Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2021
&
Limited Review Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2021
And Limited Review Report

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Translation from Arabic

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, 2021 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 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 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, 2021 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. (1-3) of the notes to the Consolidated Interim Financial Statements, the company and some of its subsidiaries have incurred retained losses amounted to L.E 14.723 Billion as of March 31, 2021 stated in consolidated statement of financial position, also liabilities exceed assets (Deficit in Shareholder's Equity) with an amount of L.E 7.8 Billion at that date, as Al Ezz Flat Steel company (EFS)-subsidiary company- has incurred accumulated retained losses till March 31, 2021 with an amount of LE 11.562 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 1.174 Million, Also Al Ezz Rolling Mills company (ERM) - subsidiary company- has incurred accumulated retained losses till March 31, 2021 amounted to LE 5.009 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, the total amount of these deferred tax assets is amounted to LE 1.699 Billion stated in deferred tax assets in the consolidated statement of financial position at that date, the management of these subsidiaries have prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, 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. (35-3-1) 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 and became final and decisive.

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above-mentioned dispute. The paid amounts are LE 254 Million, including delay interest amounted to LE 35 Million.

The subsidiary company is of the opinion that this procedure shall not change the legal and 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. (38-2) 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 sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, 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 subjected to sales tax.

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

Cairo, Egypt
June 15, 2021

مورا إيجيبت محاسبون قانونيون ومستشارون
MOORE Egypt
Public Accountants & Consultants

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

Translation from Arabic

Ezz Steel Company
(Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as of:

	Note No.	31/3/2021 EGP In Thousand	31/12/2020 EGP In Thousand
Non-Current Assets			
Fixed assets (Net)	(11-1)	22 996 019	23 291 803
Projects under construction	(12)	366 152	212 660
Long term investments	(13)	5 171	4 721
Deferred tax assets	(31-1)	2 057 842	2 120 703
Long term lending to others	(14)	47 077	45 380
Other assets	(15)	34 577	35 858
Goodwill	(40-9)	315 214	315 214
Total non-current assets		**25 822 052**	**26 026 339**
Current Assets			
Inventory	(16)	9 008 052	6 676 756
Trade and notes receivable	(17)	4 321 345	2 875 782
Debtors and other debit balances	(18)	4 907 925	4 404 704
Suppliers - advance payments		474 111	331 373
Investments in treasury bills	(40-8)	243 120	249 732
Cash and cash equivalents	(20)	2 954 282	2 223 086
Total current assets		**21 908 835**	**16 761 433**
Total Assets		**47 730 887**	**42 787 772**
Shareholders' Equity			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	182 090	182 090
Modification surplus of fixed assets	(11-3)	1 418 644	1 446 615
Retained losses		(14 723 775)	(15 527 223)
Treasury stocks	(23-1)	(82 302)	(71 921)
Deficit in holding company shareholders' equity		**(10 489 018)**	**(11 254 114)**
Non-controlling interest		2 689 668	2 291 033
Deficit in shareholders' equity		**(7 799 350)**	**(8 963 081)**
Liabilities			
Non-Current Liabilities			
Long-term loans	(28)	11 873 928	11 634 621
Long-term liabilities	(30)	4 394 805	3 717 624
Finance lease liabilities	(29)	346 209	365 994
Deferred tax liabilities	(31-1)	3 636 417	3 661 950
Total non-current liabilities		**20 251 359**	**19 380 189**
Current Liabilities			
Banks - overdraft	(20)	366 860	155 949
Credit facilities and loan installments due within one year	(28)	24 257 793	22 812 438
Finance lease liabilities due within one year	(29)	66 621	64 566
Trade and notes payable	(24)	6 124 524	5 181 826
Customers - advance payments		920 411	1 008 553
Creditors and other credit balances	(25)	3 063 932	2 738 194
Income tax liabilities		52 180	34 304
Liability of the supplementary pension scheme	(26)	27 494	20 771
Provisions	(27)	399 063	354 063
Total current liabilities		**35 278 878**	**32 370 664**
Total liabilities		**55 530 237**	**51 750 853**
Total shareholder's equity and liabilities		**47 730 887**	**42 787 772**

The accompanying notes from no. (1) to no. (41) form are an integral part of these consolidated Interim financial statements.
Limited Review Report "attached"

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

EZZ STEEL CO. S.A.E. ezzsteel حديد عز

Ezz Steel Company

(Egyptian Joint Stock Company)

Consolidated Statement of Income

For The Three Months Ended 31 March:

	Note No.	2021 EGP In Thousand	2020 EGP In Thousand
Sales (net)	(40-18)	13 498 378	10 786 172
Less :			
Cost of sales	(3)	(10 628 427)	(10 705 690)
Gross profit		**2 869 951**	**80 482**
Add / (Less):			
Other operating revenues	(4)	30 983	45 832
Selling and marketing expenses	(5)	(213 294)	(118 240)
Administrative and general expenses	(6)	(322 608)	(358 013)
Other operating expenses	(7)	(305 444)	(23 081)
Operating profit (loss)		**2 059 588**	**(373 020)**
Add / (Less):			
Finance income	(8)	21 676	19 062
Finance cost	(8)	(869 065)	(1 069 897)
Foreign currency exchange gains	(8)	31 268	9 477
Net finance cost		**(816 121)**	**(1 041 358)**
Net profit (loss) for the period before income tax		**1 243 467**	**(1 414 378)**
(Less)/Add:			
Income tax		(18 223)	(8 833)
Deferred tax	(31-2)	(37 328)	72 848
Total Income Tax		**(55 551)**	**64 015**
Net profit (loss) for the period		**1 187 916**	**(1 350 363)**
Attributable to:			
Owners of the holding company		783 746	(860 018)
Non-controlling interest		404 170	(490 345)
Net profit (loss) for the period		**1 187 916**	**(1 350 363)**
Basic and diluted profit (loss) per share for the period (EGP/share)	**(9)**	**1.47**	**(1.61)**

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

Translation from Arabic

Ezz Steel Company

(Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

For The Three Months Ended 31 March:

	2021	2020
	EGP In Thousand	EGP In Thousand
Net profit (loss) for the period	**1 187 916**	**(1 350 363)**
(Less)/Add:		
Other comprehensive income items		
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	(43 125)	(43 960)
Foreign currencies entities translation differences	—	(53 328)
Total comprehensive income	**1 144 791**	**(1 447 651)**
Attributable to:		
Owners of the holding company	755 775	(916 237)
Non-controlling interest	389 016	(531 414)
	1 144 791	**(1 447 651)**

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

Ezz Steel Company
(Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Three Months Ended March 31, 2021

	Capital	Reserves	Modification surplus of fixed assets	Retained losses	Treasury stocks	Foreign entites translation reserve	Total / (Deficit in) holding company shareholders equity	Non-controlling interest share in the capital increase of the subsidiary	Non-controlling interest	Total / (Deficit i shareholders' equity
	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand
Balance as of 1/1/2020	2 716 325	182 090	1 334 264	(12 103 846)	(71 921)	2 778 780	(5 164 308)	1 109 514	1 720 904	(2 333 89
Comprehensive income										
Net loss for the period	–	–	–	(860 018)	–	–	(860 018)	–	(490 345)	(1 350 36
Other Comprehensive income										
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	–	–	(24 488)	–	–	–	(24 488)	–	(19 472)	(43 96
Foreign entites translation differences	–	–	–	–	–	(31 731)	(31 731)	–	(21 597)	(53 32
Total comprehensive income	–	–	(24 488)	(860 018)	–	(31 731)	(916 237)	–	(531 414)	(1 447 65
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	–	–	–	24 488	–	–	24 488	–	19 472	43 96
Total transactions with the company's shareholders	–	–	–	–	–	–	–	–	–	
Balance as of 31/3/2020	2 716 325	182 090	1 309 776	(12 939 376)	(71 921)	2 747 049	(6 056 057)	1 109 514	1 208 962	(3 737 58
Balance as of 1/1/2021	2 716 325	182 090	1 446 615	(15 527 223)	(71 921)	–	(11 254 114)	–	2 291 033	(8 963 08
Comprehensive income items										
Net profit for the period	–	–	–	783 746	–	–	783 746	–	404 170	1 187 91
Other comprehensive income items										
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)	–	–	(27 971)	–	–	–	(27 971)	–	(15 154)	(43 12
Total comprehensive income	–	–	(27 971)	783 746	–	–	755 775	–	389 016	1 144 791
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	–	–	–	27 971	–	–	27 971	–	15 154	43 12
Transactions with company's shareholders										
The non-controlling interest share in subsidary company's dividends of year 2020	–	–	–	(5 176)	–	–	(5 176)	–	(3 801)	(8 977
Purchase treasury stocks	–	–	–	–	(10 381)	–	(10 381)	–	–	(10 381
Purchase treasury stocks in subsediary company	–	–	–	(3 093)	–	–	(3 093)	–	(1 734)	(4 827
Total transactions with the company's shareholders	–	–	–	(8 269)	(10 381)	–	(18 650)	–	(5 535)	(24 185
Balance as of 31/3/2021	2 716 325	182 090	1 418 644	(14 723 775)	(82 302)	–	(10 489 018)	–	2 689 668	(7 799 350

