		**48 636 297**	**49 992 966**

The accompanying notes from no. (1) to no. (39) form an integral part of these consolidated interim financial statements.

Chairman & Managing Director

Limited Review Report "attached"

Paul Philipe Chekaiban

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Translation from Arabic

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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 statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of March 31, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated 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 No. (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with 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 March 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

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

1- As explained in note no. (30-1) of the notes to the consolidated interim financial statements, some of the subsidiaries companies have recognized deferred tax asset amounted to LE 1.55 Billion as of March 31. 2019 for tax carried forward losses amounted to LE 6.9 Billion, in the context of the future plan , these subsidiaries' management prepared a budget for the years from 2019 to 2023, in addition to, obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward losses, which depends on the realization of the future assumptions which have been used in the preparation of the budget mentioned above .

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

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

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

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

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

3- As explained in note no. (37-2) of the notes to the consolidated interim financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary company) and the Sales Tax Authority regarding the amount of the additional tax on materials stevedoring category amounting to LE 127.5 Million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 Million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the subsidiary including the lift of attachment on the subsidiary's balances at the various banks.

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

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

KPMG Hazem Hassan
Public Accountants and Consultants
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KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, July 8, 2019

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For The Three Months Ended March 31, :

	Note No.	2019 LE(000)	2018 LE(000)
Sales (net)	(38-18)	12 616 160	12 607 657
Less :			
Cost of sales	(3)	(12 313 191)	(10 846 500)
Gross profit		**302 969**	**1 761 157**
Add / (Less):			
Other operating revenues	(4)	28 010	20 237
Selling and marketing expenses	(5)	(108 802)	(71 305)
Administrative and general expenses	(6)	(331 723)	(276 961)
Other operating expenses	(7)	(67 372)	(65 651)
Operating (loss) profit		**(176 918)**	**1 367 477**
Add / (Less):			
Finance income	(8)	49 248	156 011
Finance cost	(8)	(1 163 112)	(1 050 030)
Foreign currency exchange differences gains (losses)	(8)	49 998	(10 045)
Net finance cost		**(1 063 866)**	**(904 064)**
Net (loss) profit for the period before tax		**(1 240 784)**	**463 413**
(Less):			
Income tax		(6 753)	(236 129)
Deferred tax	(30-2)	(27 864)	(43 011)
Total Income Tax		**(34 617)**	**(279 140)**
Net (loss) profit for the period		**(1 275 401)**	**184 273**
Attributable to:			
Owners of the company		(1 081 599)	(67 133)
Non-controlling interest		(193 802)	251 406
Net (loss) profit for the period		**(1 275 401)**	**184 273**
Basic and diluted loss per share (LE/share)	(9)	(2.03)	(0.13)

The accompanying notes from no. (1) to no. (39) form an integral part of these consolidated interim financial statements.

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

For The Three Months Ended March 31, :

	2019	2018
	LE(000)	LE(000)
Net (loss) profit for the period	**(1 275 401)**	**184 273**
(Less):		
Other comprehensive income items		
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	(46 168)	(81 272)
Foreign entities translation differences	(185 644)	(63 012)
Total comprehensive income	**(1 507 213)**	**39 989**
Attributable to:		
Owners of the company	(1 244 900)	(151 388)
Non-controlling interest	(262 313)	191 377
	(1 507 213)	**39 989**

The accompanying notes from no. (1) to no. (39) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Three Months Ended March 31, 2019

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Periodic dividends distributions LE (000)	Total holding company shareholders equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2018	2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	–	5 440 807	3 377 642	8 818 449
Comprehensive income										
Net loss for the period	–	–	–	(67 133)	–	–	–	(67 133)	251 406	184 273
Other Comprehensive income										
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	(53 871)	–	–	–	–	(53 871)	(27 401)	(81 272)
Foreign entites translation differences	–	–	–	–	(30 384)	–	–	(30 384)	(32 628)	(63 012)
Total comprehensive income	–	–	(53 871)	(67 133)	(30 384)	–	–	(151 388)	191 377	39 989
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	–	53 871	–	–	–	53 871	27 401	81 272
Balance as of 31/3/2018	2 716 325	182 090	2 071 581	(3 395 321)	3 840 536	(71 921)	–	5 343 290	3 596 420	8 939 710
Balance as of 1/1/2019	2 716 325	182 090	1 965 084	(5 037 010)	3 945 964	(71 921)	(98 212)	3 602 320	2 661 410	6 263 730
Comprehensive income items										
Net loss for the period	–	–	–	(1 081 599)	–	–	–	(1 081 599)	(193 802)	(1 275 401)
Other comprehensive income items										
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	(31 880)	–	–	–	–	(31 880)	(14 288)	(46 168)
Foreign entites translation differences	–	–	–	–	(131 421)	–	–	(131 421)	(54 223)	(185 644)
Total comprehensive income	–	–	(31 880)	(1 081 599)	(131 421)	–	–	(1 244 900)	(262 313)	(1 507 213)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	–	31 880	–	–	–	31 880	14 288	46 168
Transactions with shareholders										
The impact of acquisition of an additional share in Al Ezz Rolling Mills Company	–	–	–	(156)	–	–	–	(156)	(38)	(194)
Closing Periodic dividends distributions	–	–	–	(98 212)	–	–	98 212	–	–	–
Total transactions with the company's shareholders	–	–	–	(98 368)	–	–	98 212	(156)	(38)	(194)
Balance as of 31/3/2019	2 716 325	182 090	1 933 204	(6 185 097)	3 814 543	(71 921)	–	2 389 144	2 413 347	4 802 491

The accompanying notes from no. (1) to no. (39) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flows
For The Three Months Ended March 31, :