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

Ezz Steel Company
(Egyptian Joint Stock Company)

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

	Note No.	2021 EGP In Thousand	2020 EGP In Thousand
Cash flows from operating activities			
Net profit (loss) for the period before income tax		1 243 467	(1 414 378)
Adjustments to reconcile Net profit (losses) to net cash used in operating activities			
Depreciation	(11-1)	365 337	357 142
Amortization of other assets	(15)	1 281	1 294
Amortization of accrued interest on treasury bills		(3 641)	(3 840)
Amortization of the difference from the change in the fair value of the long term le		1 968	(838)
Capital (losses) / gains	(4)	-	(1 710)
Impairment loss on assets	(7)	13 132	72
Interest & finance costs	(8)	867 097	1 069 897
Provisions formed during the period	(7)	45 000	-
Differences of changing in liability of the supplementary pension scheme	(26)	7 922	7 144
Foreign currency exchange differences		(36 952)	(15 937)
		2 504 611	**(1 154)**
Changes in working capital			
- Inventory		(2 372 752)	470 280
- Trade receivables, debtors and other debit balances		461 367	448 128
- Trade payables, creditors and other credit balances		(280 356)	(61 381)
- lending to employees		(2 646)	(2 763)
- Liability of the supplementary pension scheme		(1 200)	(317)
Net		**309 024**	**852 793**
Finance interests paid		(812 319)	(816 574)
Used provisions		-	(1 129)
Net cash flows provided by (used in) operating activities		**(503 295)**	**35 090**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(223 046)	(75 181)
Payments for purchase of investments in subsidiaries		(450)	-
Payments for purchase of treasury stocks		(15 208)	-
Proceeds from retrieval of financial investments (treasury bills)		80 402	68 250
Payments for purchase of financial investments (treasury bills)		(74 004)	(98 598)
Net cash flows used in investing activities		**(232 306)**	**(105 529)**
Cash flows from financing activities			
(Payments) proceeds for credit facilities		(576 427)	461 225
Proceeds (payments) from loans and other liabilities		1 820 170	(192 865)
Finance lease payments		(15 560)	(10 184)
Change in time-deposits and restricted current accounts		18 340	1 819
Paid dividends to non-controlling interest		(8 977)	-
Net cash provided by financing activities		**1 237 546**	**259 995**
Change in cash and cash equivalents during the period		**501 945**	**189 556**
Cash and cash equivalents at the beginning of the period	(20)	**1 926 864**	**1 567 109**
Translation differences of financial statements of foreign entities		-	(6 888)
Cash and cash equivalents at the end of the period	(20)	**2 428 809**	**1 749 777**

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

Notes to the Consolidated Interim Financial Statements
For The Three Months Ended Mach 31, 2021

1. BACKGROUND

1.1 Basic Information

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

The Company and its subsidiaries purpose is the 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:

	31/3/2021 Percentage Shareholders %	31/12/2020 Percentage Shareholders %
Al Ezz Rolling Mills Company (ERM)	64.061 (Direct and Indirect) through Al Ezz El Dekheila	64.061 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	64.06 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	57.657 (Indirect) Through Al Ezz El Dekheila	57.657 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	55.16 (Indirect) Through Al Ezz El Dekheila	55.16 (Indirect) Through Al Ezz El Dekheila

The main financial indicators for the company and some of it's subsidiaries:

- The company and some of its subsidiaries have incurred retained losses amounted to L.E 14.723 Billion as of March 31, 2021 included in company's consolidated statement of financial position, also its liabilities exceed its assets (Deficit in Shareholder's Equity) with an amount of L.E 7.8 Billion at that date, as Al Ezz Flat Steel company (EFS) - subsidiary company- has incurred accumulated retained losses till Mach 31, 2021 with an amount of LE 11.562 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 1.174 Million, Also Al Ezz Rolling Mills company (ERM) - subsidiary company- has incurred accumulated retained losses till March 31, 2021 amounted to LE 5.009 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, hence the total amount of these deferred tax assets is amounted to LE 1.699 Billion stated in deferred tax assets in the consolidated statement of financial position at that date. The company`s management has prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

1.4 Issuance of Consolidated Interim Financial Statements

- These Consolidated Interim Financial Statements were approved by the company's BOD for issuance on June 15, 2021.

2. Basis for the preparation of the consolidated interim financial statements

2.1 Statement of compliance

These Consolidated Interim Financial Statements have been prepared in accordance with Egyptian Accounting Standards and in light of Egyptian laws and regulations related to.

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. 40-2).

2.3 Functional and presentation currency

These Consolidated Interim Financial Statements are presented in thousands of Egyptian pounds

2.4 Use of estimates and judgments

The preparation of the Consolidated Interim Financial Statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the actual results may differ from these estimates.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the current circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Any differences to accounting estimates are recognized in the year in which the estimate is revised if these differences affect the year of the revision and future periods then these differences are recognized in the year of the revision and future periods.

And the following represents the most significant items in which assumption and professional judgment have 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 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 financial positon 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 subsidiaries 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, it's directly stated in the shareholders' equity.

3. COST OF SALES

		For the three months ended 31 March:	
	Note No.	2021 EGP (000)	2020 EGP (000)
Raw Materials		8 087 892	6 059 042
Salaries & wages		526 049	512 062
Fixed assets depreciation	(11-1)	354 417	345 753
Other assets amortization	(15)	1 281	1 294
Supplementary pension scheme cost		6 216	5 610
Manufacturing overhead expenses		2 964 185	3 346 687
Manufacturing cost		**11 940 040**	**10 270 448**
Change in inventory–finished products and work in		(1 311 613)	435 242
		10 628 427	**10 705 690**

4. OTHER OPERATING REVENUES

	For the three months ended 31 March:	
	2021 EGP (000)	2020 EGP (000)
Capital gains	-	1 710
Other revenues	30 983	44 122
	30 983	**45 832**

5. SELLING & MARKETING EXPENSES

		For the three months ended 31 March:	
	Note No.	2021 EGP (000)	2020 EGP (000)
Salaries & wages		28 627	26 352
Advertising expenses		26 715	4 043
Fixed assets depreciation	(11-1)	205	98
Supplementary pension scheme cost		439	397
Other expenses		157 308	87 350
		213 294	**118 240**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the three months ended 31 March: 2021 EGP (000)	2020 EGP (000)
Salaries & Wages		195 936	241 190
Spare parts and maintenance expenses		1 024	2 800
Fixed assets depreciation	(11-1)	10 715	11 291
Supplementary pension scheme cost		1 140	1 137
Other expenses		113 793	101 595
		322 608	**358 013**

7. OTHER OPERATING EXPENSES

	Note No.	For the three months ended 31 March: 2021 EGP (000)	2020 EGP (000)
Donations		67 380	1 233
Impairment of assets	(19)	13 132	72
Formed provisions during the period	(27)	45 000	-
Other expenses		179 932	21 776
		305 444	**23 081**

8. FINANCE INCOME AND COST

	For the three months ended 31 March: 2021 EGP (000)	2020 EGP (000)
Finance and interest income	21 676	19 062
Interest & finance cost	(869 065)	(1 069 897)
Foreign currency exchange differences gains	31 268	9 477
Net finance costs	(816 121)	**(1 041 358)**

9. BASIC AND DILUTED PROFIT (LOSSES) PER SHARE FOR THE PERIOD

	For the three months ended 31 March: 2021	2020
Owners of the company share		
Net profit (loss) for the period (LE 000)	783 746	(860 018)
Weighted average number of outstanding shares during the period (share)*	532 891 832	533 802 313
Basic and diluted profit (loss) per share for the period (EGP / share)	**1.47**	**(1.61)**

* 10 373 195 shares were eliminated for calculating the weighted average number of outstanding shares during the three months ended March 31, 2021 which represent treasury stocks (comparing to 9 462 714 shares on December 31, 2020) (Note no. 23).

10. EMPLOYEE BENEFITS

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 1/1/2000 in addition to the annual salary increase.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies for the three months ended March 31, 2021 amounted to L.E 4 585 K has been included in salaries and wages in the statement of income (against L.E 5 083 K for the same period from year 2020).

11. FIXED ASSETS (NET)

11.1 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
	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand	EGP In Thousand
Cost:								
As of January 1, 2020	783 733	10 031 991	35 792 987	316 474	466 361	227 554	3 902	47 623 002
Additions during the period	-	1 359	33 286	1 597	4 836	4 192	-	45 270
Disposals during the period	-	-	(51 047)	(3 991)	-	(352)	-	(55 390)
Translation differences of foreign entities	(3 816)	(101 538)	(231 696)	(26)	(809)	(2 639)	-	(340 524)
As of March 31, 2020	779 917	9 931 812	35 543 530	314 054	470 388	228 755	3 902	47 272 358
As of January 1, 2021	779 274	9 993 755	35 832 239	313 084	478 244	244 961	3 902	47 645 459
Additions during the period	4 215	17 673	43 471	-	1 865	2 329	-	69 553
Disposals during the period	-	-	(1 640)	-	-	-	-	(1 640)
As of March 31, 2021	783 489	10 011 428	35 874 070	313 084	480 109	247 290	3 902	47 713 372
Accumulated depreciation:								
As of January 1, 2020	-	2 902 465	19 562 871	291 701	242 652	145 949	3 902	23 149 540
Depreciation for the period	-	58 136	279 476	2 841	11 889	4 800	-	357 142
Accumulated depreciation of disposals during the period	-	-	(51 047)	(3 991)	-	(352)	-	(55 390)
Translation differences of foreign entities	-	(27 040)	(101 243)	(26)	(681)	(1 585)	-	(130 575)
As of March 31, 2020	-	2 933 561	19 690 057	290 525	253 860	148 812	3 902	23 320 717
As of January 1, 2021	-	3 103 506	20 498 065	297 968	286 901	163 314	3 902	24 353 656
Depreciation for the period	-	58 306	288 788	1 709	11 357	5 177	-	365 337
Accumulated depreciation of disposals during the period	-	-	(1 640)	-	-	-	-	(1 640)
As of March 31, 2021	-	3 161 812	20 785 213	299 677	298 258	168 491	3 902	24 717 353
Carrying amount:								
As of March 31, 2020	779 917	6 998 251	15 853 473	23 529	216 528	79 943	-	23 951 641
As of December 31, 2020	779 274	6 890 249	15 334 174	15 116	191 343	81 647	-	23 291 803
As of March 31, 2021	783 489	6 849 616	15 088 857	13 407	181 851	78 799	-	22 996 019
Fixed assets fully depreciated and still in use as of March 31, 2021	-	362 325	2 194 518	277 338	144 205	105 754	3 902	3 088 042

- 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 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 procedur 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 the statement of income is as follows:

	Note No.	For The Three Months Ended March 31: 2021 LE(000)	2020 LE(000)
Cost of sales	(3)	354 417	345 753
Selling and marketing expenses	(5)	205	98
Administrative & General expenses	(6)	10 715	11 291
		365 337	357 142

11.2 Leased fixed assets:

Fixed assets include leased assets as of March 31, 2021 as follows:

	Cost at 31/3/2021 EGP (000)	Accumulated depreciation at 31/3/2021 EGP (000)	Net at 31/3/2021 EGP (000)	Net at 31/12/2020 EGP (000)
Land *	70 000	-	70 000	70 000
Building **	145 000	17 823	127 177	128 083
	215 000	**17 823**	**197 177**	**198 083**

* During 2018, the company signed a contract of sale and lease back for 7 years ending 2025 for a plot of land owned by the company, Land cost amounted to L.E. 70 Million, as shown in note no. (29), the company issued an official power of attorney cannot be canceled or revoked in favor of HD Lease in the signing of the initial and final purchase and sale contracts and the final transfer of ownership to it or to other in front of the Real Estate Authority for the above-mentioned plot of land.

** During 2016, the company concluded a finance lease contracts for two floors in Nile Plaza building for 8 years ending 2024 as shown in note no. (29).

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

	EGP (000)
Modification surplus of fixed assets at floating foreign exchange rate date (November 3, 2016)	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till **December 31, 2020**	(869 811)
Net modification surplus of fixed assets at December 31, 2020	**2 240 880**
Recognized portion during the three months ended March 31, 2021	(43 125)
Net modification surplus of fixed assets at March 31, 2021	**2 197 755**
Attributable to:	
Owners of the Company	1 418 644
Non-controlling interest	779 111
	2 197 755

12. PROJECTS UNDER CONSTRUCTION

	31/3/2021 EGP (000)	31/12/202 EGP (000)
Constructions expansion	201 426	19 572
Machinery under installation	76 027	114 186
Advance payments for purchase of fixed assets	88 699	78 902
	366 152	**212 660**

13. LONG TERM INVESTMENTS

	31/3/2021 EGP (000)	31/12/2020 EGP (000)
13-1 Investments in subsidiaries (Not included in the Consolidated Interim Financial		
- Al Ezz for medical industries (30% owned by Ezz Steel company and 30% by Al Ezz El Dekheila for Steel – Egypt (EZDK)	1 050	600
The subsidiary company was established on August 11, 2020, 10% of the capital was paid, the company did not practice any activities yet to date, and the company hasn't prepared any financial statements yet.		
13-2 Investments in associates		
- Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	90	90
- Al Ezz El Dekheila for Steel – Egypt (EZDK) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	25	25
- EZDK Steel UK LTD – (Note no. 38-1) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	1	1
13-3 Investments available-for-sale		
- Arab Company for Special Steel (SAE) (5% owned by Ezz El Dekheila for Steel – Alexandria).	17 726	17 726
- The Egyptian Company for Cleaning and Security Services (30.80% owned by Al Ezz Steel Company)	80	80
- Atlantic Pacific Transport Ltd. (5% owned by Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)).	4 016	4 016
	22 988	**22 538**
Less:		
- Impairment loss in Arab Company for Special Steel	17 726	17 726
- Impairment loss in EZDK Steel UK LTD	1	1
- Impairment loss in Egyptian German Co. for Flat Steel Marketing (Franco) L.L.C (under liquidation)	90	90
Impairment loss in long term investments (Note no.19)	**17 817**	**17 817**
	5 171	**4 721**

14. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/3/2021 EGP (000)	31/12/202 EGP (000)
Employees' advance payments		79 464	75 623
Employees' loans present value		34 671	31 241
		114 135	106 864
Less:			
Employees' loans and advances due within the year	(18)	(55 748)	(52 143)
Long term employees' loans and advances		58 387	54 721
Less:			
Differences resulted from change in the fair value of long-term employees' loans		(11 310)	(9 341)
		47 077	**45 380**

15. OTHER ASSETS

The amount is represented in the paid-up amount by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority for the approval of the steel rebar production license:

	EGP
Cost at January 1, 2021	**35 858**
(Less):	
Amortization for the period	(1 281)
Net at March 31, 2021	34 577

16. INVENTORY

	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Raw materials and supplies	3 593 481	2 324 738
Work in process	680 921	319 757
Finished products	2 692 371	1 741 922
Spare parts and supplies	1 969 734	1 980 166
Goods in transit	2 843	281 397
Letters of credit	68 702	28 776
	9 008 052	**6 676 756**

17. TRADE AND NOTES RECEIVABLE

	Note No.	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Trade receivables		3 077 914	1 682 047
Trade receivables – Related parties	(32-1)	8 839	8 731
Notes receivable		1 264 713	1 215 125
		4 351 466	**2 905 903**
Less:			
Impairment loss on trade receivables	(19)	(30 121)	(30 121)
		4 321 345	**2 875 782**

18. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Deposits with others		1 231 202	1 231 024
Tax Authority	(18-1)	1 847 371	1 224 017
Tax Authority – usufruct	(18-2)	127 477	127 477
Tax Authority – VAT		583 932	862 167
Customs Authority		40 993	22 503
Accrued revenues		1 162	587
Prepaid expenses		54 122	69 041
Alexandria Port Authority		19 570	19 570
Employees' loans and advance payments due within a	(14)	55 748	52 143
Letters of credit cash margin		2 927	4 491
Letters of guarantee cash margin	(33-1)	1 085	135
Due from related parties	(32-2)	20 961	20 531
Advance payment under the account of employees'		35 855	35 816
The Cairo Economic Court	(18-3)	35 060	35 060
Other debit balances	(18-4)	914 101	750 651
		4 971 566	**4 455 213**
Less:			
Impairment loss on debtors and other debit balances	(19)	(63 641)	(50 509)
		4 907 925	**4 404 704**

18-1 The Tax Authority balances include an amount of LE 254.2 Million represents an 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. (35-3-1) in addition to an amount of LE 215 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. and amount of LE 25 Million paid under the income tax account from 2014 to 2017.

18-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax for the 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. 38-2).

18-3 The Cairo Economic Court balance represents the amount due to the company in the previously paid amounts after deducting the penalties that judged in the misdemeanour No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.

18-4 The other debit balances item includes an amount of LE 49.5 Million represents 15% of the license related to the second production line which Ezz Rolling Mills Company- a subsidiary company- paid on February 2012.

19. IMPAIRMENT LOSS ON ASSETS

Impairment loss on:	Note No.	1/1/2021 EGP (000)	Formed during the EGP (000)	31/3/2021 EGP (000)
Long term investments	(13)	17 817	-	17 817
Trade and notes receivable	(17)	30 121	-	30 121
Debtors and other debit balances	(18)	50 509	13 132	63 641
Advance payments for suppliers		2 332	-	2 332
		100 779	**13 132**	**113 911**

20. CASH AND CASH EQUIVALENTS

	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Banks - time deposits	231 872	232 370
Banks – current accounts	2 594 253	1 867 530
Cheques under collection	63 564	59 091
Cash on hand	64 593	64 095
	2 954 282	**2 223 086**
Less:		
Banks – overdraft	(366 860)	(155 949)
Restricted time deposits and current accounts within the credit conditions granted by the bank for the Group	(158 613)	(140 273)
Cash and cash equivalents in the statement of cash	**2 428 809**	**1 926 864**

21. CAPITAL

21.1 Authorized capital

The company's authorized capital is LE 8 Billion.

21.2 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 share 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.

The shareholders and the percentages of their contribution at the date of the financial position are as follows:

	31/3/2021			31/12/2020
Shareholder	**Number of Shares**	**Par Value L.E**	**Contribution %**	**Contribution %**
- Al Ezz Group holding for industry and investment (Ezz industries) *	630 599 208	043 152 995 1	38.403	38.403
- Engineer / Ahmed Abd El Aziz	302 540	741 512 700	27.298	27.298
- Al Ezz for Rolling mills (subsidiary company)	9 462 714	47 313 570	1.742	1.742
- Others	869 174	884 345 870	32.557	32.557
	543 265	**2 716 325**	**100.00**	**100.00**

* Some subsidiaries of "Al Ezz Group Holding company for Industry & Investment "Ezz Industries" have sold their shares in Ezz steel company on April 21 2020, which represent a percentage of contribution of 27.29% for Eng/ Ahmed Abdelaziz Ezz, consequently the percentage of the mentioned company contribution (direct and indirect) in Ezz steel company after this transaction is 38.83% on December 31 2020, rather than 65.25% until April 2020.

22. RESERVES

	31/3/2021 LE (000)	31/12/2020 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.

23. TREASURY STOCKS

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

On January 5, 2021 the parent company's Board of Directors decided to purchase treasury shares with a percent of 1% of the paid-up capital of the company and a maximum of one Million shares, the Managing Director was delegated to set prices and the period for purchasing treasury shares within the company's available sources of financing and liquidity, the Financial Regulatory Authority approved this transaction. The total number of shares purchased is 910 481 Shares with an amount of L.E 10 381 K.

So, the total number of treasury shares becomes 10 373 195 shares with a total cost of LE 82,302 K.

24. TRADE AND NOTES PAYABLE

	31/3/2021			31/12/2020
	Due within one year EGP (000)	Long term Note No. EGP (000)	Total EGP (000)	Total EGP (000)
Trade payables	4 813 905	-	4 813 905	3 719 194
Notes payable	1 572 971	3 139 821	4 712 792	5 238 598
	6 386 876	**3 139 821**	**9 526 697**	**8 957 792**
Deferred interest	(262 352)	(529 061)	(791 413)	(840 163)
	6 124 524	**2 610 760**	**8 735 284**	**8 117 629**

24.1 As of March 31, 2021, trade and notes payable include an amount of installments due to the Electricity and natural gas supplying Companies, the company and its subsidiaries made an agreement with the mentioned companies to reschedule the payment of dues which amounted to L.E 3 898.82 Million to be paid on maximum of 48 monthly installment beginning from the date of the agreement, in addition to an annual interest stated on the rescheduling agreement mentioned above.

25. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Accrued interest		686 580	631 889
Accrued expenses		1 564 022	1 239 703
Tax Authority		329 495	417 820
Performance guarantee retention		77 699	58 621
Sales tax instalments		96 483	96 483
Dividends payable		10 600	1 606
Due to related parties	(32-3)	108 383	109 183
Deferred revenue for grants	(30-3)	1 036	817
Other credit balances		189 634	182 072
		3 063 932	**2 738 194**

26. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

The cost of the supplementary pension scheme during the three months ended March 31, 2021 amounted to L.E 8 Million charged to the consolidated financial statement according to the actuary's report issued annually.

	Not No.	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Balance at the beginning of January		**217 500**	**196 732**
Add:			
Present service cost		706	2 841
Return cost		7 216	25 737
Amounts recognized in the consolidated statement of		**7 922**	**28 578**
		225 422	**225 310**
Actuarial (profits) losses from the defined benefits pension		-	(3 907)
Employees paid subscriptions during the period / year		2 260	7 982
		227 682	**229 385**
Less:			
Paid pensions during the period / year		(3 459)	(11 885)
Total liabilities of supplementary pension scheme		**224 223**	**217 500**
Distributed as follows:			
Included in current liabilities		27 494	20 771
Included in long-term liabilities	(30)	196 729	196 729
		224 223	**217 500**

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	**31/3/2021**	**31/12/2020**
A- Average discount rate	14.6 %	14.6 %
B- Average inflation rate	14.5 %	14.5 %
Average assumptions to determine the net cost of the benefits	**31/3/2021**	**31/12/2020**
A- Average discount rate	14 %	14 %
B- Average inflation rate	3.63 %	3.63 %

27. PROVISIONS

	1/1/2021 LE (000)	Formed during LE (000)	31/3/2021 LE (000)
Tax and claims provision	352 108	45 000	397 108
Employees Lawsuits provision	1 955	-	1 955
	354 063	**45 000**	**399 063**