	Note No.	2019 LE(000)	2018 LE(000)
Cash flows from operating activities			
Net (loss) profit for the period before tax		(1 240 784)	463 413
Adjustments to reconcile net (loss) profit to net cash used in operating activities			
Depreciation	(10-1)	372 473	373 689
Amortization of expansion license	(14)	1 427	-
Amortization of accrued interest on treasury bills		(485)	(378)
Impairment of assets		-	43 747
Capital lease expense charged to statement of income	(28)	31 695	11 464
Deferred revenue charged to statement of income during period		(5 521)	-
Capital loss	(7)	34	151
Interest & finance expenses		1 163 112	1 050 030
Present value difference of long term lending		-	(667)
Differences resulting from the change in liability of the supplementary pension scheme	(25)	5 257	3 731
Revenue from sale of investments		(9 150)	-
Tax adjustments		39 546	-
Foreign currency exchange differences		(69 564)	17 328
		288 040	**1 962 508**
Changes in working capital			
Inventory		1 332 479	(1 183 504)
Trade receivables, debtors and other debit balances		(1 506 138)	184 350
Trade payables, creditors and other credit balances		279 508	(240 986)
Lending employees		(2 365)	1 374
Liability of the supplementary pension scheme		376	(19)
Net		**391 900**	**723 723**
Used provisions		-	(20 418)
Income tax paid		(14 590)	-
Finance interest paid		(1 156 374)	(841 609)
Net cash flows used in operating activities		**(779 064)**	**(138 304)**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(112 299)	(115 747)
Proceeds from sale of fixed assets		(194)	40
Payments for purchase of financial investment (treasury bills)		(8 587)	(12 033)
Proceeds from reclaim of financial investment (treasury bills)		8 000	11 550
Net cash flow used in investing activities		**(113 080)**	**(116 190)**
Cash flows from financing activities			
Net proceeds from credit facilities		953 936	1 887 040
Payments for long term liabilities		-	(44)
Proceeds from blocked time-deposits and current accounts		4 784	-
Payments for loans		(198 663)	(601 155)
Proceeds from loans		357 265	4 014
Capital lease payments		(32 582)	(9 087)
Paid dividends to non-controlling interest		(242 770)	-
Paid dividends to employees and Board of Directors		(3 956)	-
Net cash used in financing activities		**838 014**	**1 280 768**
Change in cash and cash equivalents during the period		**(54 130)**	**1 026 274**
Cash and cash equivalents at the beginning of the period	(19)	**1 978 376**	**3 019 728**
Translation differences of financial statement of foreign entities		(31 113)	(491)
Cash and cash equivalents at the ending of the period	(19)	**1 893 133**	**4 045 511**

The accompanying notes from no. (1) to no. (39) 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 Three Months Ended March 31, 2019

1. BACKGROUND

1.1 Basic Data

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

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company & Its Subsidiaries

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

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

	31/3/2019 Percentage Share %	31/12/2018 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.914 Direct	98.909 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

1.4 Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on July 8, 2019.

2. Basis For The Preparation of The consolidated interim financial statements

2.1 Statement of compliance

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

2.2 Basis of measurement

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

During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in (Note no. 38-2).

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	For the three months ended 31 March: 2019 LE (000)	2018 LE (000)
Raw Materials		7 255 735	7 044 128
Salaries & Wages		478 193	469 054
Fixed assets depreciation	(10-1)	361 088	364 103
Other assets amortization	(14)	1 427	-
Supplementary pension scheme cost		4 132	2 825
Manufacturing overhead expenses		4 328 277	3 314 301
Used provisions		-	(20 418)
Manufacturing cost		**12 428 852**	**11 173 993**
Change in inventory – finished product and work in process		(115 661)	(327 493)
		12 313 191	**10 846 500**

4. OTHER OPERATING REVENUES

	For the three months ended 31 March: 2019 LE (000)	2018 LE (000)
Gain from sale of financial investments available-for-sale	9 150	-
Other revenues	18 860	20 237
	28 010	**20 237**

5. SELLING & MARKETING EXPENSES

	Note No.	For the three months ended 31 March: 2019 LE (000)	2018 LE (000)
Salaries & Wages		24 639	26 311
Advertising		9 481	6 455
Fixed assets depreciation	(10-1)	199	1 283
Supplementary pension scheme cost		292	208
Other expenses		74 191	37 048
		108 802	**71 305**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the three months ended 31 March: 2019 LE (000)	2018 LE (000)
Salaries & Wages		180 040	185 901
Spare parts and maintenance expenses		1 232	13 340
Fixed assets depreciation	(10-1)	11 186	8 303
Supplementary pension scheme cost		1 497	698
Other expenses		137 768	68 719
		331 723	**276 961**

7. OTHER OPERATING EXPENSES

	For the three months ended 31 March:	
	2019	2018
	LE (000)	LE (000)
Donations	12 184	21 753
Impairment loss of assets	–	43 747
Capital expenditure loss	34	151
Others expenses	55 154	–
	67 372	**65 651**

8. FINANCE INCOME AND COST

	For the three months ended 31 March:	
	2019	2018
	LE (000)	LE (000)
Finance income		
Finance and interest income	49 248	156 011
Total finance income	**49 248**	**156 011**
Finance Cost		
Interest & finance cost	(1 163 112)	(1 050 030)
Total finance cost	**(1 163 112)**	**(1 050 030)**
Foreign currency exchange differences gains / (losses)	**49 998**	**(10 045)**
Net finance costs	**(1 063 866)**	**(904 064)**

9. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

	For the three months ended 31 March:	
	2019	2018
Owners of the company share		
Net loss for the period (LE 000)	(1 081 599)	(67 133)
Weighted average number of outstanding shares during the period (share)*	533 802 313	533 802 313
Basic and diluted loss per share for the period (LE / share) **	**(2.03)**	**(0.13)**