28- 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
28-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		1.5% over Corridor for the first year 2% over Corridor starts from the second year	16 non equal quarterly installments	31/3/2021 Until 31/12/2024	100 572	834 186	934 758	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 are specified in the loan agreement during the period of the loan.
Banks - credit facilities			Average 9.75 % for the Egyptian Pound, and 4.5 % for the US Dollar			4 072 007	-	4 072 007	Without guarantees within a limit of LE 4.025 Billion.
28-2 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%	installment due date	2-3 years	8 524	34 096	42 620	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	installment due date	2-7 years	515 187	1 964 268	2 479 455	
Banks - credit facilities	To finance working capital and letters of credit.		Average lending and discount rate published from the Central Bank on withdrawn amounts of the Egyptian pound and based on Libor rate on withdrawn amounts of the US Dollar			15 294 515	4 620 774	19 915 289	
28-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Central Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	14 710	40 452	55 162	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge and possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of the banks.
Loans - foreign currency			variable interest related to the Libor price.			862 167	225 482	1 087 649	
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.			405 374	1 117 513	1 522 887	Possession mortgage on inventories and joint guarantee from Al Ezz El Dekheila for Steel - Alexandria Company 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, also keeping some financial ratios and indicators
28-4 Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 work days beginning from every interest period (3 months for the first and second section) and (monthly for the Third section) in addition to the margin	quarterly installments for the first and second section and monthly installments for the third section	1-10 years	2 742 395	3 037 157	5 779 552	Within a 3.05 Billion Limit guaranteed by a group of realestate mortgages and a commercial mortgage and a joint guarantee from Al Ezz El Dekheila for Steel - Alexandria Company.
Banks - credit facilities			0.5% - 1.75% over Corridor on the used portion from the limit.			242 342	-	242 342	Joint guarantee from Al Ezz El Dekheila for Steel - Alexandria Company.
Balance as of March 31, 2021						**24 257 793**	**11 873 928**	**36 131 721**	
Balance as of December 31, 2020						**22 812 438**	**11 634 621**	**34 447 059**	

- The group Companies had benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the intsructions of the Central Bank of Egypt on March 15, 2020 and its appendixes, related to the precautious procedures against the effect of corona virus pandemic, also benefited from the central bank initiative related to the modification of the interest rate, to be 8% for the credit facilities the companies obtained alter the date of the initiative

28.1 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 instalment, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015 with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company got the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till December 31, 2020 deducted from the loan balance.
- The instalments paid until March 31, 2021 amounted to LE 916 Million (against LE 895 Million December 31, 2020).
- The company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and it's appendixes, related to the precautious procedures against the effect of corona virus pandemic.
- During the year 2020 and after the end of the period of postponing payment of the interest according to the Central Bank initiative, the banks which granted the loans have modified the instalments with an amount of L.E 152 479 K according to an appendix of the loan, the amount represents the accrued interest on the loan balance for the period from 3/11/2019 to 31/12/2020 to pay the loan plus interest in 16 quarterly installments starting from March 31, 2021 to December 31, 2024 , the interest rate was modified to 1.5% above the Corridor rate for the first year and 2% above the Corridor rate starts from second year from the date of activating the loan appendix.

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million for 3 years ending in October 17, 2021 and the balance as of March 31, 2021 is LE 794.73 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted to LE 1.5 Billion or its equivalent in foreign currencies. Its balance amounted to LE 1 353.65 Million as at March 31, 2021 whose due date is January 2022.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2022, amounted to LE 600 Million or its equivalent in foreign currency. Its balance amounted to LE 622.94 Million as at March 31, 2021.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2023 with a total amount of USD 158 Million or its equivalent in local currency. Its balance amounted to LE 1 620.27 Million as of March 31, 2021 and a part in foreign currency amounted to L.E 229.16 Million equivalent to USD 14.53 Million.
- The Company obtained from a joint medium term credit facility from Bank Misr and National Bank of Egypt to finance the working capital of Al Ezz Rolling Mills Company and Al Ezz Flat Steel Company (subsidiaries companies), that Bank Misr is the security agent and National

Bank of Egypt as the revenue calculation bank (Indirect contributor through Alahly Capital company for investments) whose due date is July 19 , 2021 renewable annually, its balance amounted to L.E 2.041 Billion as of March 31, 2021.

- The company Transferred part of the existing debt to a medium – term loan from Qatar National Bank Al Ahly (as a part of the company's financial restructure plan) with an amount of USD 69.5 Million and the loan is to be paid in twenty-six quarter annual instalment ending at August 31, 2025. The balance as of March 31, 2021 amounted to USD 49.1 Million equivalent to LE 774 .48 Million.
- The company obtained a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with an amount of USD 61.5 Million and the loan is to be paid in twenty-eight quarter annual instalment ending at November 28, 2025. The balance as of March 31, 2021 amounted to USD 41.8 Million equivalent to LE 659.3 Million.
- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalment ending at January 15, 2026. The balance as of March 31, 2021 is amounted to USD 39.26 Million equivalent to LE 619.35 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 instalments ending on January 15, 2026, the balance as of March 31, 2021 is amounted to LE 42.62 Million and a portion of foreign currency amounted to USD 10.088 Million equivalent to LE 159.13 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 instalment ending at August 28, 2026. The balance as of March 31, 2021 is amounted to USD 16.94 Million equivalent to LE 267.19Million.

28.3 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 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.

  During year 2020, the loans granted to the company from local banks above-mentioned were rescheduled to be paid in 6 semi-annual instalments starting from 18/2/2021 and ending on 18/8/2023.

- The Banks-credit facilities amounting to L.E. 1 594 794 K on 31/3/2021 is represented in the amount used from the facilities granted by the local banks in the Egyptian pound against several guarantees, the most significant of which is a pledge on the inventory, and joint guarantee from Al-Ezz El-Dekheila Steel Alexandria, assignment of all export proceeds to the banks and depositing all local sales revenues at banks, as well as concluding insurance policy covering theft and fire of inventory in favour of the banks, as well keeping some financial ratios and indicators, during the facility period based on an interest rate related to Corridor rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.
- During year 2020, the above-mentioned credit facilities were rescheduled to be paid in 24 unequal quarterly installments according to specific percentages of the facility's balance starting from 31/3/2021 and ending on 31/12/2026.

28.4 Al Ezz Rolling Mills (Subsidiary)

- An approval has been made on December 10, 2020 to restructure debts by the banks participating in the long-term loan granted to the company for the purpose of establishing the reduced iron project, the restructuring includes the existing debts arising from A, B,and C sections and the calculated returns until December 31, 2020, with a maximum of 6.5 billion pounds and that the first instalment payment begins on March 31, 2021, with modifying the interest rate to become 1.5% above the corridor price during the first year from the date of activation, then applying 2% above the corridor price from the beginning of the second year from the activation date until the final maturity date, (instead of 3.5% above the corridor Lending to both section A, B and 1.75% above corridor lending to section C).

- Until the date of issuance of the financial statements, the required conditions were not fulfilled so that the banks participating in the long-term loans could start to activate the loan restructuring.

29. Finance lease

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	31/3/2021 EGP (000)	31/12/2020 EGP (000)	31/3/2021 EGP (000)	31/12/2020 EGP (000)	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Due within one year	115 347	115 347	48 726	50 781	66 621	64 566
Long term	442 896	473 904	96 687	107 910	346 209	365 994
Total	**558 243**	**589 251**	**145 413**	**158 691**	**412 830**	**430 560**

- The company signed finance lease contracts (No.4537 & 4538) with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building for Eight years ending June 2024, the contracts provide the right to the company to own those assets at a predetermined value at the end of the contract year. On July 18, 2017, the company signed appendixes to these contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending July 2025. On September 20, 2018, the company signed an appendix to these contracts to increase the finance related to the leased asset in a form of revaluation of that asset and modify the capital lease contracts, the repayment of the extra finance will be on 32 quarterly equally instalment starts from December 20, 2018 till September 20, 2026, The cost of acquiring these two floors has been included in the buildings item in the fixed assets of the company in accordance with the Egyptian Accounting Standard No. (49) Leasing contracts.
- On November 13, 2016, the company signed a finance lease contract (Contract no.4675) with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending November 2024.
- During December 2018, the company signed contracts of sale and lease back (Contract no.1) with HD company For Capital Lease for a piece of land of the lands owned by the company, and as per the contracts with the mentioned company, the lease is for 7 years ending December 25, 2025, and the contract gives the company the right to own the mentioned land at the end of the contract's period at predetermined amount in the contract. It has been determined that the above-mentioned contracts are not representing the sale of the plot of land. Accordingly, the plot of land has been re-recognized in the fixed assets and recognized a financial liability equal to the proceeds of transfer, that is in accordance with Egyptian accounting standard (49) Lease Contracts.
- During October 2020, an appendix has been concluded for the finance lease contracts mentioned above and that was based on the decrees taken by the Central Bank of Egypt as of March 16, 2020 as some installments were postponed for 6 months in addition to decreasing interest rates, where quarterly post-paid checks has been issued till March 2027 after recalculating deferred interests based on the new interest rates.

30. LONG TERM LIABILITIES

	Note No.	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Notes payable	(24-1)	3 139 821	3 531 106
Liability of the supplementary pension scheme	(26)	196 729	196 729
lending from others	(30-1)	584 342	584 342
Fixed asset purchase creditors	(30-2)	1 002 224	-
Deferred revenue for grants	(30-3)	750	750
		4 923 866	**4 312 927**
Unamortized portion of present value of the notes		(529 061)	(595 303)
Present value for the long-term liabilities		**4 394 805**	**3 717 624**

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to LE 584 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 virtue of the guarantee of SACE, thereof the interests of the loan are calculated based on variable interest rate related LIBOR.

30.2 Fixed asset purchase creditors represented in the due to Danilli, on 27/1/2021 the company agreed with the mentioned supplier to reschedule the payment of the dues and the added interest according to the following:

The liability due to the supplier according to the purchase invoices in addition to the calculated interest on it starting from 1/11/2020 is paid in quarterly installments ends in 2026.

The settlement agreement includes that the supplier will waive the right to due interest which calculated on the liability of supplying machinery and equipment during the prior years for the period from the invoice due date until 31/10/2020, this is in case of the company paying all the quarterly installments based on the settlement agreement.

The company and Al Ezz El Dekheila for Steel- Alexandria signed joint guarantees in favor of the above-mentioned supplier to guarantee that the mentioned subsidiary companies would pay its dues stated in the settlement agreement.

30.3 Deferred revenues represent the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K, deferred revenues due within one year is amounted to LE 1 036 K (Note no. 25).

31. DEFERRED TAX

31.1 Recognized deferred tax assets and liabilities

	31/3/2021		31/12/2020	
	Assets EGP (000)	**Liabilities EGP (000)**	**Assets EGP (000)**	**Liabilities EGP (000)**
Fixed assets	-	(3 575 387)	-	(3 601 513)
Provisions and assets impairment	57 266	-	47 472	-
Finance lease liabilities	24 270	-	25 455	-
Tax losses	1 942 163	-	2 013 633	-
Losses from foreign currency exchange differences translation	34 143	-	34 143	-
Gains from foreign currency exchange differences translation	-	(61 030)	-	(60 437)
	2 057 842	**(3 636 417)**	**2 120 703**	**(3 661 950)**
Net deferred tax (liability)		**(1 578 575)**		**(1 541 247)**

31.2 Recognized deferred tax charged to the consolidated statement of income:

	31/3/2021 EGP (000)	31/12/2020 EGP (000)
Net deferred tax	(1 578 575)	(1 785 440)
Less/ (Add):		
Translation differences	-	18 184
Previously charged deferred tax	(1 541 247)	(1 876 472)
Deferred tax	**(37 328)**	**72 848**

31.3 Unrecognized deferred tax assets

	31/3/2021 LE (000)	31/12/2020 LE (000)
Impairment loss on Receivables and debtors	28 657	8 498
Provisions	69 243	65 619
Tax losses	818 574	660 068
	916 474	**734 185**

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.

32. RELATED PARTIES TRANSACTIONS

The company conducts commercial transactions with related parties. The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the period EGP (000)	Balance as of 31/3/2021 Debit/(credit) EGP (000)	Balance as of 31/12/2020 Debit/(credit) EGP (000)
32.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			8 739	8 731
			8 739	**8 731**
32.2 Items included in debtors and other debit balances				
- Gulf of Suez Development Company (Affiliated company)		-	10	49
- Al Ezz for Ceramics and Porcelain (GEMMA) (affiliated company)	Rent Purchases	226 28	20 951	20 482
			20 961	**20 531**
32.3 Items included in creditors and other credit balances				
- Al Ezz Group Holding Company for Industry & Investment (Shareholder)			(108 364)	(109 164)
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(19)	(19)
			(109 183)	**(109 183)**

33. CONTINGENT LIABILITIES

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

	31/3/2021 Equivalent EGP (000)	31/12/2020 Equivalent EGP (000)
Letters of guarantee		
Egyptian Pound	18 253	18 253
US Dollar	17 347	17 380
Letters of credit		
US Dollar	2 108	2 268
Euro	295 954	425

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on March 31, 2021 amounted to LE 1 085 K (against LE 135 K as of December 31, 2020 fully covered) (Note no.18).

33.2 The settlement agreement with one of the foreign suppliers (Note no.30-2) includes the supplier claims Al Ezz Flat Steel (subsidiary company) for interest that will be calculated in agreement with the company on the liability of supplying spare parts during previous years amounted to 15 483 K Euro which is stated in the suppliers balance as of 31/3/2021 from the invoice due date until 31/10/2020, this is in case of the company does not pay all the liabilities stated in the settlement agreement in the due dates.

34. CAPITAL COMMITMENTS

- The capital Commitments of El Ezz El Dekhaila as of March 31, 2021 amounted to LE 31.6 Million, (whereas the amount as of December 31, 2020 is LE 88 Million).

35. TAX POSITION

35.1 Ezz Steel Company

35.1.1 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, 2017 and there are no outstanding dues or tax disputes.
- The company submitted tax returns for the years 2018:2019 under Law No. 91 of 2005 on the due legal dates, currently the tax inspection is being prepared for those years.

35.1.2 Sales tax and VAT

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

35.1.3 Salary tax

- The tax inspection was done till 2018 and there are no outstanding due.
- The tax inspection was done for years 2017/2018 and disputes are being resolved by the Internal Committee.
- The tax inspection was done for year 2019 and the settlement and payment in progress.

35.1.4 Stamp tax

- The tax inspection was done till 2016 and there are no outstanding due.

35.1.5 Property tax

- The tax assessment issued and paid up to 31/12/2020.

35.2 Al Ezz Rolling Mills Company

35.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article
  No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company, the tax inspection has resulted in approved tax losses amounting to LE 73 862 K in 2016 and LE 1 321 347 K in 2017
- The tax return was submitted on its legal date for years 2018 and 2019 according to the income tax law No. 91 for 2005 and its amendments,

35.2.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until 2015 and the taxes due were paid.

- The Tax Authority inspected the Company's books for year 2016 till 2018 and the tax inspection result is awaiting.
- The monthly tax returns are summited on their legal due dates for year 2019 and 2020, the tax inspection hasn't been requested by the Tax authority yet.

35.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no any outstanding dues on the company.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and the tax inspection result is awaiting.
- The company deducts and submits its tax for year 2019 and 2020.

35.2.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues.
- The tax inspection hasn't been requested for year 2019 and 2020 yet.

35.2.5 Property tax

- The tax assessment issued and paid up to 31/12/2020.