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

10. FIXED ASSETS (NET)

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

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost:								
As of January 1, 2018	805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
Additions during the period	-	2 246	665 591	562	22 882	3 891	-	695 172
Disposals during the period	-	-	(252 322)	(78)	(11)	-	-	(252 411)
Translation differences of foreign entities	(1 327)	(35 293)	(80 234)	(9)	(239)	(593)	-	(117 695)
As of March 31, 2018	804 287	10 341 376	36 333 958	298 465	308 799	168 232	3 902	48 259 019
As of January 1, 2019	738 134	10 499 548	36 874 656	308 854	441 163	218 030	3 902	49 084 287
Additions during the period	-	4 891	28 401	1 974	14 858	12 283	-	62 407
Disposals during the period	-		(1 035)	-	(281)	-	-	(1 316)
Translation differences of foreign entities	(7 624)	(202 829)	(462 474)	(52)	(1 525)	(4 945)	-	(679 449)
As of March 31, 2019	730 510	10 301 610	36 439 548	310 776	454 215	225 368	3 902	48 465 929
Accumulated depreciation:								
As of January 1, 2018	-	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
Depreciation for the period	-	59 501	293 381	8 584	8 128	4 095	-	373 689
Accumulated depreciation of disposals during the period	-	-	(181 052)	(78)	(11)	-	-	(181 141)
Translation differences of foreign entities	-	(7 947)	(30 600)	(9)	(215)	(442)	-	(39 213)
As of March 31, 2018	-	2 615 845	18 287 369	256 238	174 445	123 999	3 902	21 461 798
As of January 1, 2019	-	2 817 103	19 189 599	277 294	202 838	136 943	3 902	22 627 679
Depreciation for the period	-	60 326	289 601	5 336	12 359	4 851	-	372 473
Accumulated depreciation of disposals during the period	-	-	(1 001)	-	(281)	-	-	(1 282)
Translation differences of foreign entities	-	(49 884)	(189 175)	(51)	(1 289)	(2 812)	-	(243 211)
As of March 31, 2019	-	2 827 545	19 289 024	282 579	213 627	138 982	3 902	22 755 659
Carrying amount:								
As of March 31, 2018	804 287	7 725 531	18 046 589	42 227	134 354	44 233	-	26 797 221
As of December 31, 2018	738 134	7 682 445	17 685 057	31 560	238 325	81 087	-	26 456 608
As of March 31, 2019	730 510	7 474 065	17 150 524	28 197	240 588	86 386	-	25 710 270
Fixed assets fully depreciated and still in use as of March 31, 2019	-	132 348	2 164 786	163 322	91 869	59 500	3 902	2 615 727

The land item includes a piece of land with a total area of 928 KM^2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

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

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

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

	Note No.	For The Three Months Ended March 31: 2019	2018
		LE(000)	LE(000)
Cost of sales	(3)	361 088	364 103
Selling and marketing expenses	(5)	199	1 283
Administrative & General expenses	(6)	11 186	8 303
		372 473	373 689

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

	LE (000)
Modification surplus of fixed assets at November 3,2016 before income tax	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till December 31, 2018	(514 651)
Net modification surplus of fixed assets at December 31, 2018	**2 596 040**
Recognized portion during the financial period ended March 31, 2019	(46 168)
Net modification surplus of fixed assets at March 31, 2019	**2 549 872**
Attribute to:	
Owners of the Company	1 933 204
Non-controlling interest	616 668
	2 549 872

11. PROJECTS UNDER CONSTRUCTION

	31/3/2019 LE (000)	31/12/2018 LE (000)
Constructions expansion	77 509	62 547
Machinery under installation	273 592	256 880
Advance payments for purchase of fixed assets	51 406	42 076
	402 507	**361 503**

12. INVESTMENTS

12-1 Investments in associates

	Participation Percentage %	Investments cost 31/3/2019 LE (000)	Investments cost 31/12/2018 LE (000)
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – (Note no. 37-1)	50	-	-
		115	**115**

12-2 Investments available-for-sale investments

	Note No.	Investments cost 31/3/2019 LE (000)	Investments cost 31/12/2018 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		-	109 800
		17 806	**127 606**
(Less):			
Impairment loss on Arab Company for Special Steel	(18)	(17 726)	(17 726)
		80	**109 880**

* This item is represented in the participation of Ezz Rolling Mills Company- a subsidiary company- in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries group" (parent company) by 6 100 000 shares that constitutes a participation percentage of 3.813% , These Shares have been granted to the parent company during the period

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Employees' advance payments		69 767	65 713
Employees' loans present value		42 650	45 056
		112 417	110 769
(Less):			
Employees' loans and advances due within a year	(17)	(48 264)	(44 968)
Long term employees' loans and advances		64 153	65 801
(Less):			
Differences resulted from change in long term employees' loans fair value		(14 790)	(14 790)
		49 363	**51 011**

14. OTHER ASSETS

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

	LE (000)
Cost at January 1, 2019	22 306
(Less) / Add:	
Used during the period	(1 427)
Currency translation differences	808
Net at March 31, 2019	**21 687**

15. INVENTORY

	31/3/2019 LE (000)	31/12/2018 LE (000)
Raw materials and supplies	3 584 634	4 352 997
Work in process	762 841	281 535
Finished products	4 735 273	5 073 742
Finished products – DRI	56 279	83 456
Spare parts and supplies	2 151 211	2 100 640
Goods in transit	206 635	1 009 803
Letter of credit	5 210	1 586
	11 502 083	**12 903 759**

16. TRADE AND NOTES RECEIVABLE

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Trade receivables		729 537	286 002
Trade receivables – Related parties	(31-1)	6 520	7 032
Notes receivable		419 416	108 500
		1 155 473	**401 534**
(Less):			
Impairment loss on trade receivables	(18)	(29 657)	(29 657)
		1 125 816	**371 877**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Deposits with others		1 007 779	948 262
Tax Authority *		1 100 164	998 194
Tax Authority – usufruct **		127 477	127 477
Tax Authority – VAT		379 588	590 270
Customs Authority		36 915	89 083
Accrued revenues		362	159
Prepaid expenses		108 083	74 648
Alexandria Port Authority		18 981	19 719
Employees' loans and advance payments due within a year	(13)	48 264	44 968
Letters of credit cash margin		2 976	70 397
Letters of guarantee cash margin	(32)	1 085	885
Due from related parties	(31-2)	1 291 570	1 117 636
Advance payment under the account of employees' dividends		37 929	37 929
The Cairo Economic Court***		35 060	35 060
Other debit balances****		152 586	171 594
		4 348 819	**4 326 281**
(Less):			
Impairment loss on debtors and other debit balances	(18)	(32 996)	(32 996)
		4 315 823	**4 293 285**

* The Tax Authority balances includes an amount of LE 254.2 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 penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (34-3-1) in addition to an amount of LE 219 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008.

** Tax Authority – usufruct balances represent the value of advance payments of additional sales tax usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 Million – (Note no. 37-2).

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

**** The other debit balances item includes an amount of LE 49.5 Million represented 15% of the license related to 2nd which Ezz Rolling Mills Company- a subsidiary company- production line which paid on February 2012.

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Impairment loss on trade and notes receivables	(16)	29 657	29 657
Impairment loss on debtors and other debit balances	(17)	32 996	32 996
Impairment loss on advances to suppliers		2 332	2 332
Impairment loss on investments available for sale	(12-2)	17 726	17 726
		82 711	**82 711**

19. CASH AND CASH EQUIVALENTS

	31/3/2019 LE (000)	31/12/2018 LE (000)
Banks - time deposits	622 440	297 448
Banks – current accounts	1 683 373	2 254 767
Cheques under collection	22 450	55 789
Cash on hand	61 553	13 418
	2 389 816	**2 621 422**
(Less):		
Banks – overdraft	(151 522)	(35 918)
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(345 161)	(607 128)
Cash and cash equivalents in the statement of cash flows	**1 893 133**	**1 978 376**

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 K (Two Billion, Seven Hundred and Sixteen Million, Three Hundred and Twenty-Five Thousand Egyptian Pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with No. 1176 Menouf city on October 30, 2008.

21. RESERVES

	31/3/2019 LE (000)	31/12/2018 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

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

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

*** **The difference resulting from the acquisition of additional percentage in subsidiaries' capital is represented in the following:**

	LE (000)
Represents the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was as a result from transactions under common control from companies within the same group.	3 280 493
Represents 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
Represents the difference between the cost of acquiring 7.23% from the capital of Al Ezz Flat Steel Company – subsidiary – on November 2015 and the net carrying amount of these shares, the difference resulted from acquiring additional shares in non-controlling interest share in the subsidiary.	389 174
	3 796 829

22. TREASURY STOCKS

- Treasury stocks as of March 31, 2019 represents the value of 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. TRADE AND NOTES PAYABLE

	31/3/2019 LE (000)	31/12/2018 LE (000)
Trade payables	5 647 225	5 752 408
Notes payable	1 309 807	1 034 594
	6 957 032	**6 787 002**
Unamortized portion of the current value of notes payable	(203 376)	(179 675)
Net current value of trade and notes payable	**6 753 656**	**6 607 327**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Fixed assets – creditors		222 583	231 470
Accrued interest		470 108	500 518
Accrued expenses		1 196 330	643 682
Tax Authority		237 548	179 444
Performance guarantee retention		40 426	30 892
Sales tax installments		96 483	96 483
Dividends payable		1 599	262 915
Due to related parties	(31-3)	23	23
Deferred revenues for capital lease contracts	(29-2)	22 084	22 084
Capital lease obligations due within a year	(29-3)	12 658	12 658
Deferred revenues for grants	(29-4)	880	1 011
Other credit balances		144 811	105 419
		2 445 533	**2 086 599**

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Balance at the beginning of January		**132 532**	**120 535**
Add:			
Present service cost		8	8
Return cost		5 249	15 022
Previous return cost		-	732
Amounts recognized in the consolidated statement of income		**5 257**	**15 762**
		137 789	**136 297**
Employees paid subscriptions		2 516	7 903
		140 305	**144 200**
(Less)/Add:			
Paid pensions during the period / year		(2 140)	(7 362)
Actuarial gains from the defined benefits scheme for pensions		-	(4 306)
Total liabilities of supplementary pension scheme		**138 165**	**132 532**
Distributed as follows:			
Included in current liabilities		14 105	13 124
Included in long-term liabilities	(29)	124 060	119 408
		138 165	**132 532**

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

Average assumptions to determine the liabilities of the benefits	31/3/2019	31/12/2018
A- Average discount rate	18 %	18 %
B- Average inflation rate	16 %	16 %
Average assumptions to determine the net cost of the benefits	**31/3/2019**	**31/12/2018**
A- Average discount rate	18 %	15.5 %
B- Average inflation rate	16 %	14 %

Sensitivity Analysis of the system:

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

	Discount rate 18% LE (000)	Discount rate 18% LE (000)
Liability current cost	136 125	126 381
Service cost (current and return)	21 304	20 195

26. PROVISIONS

	31/3/2019 LE (000)	31/12/2018 LE (000)
Tax provision and claims	222 323	222 323
Employees Lawsuits provision	1 955	1 955
	224 278	**224 278**

27- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	300 000	724 839	1 024 839	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement.
Banks - credit facilities			Average 20.5 % for the Egyptian Pound, and 5.25 % for the US Dollar			4 161 600	-	4 161 600	Without guarantees within a limit of LE 3.9 Billion.
27-2 Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-3 years	4 262	3 176 842	3 181 104	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	527 277	3 352 237	3 879 514	
Banks - credit facilities	To finance working capital and letter of credit.		- Average lending and discount rate puplished from the Centeral Bank on withdrown amount of egyptian pound and based on Libor rate on withdrown amounts of			6 513 870	-	6 513 870	
27-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Centeral Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	58 142	-	58 142	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledgeand possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
Loans - foreign currency			Related variable interest to Libor price.			1 432 009	-	1 432 009	
Banks - credit facilities			Based on an varaiable interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 554 364	-	1 554 364	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 450 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4 Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 working days beginning from every interest period (3 month for the first and second section) and (monthly for the Thired section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the thired section	1-10 years	712 587	4 473 589	5 186 176	Within a limit of LE 3.05 Billion gruanted by group of real estate mortgages and commercial mortgage.
Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			267 872	-	267 872	
Balance as of March 31, 2019						15 531 983	11 727 507	27 259 490	
Balance as of December 31, 2018						15 431 817	11 233 811	26 665 628	

27.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly installments, the first installment accrued on August 2015 starting from the ending of six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company get the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till March 31, 2019 deducted from the loan balance.
- The installments paid until March 31, 2019 amounted to LE 690 Million (against LE 595 Million on December 31, 2018).