35.3 <u>Al Ezz El Dekheila for Steel – Alexandria Company</u>

35.3.1 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.
- The Tax Authority has held the accounts of the company kept at banks 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 Million on 24 instalment the first instalment amounting to LE 8 Million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 Million each, in addition to the delay interest on the amount paid on instalments by amount of LE 35 Million. The paid amounts is LE 254 Million, including delay interest. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favour of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and the session was postponed to June 5, 2021 for submitting documents.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 95 Million in addition to delay interests, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee. The company filed the lawsuit No. 245 - Alexandria Court for the purpose of plea to the nullification of the Appeal Committee's decision issued on December 14, 2011,The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1698) for the year 72 J which directed to commissioners committee which in turn assigned an expert to report, and it was assigned to another court and its session date hasn't been set yet.
- The Tax Authority demanded that the company pays an amount of LE 120.6 Million as a delay penalty based on the article No. 111 of the Law No. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax additional taxes in addition to delay penalty during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favour.
- The company ensures the validity of its position and the strength of its defence since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedures will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a Lawsuit No. 269 for the year 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 Million in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.
- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a

decision of not approving the donations as it is considered to a normal persons and a law suit no.(1138) of 73 J has been filed appealing on the committee decision and session was set at May 24, 2021 For information and notes.

- 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 payment and settlement were done.
- 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 made, and the company was notified with tax form No. (19), the tax differences amounted to LE 21 Million and it was fully covered and paid.
- Tax inspection is not performed yet for the years 2018/2019.

35.3.2 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 for the years 2004/2008 was completed and the company was notified with accrued tax of LE 605 K which have been paid in full.
- The tax inspection of the company for the years 2009/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of LE 7.3 Million.
- The tax inspection for the years 2013/2016 was completed and the company was notified by form no. 37 salaries with accrued tax of LE 887 K which have been paid in full.
- Tax inspection for the years 2017 till 2019 has been made but not notified yet.

35.3.3 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 and recorded with no. (10229) for the year 68 J Alexandria administrative court 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 and the case is postponed to April 26, 2021 session for judgment.
- The tax examination was performed for the years starting from May 1,2009 till December 31, 2010, the company was notified with the form no.(15), the tax differences was amounted to LE 77.3 Million and the company appealed on it and it was presented to the reconciliation committee off tax center for major financiers, the points of dispute has been presented to the head of the tax authority who agreed in deducting the previous payments which the company paid which amounted to LE 70 Million to limit the dispute to the amount of LE 7 Million and the dispute was presented on grievances committee which referred it to the judiciary. The company filed a lawsuit no. 334 for year 2013 total taxes before it was referred to the administrative court

which is registered with no. 25999 for the year 67 J and at the session that was held on February 26, 2020. The court has decided to refer the case to the state authority to prepare an opinion report. Therefore, the company paid an amount of LE 4.5 Million and the rest which is amounted to LE 2.5 Million represents the value of sales tax on the loaned billet which was recovered, and the lawsuit was set for consideration at December 9, 2020, and joined lawsuit No. 36522, and it has been postponed to April 28, 2021 for submitting report.

- Tax inspection was made for the period starting from January 1, 2011 till December 31, 2011. And the company was notified of form No. (15). The tax differences amounted to LE 1.5 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- The tax authority notified the company with an additional tax amounted LE 7 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 on October 23, 2019 a session set by the state Administrative court issued a ruling dismissing the case and the company appealed on the judgement appeal no. (19934) for the year 66 J in front of Administrative court and no session is set yet.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.4 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by EGP 6.5 Million and it was fully paid and the cancellation of LE 17 Million with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed No.15083 for the year 72 J Alexandria Administrative Judiciary and on December 25, 2019 session for dismissing the case and the company appealed on the judgement in front of the Administrative judiciary appeal No.(35760) for the year 66 J Administrative court and no session is set on March 28, 2021.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) with tax differences amounted to LE 35 Million, an appeal was made and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of LE 24 Million and the difference of EGP 11 Million and was paid in full.
- The company's tax examination for the years 2016/2019 has not been completed to date.

35.3.4 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 subject to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.
  Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law, in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.
- Although, the company filed Lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by No. 14721 for the year 69 J Alexandria Administrative Judgment and No.9160 for year 68 J to clearance the company from the required tax dispute, Which issued a

decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim, on June 25, 2018 a session set by the state Administrative court ruled to assign an expert in the lawsuit The Committee of Experts has deposited its report, and left the matter to the court, as it related to a legal issue. And on the session held on March 24, 2021 the court decided to leave the original two lawsuits, and in the secondary lawsuit, it was accepted in form and rejected in substance.

35.3.5 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, and the company payed the principal tax amounting to LE 104 Million for the period from 2003 until 2012 and additional tax amounting to LE 127 Million 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 represents the value of what the tax authority received under the name of 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 proceeds his errand and the report hasn't been submitted yet and the lawsuit was postponed to May 19, 2021 for reviewing.
- Although the company filed Lawsuit No. 8971 for year 72J - Administrative Court Alexandria – to refund L.E 34 711 K value of what has been collected for sales tax on license for period from January 2014 to September 2016, the lawsuit was postponed to June 9, 2021 for reviewing.

35.3.6 Stamp Tax

- The Tax Authority inspected the Company's books for the period started from the 1st of January 2005 until December 31, 2013 and the company has paid any tax differences for this years.
- The tax inspection for the years 2014/2016 has been made and the company was notified with form (No. 19), it was appealed for and referred to the Internal Committee
- Tax inspection is not performed yet for the years 2017 to 2019.

35.3.7 Real Estate Tax

- The real estate tax was paid up to June 30, 2013 in accordance with the provisions of Law No. 56 of 1954.
- The Real Estate Tax Authority notified the Company of form (3) of the rental value and annual real estate tax as of June 30, 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on May 4, 2016. The company notified with the decision of appeal committee no. 371/372 for the year 2015 stating that a real estate tax of LE 17 Million has been approved annually. The tax due for the period from July 1, 2013 to September 30, 2019, according to the decision of the appeal committee, is 102 Million Egyptian pounds. In front of the Administrative Court No. 26036 for the year 70 J and the session will be on December 2, 2020 for submitting documents and the company has also applied to the Tax Dispute Committee and after submitting supporting documents of its point of view, therefore the committee decided to decrease the annual assessment from LE 17 Million to LE 10.7 Million and the Minister of Finance approved the committee's decree, and the settlement was made with Agami's Committee to prove our credit balance.
- The Real Estate Tax Authority - the Custom – claimed the company a tax amounted to L.E 4.5 Million for the real estate used inside El Dekheila port , the lawsuit was filed No. 14629 for year 71J with no tax due and paid L.E 6.7 Million as payments until issuance of final judgment, and on June 17, 2020 the Administrative Court Alex declined the lawsuit, and the appeal is currently in process in front Supreme Administrative Court with no. 56283 for year 66J and the session for the appeal has not been set.

35.3.8 Service Charges related to imported equipment for production use

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

On February 27, 2011, a ruling was issued by Alexandria Civil Court (Civil Circuit) with respect to Lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 Million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement.
The ruling was appealed against and a ruling was issued on November 6, 2012 in favour of the company to the effect of conforming the ruling at first degree preventing from exchange, currently by the legal affairs department follows up the eexecution of the judgment process , Ministry of Finance has been appealed against the ruling filed the appeal No.77 for the year 83 J , On July 7 , 2019 the court of cassation issued a ruling by not to accept the appeal and then the ruling become final .

35.3.9 Withholding Tax

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

35.4 **<u>Al Ezz Flat Steel Company</u>**

35.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 2018 and resulted in tax losses.

35.4.2 Salary Tax

- The tax inspection was made and there are no tax claims on the company since the beginning of the business till 2016.
- The company deducts and submits the tax on the legal due dates for year 2017 till 2019 and the tax inspection has been made and the result is awaiting.

35.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2018, tax assessment issued and paid up to legal date and there are no dues.
- The company submits the monthly tax return on the legal due dates and the inspection for year 2019 and 2020 hasn't been requested by the tax authority yet.

35.4.4 Stamp tax

- Tax inspection was issued and made from 2008 until 2018 and there are no claims on the Company.
- The company submitted the tax returns on the legal due dates for year 2019 and 2020 and the tax inspection hasn't been requested by the tax authority yet.