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted 800 Million LE for 3 years ending in October 17, 2021 and the balance as of March 31, 2019 is LE 700.25 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted LE 1.5 Billion or its equivalent in foreign currencies. It`s balance amounted to LE 1 187.4 Million as at March 31, 2019 whose due date is September 2020.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2020, amounted LE 375 Million or its equivalent in foreign currency. It`s balance amounted to LE 312.26 Million as at March 31, 2019 and a portion in the foreign currency whose balance amounted to LE 57.89 Million as at March 31, 2019 equivalent to USD 3.33 Million.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2020 with a total amount of USD 158 Million or its equivalent in local currency. It`s balance amounted to LE 930 Million as at March 31, 2019 and a part in foreign currency amounted to USD 323.58 Million equivalent to LE 18.17 Million.
- The company Transferred part of the existing debt to a medium – term loan from Qatar national bank (as a part of the company's financial restructuring plan) with the amount of USD 69.5 Million and the lone is to be paid in twenty-six quarter annual instalments ending at February 28, 2025. The balance as at March 31, 2019 amounted to USD 64.10 Million equivalent to LE 1 114.39 Million.
- The company Transferred part of the existing debt to a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with the amount of USD 61.5 Million and the lone is to be paid in twenty eight quarter annual instalments ending at May 28, 2025. The balance as at March 31, 2019 amounted to USD 55 Million equivalent to LE 956.19 Million.

- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalments ending at July 15, 2025. The balance as at March 31, 2019 is amounted to USD 50 Million equivalent to LE 869.27 Million.
- The company obtained a medium-term loan from HSBC to finance the development and construction of the second direct reduction plant at an amount of EURO 12.5 Million and LE 80 Million. the loan is to be paid in 12 Semi-annual installment ending on July 15, 2025, The balance as at March 31, 2019 is amounted to LE 51.14 Million and a portion of foreign currency amounted to USD 12.11 Million equivalent to LE 210.48 Million.
- The company obtained a medium-term loan from NBK for the purpose of restructuring part of the outstanding debt by USD 20 Million. The loan is to be paid in 26 quarter annual instalments ending at February 28, 2026. The balance as at March 31, 2019 is amounted to USD 20 Million equivalent to LE 347.7 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

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

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

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

The balance of the loan installments due within a year according to the loans agreements amount to USD 85.7 Million equivalent to LE 1 490.2 Million representing the installments due since the payment cessation date until March 31, 2019.

28. Capital lease

- The Company signed capital lease contracts (No. 4537&4538) according to capital lease law with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building for Eight years ending June 2024, the contracts provide the right to the Company to own those assets at a predetermined value at the end of the contract year. On July 18, 2017 the company signed appendixes to these contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending July 2025. On September 20, 2018 the company signed an appendix to these contracts to increase the finance related to the leased asset in a form of revaluation of that asset and modify the capital lease contracts, the repayment of the extra finance will be on 32 quarterly equally installment starts from December 20, 2018 till September 20, 2026.
- On November 13, 2016, the company signed a lease contract No. 4675 with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending November 2024.

- During December 2018, the company signed contracts of sale and lease back (Contract no.1) with HD For Capital Lease for a piece of land of the lands owned by the company, and as per the contracts with the mentioned company, the lease is for 7 years ending December 25, 2025 , and the contract gives the company the right to own the mentioned land at the end of the contract's period at predetermined amount in the contract.

- The contracts data as follow:

Description	Contract number	Contract starting date	Contract period	Total Value of contract LE	Instalments Quarterly	Payments till 31/3/2019 LE	Capital lease liability as at 31/3/2019 LE
Corplease	4537 & 4538	2016	8 years	502 391	32	114 861	387 530
Corplease	4675	2016	8 years	47 203	32	11 435	35 768
HD For Capital Lease	1	2018	7 years	407 852	28	36 223	371 629
				957 446		**162 519**	**794 927**

- Capital lease expenses for the period LE 31 659 K included in administrative and general expenses.

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

	2019 LE	2020 LE	2021 LE	2022 LE	5 years and More LE	Total LE
Capital Lease liability	91 174	124 170	124 480	124 480	330 623	794 927

- The company has issued checks in favor of the leasing comapanies covered all capital lease liabilities till September 2026.

29. LONG TERM LIABILITIES

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Notes payable		646 584	869 469
Liability of the supplementary pension scheme	(25)	124 060	119 408
lending from others	(29-1)	644 195	665 490
Deferred revenue	(29-2)	126 555	132 076
Capital lease obligation for capital lease contracts	(29-3)	82 275	85 439
Deferred revenues for grants	(29-4)	1 536	2 809
		1 625 205	**1 874 691**
Unamortized portion of present value of notes payable		(213 656)	(273 294)
Present value for long term liabilities		**1 411 549**	**1 601 397**

29.1 Al Ezz Flat Steel Company – a subsidiary company - borrowed USD 37 Million equivalent to LE 665 Million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

29.2 Deferred revenues account represents the remaining balance of capital gains arising from the sale of a land owned by the Company to HD Leasing as part of a sale agreement with the re-lease, which is amortized over the 7-year term ending on 25 December 2025 (Note no. 28)

29.3 This amount represents the additional funding balance of the financial lease contracts 4537 and 4538 as shown (Note no. 28).

29.4 Deferred revenues represents the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 660 K. Deferred revenues within one year is amounted to LE 880 K (Note no. 24).

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	31/3/2019		31/12/2018	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Items				
Fixed assets	-	(3 774 086)	-	(3 803 991)
Unpaid dividends in subsidiary companies	-	(33 379)	-	(36 290)
Provisions	25 974	-	25 974	-
Impairment loss on debtors	6 674	-	6 674	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	1 489	-	1 489	-
Tax carried forward loss *	1 583 983	-	1 618 420	-
Foreign currency exchange differences loss	117 942	-	121 801	-
Foreign currency exchange differences gain	-	(40 113)	-	(12 730)
	1 740 050	**(3 847 578)**	**1 778 346**	**(3 853 011)**
Net deferred tax (liability)		**(2 107 528)**		**(2 074 665)**

* This item included in the deferred tax assets recognized for the tax carried forward loss of Al Ezz Flat Steel company and Al Ezz Rolling Mills Company (subsidiaries companies) which amounted to LE 6.9 Billion.

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

	For the three months ended 31 March:	
	2019 LE (000)	2018 LE (000)
Net deferred tax	(2 107 528)	(1 774 854)
Less:		
Translation difference	(4 999)	4 123
Previously charged deferred tax	(2 074 665)	(1 735 966)
Deferred tax	**(27 864)**	**(43 011)**

30.3 Unrecognized deferred tax assets

	31/3/2019 LE (000)	31/12/2018 LE (000)
Impairment loss on Receivables , debtors and other debit balances	7 954	7 954
Provisions	23 364	23 364
Tax losses	432 531	329 003
	463 849	**360 321**

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

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 1.263 Million and LE 40 Thousand respectively in addition to rent amounted to LE 415 Thousand The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 31/3/2019 Debit/(credit) LE (000)	Balance as of 31/12/2018 Debit/(credit) LE (000)
31.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	Sales	1 263	6 520	7 032
			6 520	**7 032**
31.2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (parent company)	Gain form sale of Financial investments available for sale	118 950	1 270 426	1 099 233
- Gulf of Suez Development Company (Affiliated company)			62	45
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	Purchases	40	21 082	18 358
	Rent	415		
			1 291 570	**1 117 636**
31.3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(23)	(23)
			(23)	(23)

32. CONTINGENT LIABILITIES

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

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 5 669 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between the it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 1 050 Million	Bailing the subsidiary in the short term finance which is given to it by the National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 400 Million.
Al Ezz Flat Steel Company	LE 430 Million	Guarantees unconditional and irrevocable solidarity in the amount of 50% of the credit facilities granted by the National Bank of Egypt to the subsidiary of LE 860 million and its revenues and commissions and any other returns until payment is complete.

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

	31/3/2019	31/12/2018
Letters of guarantee	Equivalent LE (000)	Equivalent LE (000)
Egyptian Pound	7 479	6 529
US Dollar	19 119	19 745
Letters of credit		
US Dollar	1 106 369	837 094
Euro	42 598	38 091

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

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as of March 31, 2019 are represented in the amount of LE 112 Million (against LE 112.7 Million as of December 31, 2018).

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

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

34.1.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until year 2014 and the company paid the tax differences in full.
- Tax returns were submitted according to Value Added Tax law on the due legal dates.

34.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2012 and there are no outstanding dues.
- The Tax inspection for years 2013 and 2014 was completed and the dispute was transferred to internal committee.
- The Tax inspection is currently finalised for the years 2015 & 2016.

34.1.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2016 and all disputes were settled and there are no outstanding dues, and the tax assessment issued.

34.1.5 Property tax

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

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books and a settlement was made until 2015 and the taxes due were paid and there are no any due amounts on the company for this period.

34.2.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until 2014 and the taxes due were paid.

34.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid.

34.2.4 Stamp tax

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

34.2.5 Property tax

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

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment and free zone "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000 / 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Court ruling issued on July 16, 2005, The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee. And on June 12, 2010, the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004.
- The due tax was paid in full and form No. (9) Paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.
- The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3),(4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 Million. In additional to delay penalty These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same year. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.
- On February 17, 2011, The Tax Authority has held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219.3 Million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the

Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 Million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 Million on 24 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 by amount of LE 34.9 Million. The paid amounts is LE 254.2 Million, including delay interest amounting to LE 35 Million. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and a session was set to be considered on June 1, 2019 for judgment in Alexandria Appeal Court and the session was postponed to September 5, 2019 for adding the legal memorandum to the case file.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 95 Million in addition to delay interests, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee.

- The Appeal Committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally cancelled, hence the company filed the lawsuit No. 245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1698) for the year 72 J and a session is set to be consider on December 30, 2019 for report.

- The Tax Authority demanded that the company pays an amount of LE 120.6 Million as a delay penalty based on the article No. 111 of the Law No. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax additional taxes in addition to delay penalty during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.

- The company ensures the validity of its position and the strength of its defence since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a Lawsuit No. 269 for the year 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.

- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 Million in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.

- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a decision of not approving the donations as it is considered to a normal persons and a law suit no.(1138) of 73 J has been filed appealing on the committee decision and the session has not been set yet.

- The tax authority inspected the years 2011/2013 and the company has been notified with tax form No. (19), the tax differences amounted to LE 163 Million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 Million.
- The final settlement is made with the tax authority (rather than the previously mentioned current lawsuits) for years from 2007 till 2013 to get advantage of the benefits of Law No. 174 of year 2018 about exemption from delay penalties.
- The tax inspection for years from 2014 till 2017 has inspected, and the company were not notified with any tax form till that date, yet.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The tax inspection of the company for the years 2008/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of LE 7.3 Million.
- The tax inspection for the years 2013/2016 was completed and the company was notified by document form 37 salaries with accrued tax of LE 887 K which have been paid in full.
- Tax inspection for the years 2017/2018 has not been made yet.