35.4.5 Real Estate Tax

- The tax assessment issued and paid up to 31/12/2020.

36. <u>FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</u>

36.1 **Financial instruments**

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

36.2 **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, finance lease liabilities and some rescheduled suppliers liabilities which amounted to LE 37 275 824 K as of March 31, 2021 (LE 37 585 797 K as of December 31, 2020). Financing interest and expenses related to these balances amounted to LE 869 065 K during the period (LE 1 069 897 K during the comparative period from the previous year). Restricted time-deposits and current accounts amounted to LE 390 485 K as of March 31, 2021 (LE 372 643 K as of December 31, 2020), interest income related to these time-deposits and current accounts amounted to LE 21 676 K during the current period (LE 19 062 K during the comparative period from 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.

36.3 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.	31/3/2021 EGP (000)	31/12/2020 Restated EGP (000)
Long term lending to others	(14)	47 077	45 380
Trade and notes receivables	(17)	4 321 345	2 875 782
Debtors and other debit balances	(18)	4 907 925	4 404 704
Suppliers - advance payments		474 111	331 373
Cash and cash equivalents	(20)	2 428 809	1 926 864

36.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 929 936 K and LE 9 064 736 K respectively.

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

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(402 291)
Euro	(45 178)
Swiss Frank	62
Sterling Pound	(261)
Japanese Yen	(47 646)
AED	2

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

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

	Closing rates as of:	
	31/3/2021	**31/12/2020**
US Dollars	15.7400	15.7700
Euro	18.4929	19.4113
Swiss Frank	16.7180	17.9184
Sterling Pound	21.7118	21.5828
AED	4.2853	4.2935

37. THE LITIGATION STATUS

37.1 Workers Lawsuits Regarding Profits Differences:

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

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

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

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

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

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

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

- As stated on the contract which was dated on February 3, 1999 between the company as the buyer and Dr. Waheed Rafaat as a seller, the Company purchased a plot of land with total area of approximately 29 feddans on the Ezbat Elbarbary next to Om Zeghio – Dekhaila with a total value of L.E 14 007 K ,The company paid L.E 9 404 K and the remaining represents 4 603 k will be paid when the seller obtains the property after a final judgment confirmation.

The seller filed the lawsuit No. 1646 for the year of 1999 in Alexandria civil court, and the court refused it. The appeal No. 6511 of 59 J was made before the Alexandria Court of Appeals, and on April 9, 2019 a session, was judged by confirming the ownership of the land plot to the seller,the state appealed on the jurisdiction cassation No. 12152 for the year 89 J, and no decision nor session has been determined until this date.

On October 25, 2019 the seller filed the lawsuit No. 1631 for the year of 2019 in Alexandria civil court, For declining the right of the company in requesting to transfer the ownership of the land and to keep It under his authority and his right to dispose of it, and dismiss effect of the initial contract between him and the company , and to evacuate of the company from the land , On January 23, 2020 the lawsuit was refused and the appeal No. 1610/1921 for the year 76 J was made and set session on November 25, 2020 for notes, and the law suit was refused in December 30, 2020 session.

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

38. OTHER TOPICS

38.1 EZDK Steel UK limited Company (Subsidiary company)

An agreement was made with EZDK Steel UK LTD in 2005 to represents the Ezz Dekheila Steel Company - Alexandria abroad without having the right to contract in its name, whether in the purchase or sale operations, this company also provides legal, marketing and financial services to Al Ezz Dekheila Steel - Alexandria in exchange for 50% of all expenses of that company plus 5%.

In the previous years, Al-Ezz Dekheila Steel Company – Alexandria implemented that agreement by paying one bill amounting to Sterling Pounds 148 K, the value of its share in the expenses of that company for the first half of 2011.

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 of 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).

The company has contracted with a legal liquidator in the United Kingdom to complete the liquidation procedures, provided that the liquidator's fees are paid equally with Al-Ezz Group Holding Company for Industry & Investment.

38.2 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 and the report has not been filled yet.

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

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

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

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

The company filled lawsuit No.1609 for year 2014 civil which numbered 36522 for year 69 J Alexandria Administrative Judiciary against both of the Port Authority and the Tax Authority requesting refund of what was collected from company under the name of sales tax for the period beginning from February 15, 2003 till December 31, 2013 in an amount of L.E 249.525 Million , On November 28, 2018 session the court appointed an expert in the lawsuit, He submitted a report in which he concluded the amounts paid by the company or not to the court because it is a legal issue and the case is postponed to the session of May 19, 2021. The company also filed a lawsuit No. 8971 for the year 72 J Administrative Judiciary - Alexandria requesting a refund of 34 711 K Egyptian pounds, the value of what was collected under the name of sales tax on the license fee for the period from January 2014 until September 2016, the end of the general sales tax law. Based on the fact that the license fee for usufruct is not subject to the general tax on sales, and the lawsuit was referred to the State Commissioners Authority that deposited an opinion report in which it ended with the assignment of an expert in the case to examine the company's requests, the expert proceeded and deposited a report in which he concluded that the amounts paid by the company were counted, and the lawsuit was postponed to the session of June 19, 2021 for reviewing.

39. SIGNIFICANT EVENTS

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

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following accounting policies have been applied consistently by the group's companies during all presented periods in these Consolidated Interim Financial Statements.

40.1 Foreign currency translation

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

The presentation of the financial statements of Al Ezz Flat steel (subsidiary company) to be in the Egyptian pound instead of the US dollar starting from the date 31/12/2020. This is due to the fact that the Egyptian pound has become the currency in which most of the company's sales are made as well as the financing needed for operations.

40.2 Fixed assets and depreciation

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

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

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

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

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

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

40.3 Cost subsequent to acquisition

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

40.4 Projects under construction

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

40.5 Other assets

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

40.6 Investments in associates

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

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

40.7 Investments available-for-sale

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

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

40.8 Investments in treasury bills

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

40.9 Goodwill

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

40.10 Inventory

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

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

40.11 Trade and notes receivables and debtors

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

40.12 Cash and cash equivalents

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

40.13 Trade and notes payable and creditors

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

40.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

40.15 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost on an effective interest basis with any difference between cost and redemption value being recognized in the consolidated statement of income.
Borrowing cost of financing fixed assets are capitalized to finance qualified fixed assets during the construction period till the asset is reachable for use from the economical view.

40.16 Provisions

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

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) **Sales revenues**

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

b) **Dividends**

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

c) **Interest income**

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

40.19 lease contracts

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

40.22 Grants related to assets

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

40.23 Employee benefits

The company contributes inside Egypt in Social Insurance under the Social Insurance Authority for the benefits of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions recorded in the 'salaries and wages' accounts, in addition to end of service benefits as shown in note no.(10).

40.24 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.24.1 Credit risk

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

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

- ***Trade receivable & other debtors***
  The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.
  Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.
- ***Cash and cash equivalents***
  Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

40.24.2 Liquidity risk

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

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

40.24.3 Market risk

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

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

- ***Currency risk***
  The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.
- ***Interest rate risk***
  The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
  The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.
- ***Other market prices risk***
  This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.

40.24.4 Capital management

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

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event 4. Pursuant to the requirements of this standard, the following criteria have been amended: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows"	Management is currently assessing the potential impact on the consolidated 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. On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the standard will be applied to the financial periods beginning on or after January 1, 2021. These amendments shall be effective from the date of application of the standard 47.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"		
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 consolidated 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 On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the standard will be applied to the financial periods beginning on or after January 1, 2021.
New Egyptian Accounting Standard (49) "Leases"s	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.	The management of the group has applied the accounting treatment stated in the Egyptian Accounting Standard No. (49) Leases. The group's management is currently assessing the potential impact on the consolidated financial	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. On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease. 4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract. 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.	statements when the standard is applied to the remaining lease contracts in which the company is a party.	standard will be applied to the financial periods beginning on or after January 1, 2021, and this is regarding operating lease contracts. 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, "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	No effect on the current consolidated financial statements.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
			during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020.