34.3.3 Sales Tax and VAT

- The company submits its monthly tax returns regularly on the specified legal due dates.
- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified the Company of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.7 Million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to Law No. 9/2005 and the ministerial decrees No. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.

  However, the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling. On August 29, 2013, the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and recorded with No.10229 for the year 68 J, the lawsuit was postponed to August 27, 2019 session for getting the expert's report.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 Million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the Large Taxpayer Center, points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 Million and the dispute is represented in the amount of LE 7 Million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company made the litigation No. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67 J Administrative Judiciary. 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. a session was set on December 6, 2018 for adding the legal memorandum to the case file.

- The company was inspected for the year 2011 and the company has been notified with form No. (15), the differences amounted to LE 1.5 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) and with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid No. 8967 for the year 72 J Alexandria Administrative Judiciary, and The session was set on October 9, 2019 to indicate the conciliation procedure taken in this regards.
- The tax authority notified the company with an additional tax amounted LE 5.1 Million from the date of wrong admission instead of the committee decision date and filing a lawsuit No. 8967 for the year 72 J Alexandria Administrative Judiciary and the session was set on July 2, 2019 for documents submission.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.3 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by LE 6.5 Million and it was fully paid and the cancellation of LE 17 Million, and it has been notified with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed No.15083 for the year 72 J Alexandria Administrative Judiciary and a session has been set for September 2, 2019 for submitting documents.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) till, include tax differences amounted to LE 35 Million and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of LE 24 Million and the difference of LE 11 Million and was paid in full.
- The company's tax examination for the years 2016: 2018 has not been completed to date.

34.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 2 Billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.

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

  The company filed Lawsuit No. 9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and the lawsuit is held for the report the College of Commissioners. Although, the company filed Lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by No. 14721 for the year 69 J Alexandria Administrative Judgment to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim, on June 25, 2018 a session set by the state Administrative court ruled to assign an expert in the lawsuit and it was determined on July 10, 2019 for submitting expert.

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

The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed Lawsuit No. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority restricted with No. 36522 of year 69J and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials during the period from February 2003 till December 2013 and The Administrative Court of Alexandria has appointed an expert in the case to examine the company's requests and the expert did not proceed until now and the session was set on October 9, 2019 for report.

34.3.6 Real Estate Tax

- The real estate tax was paid up to June 30, 2013 in accordance with the provisions of Law No. 56 of 1954.
- The Real Estate Tax Authority notified the Company of Form (3) of the rental value and annual real estate tax as of 30 June 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on May 4, 2016. The company notified with the decision of appeal committee no. 371/372 for the year 2015 stating that a real estate tax of LE 17 Million has been approved annually. The tax due for the period from July 1, 2013 to December 31, 2017, according to the decision of the appeal committee, is 76.5 Million Egyptian pounds. In front of the Administrative Court No. 2636 for the year 7 J and did not set a session yet the company and pay your monthly payments in order to avoid delay in exchange for calculation.
- The Customs and Real Estate Taxation Authority has ordered the company to pay a tax of LE 4.5 Million for the properties used in the port of Dekheila. A lawsuit was filed with the No. 14629 for the year 71 BC not to qualify for a tax and payment of 6.3 Million pounds as payment until a judicial ruling was issued.

34.3.7 Service Charges related to imported equipment for production use

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

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

The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, currently the executive version of the ruling has been issued by the legal affairs department which follows up the reimbursement process and to notify the Customs Authority thereof, However, it is currently in the process of following up the issuance of a letter from the State Litigation Authority stating that there is no objection to disbursement, and the tax authority has been appealed against the ruling taking into consideration that the company announced on 22/1/2013 that is filed the appeal No.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company. On November 6, 2012, the appeal ruling was issued in favor of the company supporting the first degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

34.3.8 Withholding Tax

A committee from the Central Administration in Cairo and Burj Al Arab inspected the company for the discount and addition tax for the years 2011 through 2015, and the examination resulted in a tax benefit of LE 1.3 Million, which was paid in full.

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license were deleted and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's books from the commencement of activity until 2011 and the result of the inspection was tax losses.
- The Tax Authority inspected the Company's book until 31/12/2014 and resulted in tax losses.
- The Inspectorate did not inspect the years from 2015 till 2018.
- The company submits the tax return in the legal dates.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 31/12/2011 and finalize all the disputes and there is no any due amounts on the Company.
- The tax Authority inspected the company for years from 2012 till 2014 and the company has not received the results, yet.
- The tax inspection is currently preparing for the years 2015 and 2016.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2015.
- The tax inspections were not made for the years 2016 to 2018.
- The company submit its tax return on legal due dates.

34.4.4 Stamp tax

- Tax inspection was made till 2016, the Company paid and assessed and there is no claims on the Company on
- Tax inspection was not made for the company of the years 2017 and 2018.

34.4.5 Real Estate Tax

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial instruments

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

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities which amounted to LE 27 908 846 K as of March 31, 2019 (LE 27 336 734 K as of December 31, 2018). Financing interest and expenses related to these balances amounted to LE 1 163 112 K during the period (LE 1 050 030 K during the same period of the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 967 601 K as of March 31, 2019 (LE 904 576 K as of December 31, 2018), interest income related to these balances amounted to LE 49 248 K during the period (LE 156 011 K during the same period of the previous year).

The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	31/3/2019 LE (000)	31/12/2018 LE (000)
Long term lending to others	(13)	49 363	51 011
Trade and notes receivables	(16)	1 125 816	371 877
Debtors and other debit balances	(17)	4 315 823	4 293 285
Suppliers - advance payments		1 051 822	697 060
Investments in treasury bills		11 651	10 580
Cash and cash equivalents	(19)	2 328 263	2 608 004

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 607 252 K and LE 15 149 317 K respectively, as of the financial position date.

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

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(652 321)
Euro	(60 465)
Swiss Frank	13
Sterling Pound	(162)
Japanese Yen	(120 529)
AED	4

As shown in (Note no. 38-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the financial position date.

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

	Closing rate		Average closing rate For the three months ended 31	
	31/3/2019	31/12/2018	2019	2018
US Dollars	17.36	17.88	17.620	17.95
Euro	19.52	20.50	20.013	20.605
Swiss Frank	18.19	18.19	17.824	18.299
Sterling Pound	22.80	22.89	22.844	23.742
AED	4.731	4.87	4.80	4.85

35.5 Fair values for financial instruments

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

The fair value of these financial instruments does not materially differ from its book value as of the financial position date

36. THE LITIGATION STATUS

36.1 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

36.1.1 Workers Lawsuits Regarding Profits Differences :

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

The rulings were issued in regard to (71) lawsuits ranging between refusal and dropping as the company complied with the core of the law when calculating the employees' share in profits according to the authority vested thereto by virtue of the stipulation of article No. (12) of the Arab and Foreign Capital Investment Law No. (43)/1974 and article No. (52) of the company's Articles of Association issued by virtue of Decree No. (90)/1981 which authorize the Board of Directors and the General Assembly of the company to determine the percentage, the criterion and the manner of the profits appropriation.

However, the Court of Appeal confirmed the issued rulings of refusal or dropping in (14) lawsuits, and there are (55) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of res judicata due to the lapse of the date of appeal thereof, while the remaining two lawsuits were cancelled, not renewed and were considered legally as there were not existed.

Some workers of Al Ezz Dekheila Steel Company Alexandria filed 6 lawsuits concerning the financial differences of the social allowances for the years from 1996 until 2010, in which the company insisted on adhering to the agreement that was concluded between the company and the workers on July 7, 2011 which resulted in the fact that the company paid the said financial differences of the social allowances and the court lapsed the litigation and there is still on litigation remaining under deliberation.

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

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

Some individuals and companies trespassed a part of the company's lands with an area of approximately 17 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated December 13, 1998 issued by virtue of Decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. The trespass was erased at September 12,2017 and the company received the land in accordance with the delivery report from the state property protection authority and ElAgami district after erasing trespass from main road and legal actions are in process to finalize the land register.

37. OTHER TOPICS

37.1 EZDK Steel UK limited Company

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

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

37.2 *Alexandria Port Authority*

- On June 19, 2011, Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 Million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011. The amounts kept at the banks under attachment reached the amount of LE 66 Million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of Lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year, No.35 the lawsuit deliberation was settled.

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

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

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

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

  The company has also established Case No. 1609 of year 2014 civil with No. 36522 for the year 69 J 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 15/02/2003 till December 31, 2013 in the amount of LE 249 525 364, On November 28, 2018, the court appointed an expert in the lawsuit and deferred to the hearing of 8 May 2019 for the filing of the expert report, and the company filed a lawsuit No. 8971 for the year 72 Administrative District - Alexandria request the refund of the amount of LE 34 711 k value collected under the name of sales tax on License to use the period from January 2014 to September 2016 The court has appointed an expert in the case, which is deferred to October 9, 2019 for the report.

38. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following accounting policies have been applied consistently by the group's companies which is coincided with applied policies in all presented periods in this consolidated interim financial statements.

38.1 Foreign currency translation

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

Financial statements of Al Ezz Flat Steel (EFS)

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

38.2 Fixed assets and depreciation

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

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

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

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

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

38.3 Cost subsequent to acquisition

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

38.4 Projects under construction

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

38.5 Other assets

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

38.6 Investments in associates

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

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

38.7 Investments available-for-sale

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

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

38.8 Investments in treasury bills

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

38.9 Goodwill

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

38.10 Inventory

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

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

38.11 Trade and notes receivables and debtors

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

38.12 Cash and cash equivalents

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

38.13 Trade and notes payable and creditors

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

38.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

38.15 *Interest-bearing borrowings*

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

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

38.16 *Provisions*

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

38.17 *Share capital*

Repurchase of share capital

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

38.18 *Revenues*

a) **Sales revenues**

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

b) **Dividends**

Dividends income is recognized in the consolidated income statement on the date where the company has the right to receive investees' dividends occurred after the date of acquisition.

c) **Interest income**

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

38.19 *Capital lease contracts*

The due rental value, expenses of maintenance and repair of assets leased based on capital lease contracts as an expense in the consolidated statement of income for the period according to the accrual basis, and at end of the contract and if the Company desired to purchase the assets leased, it will be recognized as fixed assets with the amount paid to exercise the right to purchase those assets stated in the contract and to be depreciated over the estimated useful life remaining to them.

38.20 *Earnings per share*

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

38.21 Income Tax

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

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

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

38.22 Grants related to assets

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

38.23 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

38.23.1 Credit risk

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

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

38.23.1.1 Trade receivable & other debtors

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

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

38.23.1.2 Cash and cash equivalents

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

38.23.2 Liquidity risk

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

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

38.23.3 Market risk

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

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

38.23.3.1 Currency risk

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

38.23.3.2 Interest rate risk

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

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

38.23.3.3 Other market prices risk

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

38.23.4 Capital management

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

39 NEW ISSUES AND AMENDMENTS ISSUED TO THE EGYPTIAN ACCOUNTING STANDARDS:

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"		These amendments shall be effective from the date of application of the standard 47.
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
New Egyptian Accounting Standard (49) "Leases"	1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease. 3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.		Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20,

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract. 5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.		"Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. (17) "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) " Disclosure of Interests in Other Entities "	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (42) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", and amended 2019.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"	This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. .., etc. This interpretation gives the option of continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (34) Investment Property	- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair value model on subsequent measurement of all its real estate assets. Based on this amendment, both: - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019