Ezz Steel Company (S.A.E)

Consolidated Interim Financial Statements For The Nine Months Ended September 30, 2022
&
Limited review Report

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Translation Of 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 "SAE" as of September 30, 2022 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 September 30, 2022 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 EGP 8.7 billion as of September 30, 2022 stated in consolidated statement of financial position, also liabilities exceed assets (Deficit in Shareholder's Equity) with an amount of EGP 1.083 billion at that date, as Al Ezz Flat Steel company (EFS)-subsidiary company- has achieved a net profit of 1.174 billion EGP which led to a decrease in the total accumulated retained losses till September 30, 2022 with an amount of EGP 8.3 billion, which deferred tax asset was recognized for it at that date with an amount of EGP 193 million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till September 30, 2022 amounted to EGP 6.5 billion, which deferred tax asset was recognized for it at that date with an amount of EGP 627 million, the total amount of these deferred tax assets is amounted to EGP 820 million 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 EGP 254 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 EGP 254 million, including delay interest amounted to EGP 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) 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 EGP 127.5 million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to EGP 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 EGP 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.

4- The company still keeps the treasury stocks acquired more than a year ago, at a value of 10.4 million EGP, in violation of Article No. (48) of Law 159 of 1981, which stipulates that the company is obligated to dispose of the treasury stocks to others within a period not exceeding one year from the date of obtaining them, or else Its capital must be reduced by the nominal value of the treasury stocks.

5- As explained in note no. (39-2) of the notes to the Consolidated Interim Financial Statements, On October 27, 2022, the Central Bank of Egypt liberalized the exchange rates of the Egyptian pound against the US dollar and the rest of the foreign currencies, which resulted in a decrease in the value of the Egyptian pound against the US dollar and other foreign currencies during the month of October 2022. It should also be noted that the retranslation of obligations into foreign currencies It resulted in currency differences losses included in the consolidated income statement amounting to 1.435 billion EGP until the end of September 2022 ،While the retranslation of liabilities into foreign currencies according to the Egyptian pound exchange rates after the aforementioned liberation resulted in losses of currency differences amounting to 2.812 billion EGP until the end of October 2022. Hence, the total losses of currency differences until the end of October 2022 amounted to 4.247 billion Egyptian pounds. The aforementioned currency difference losses resulted in an increase in the value of the group's existing periodic obligations resulting from covering import operations in foreign currencies.

Cairo, November 30, 2022

Sherin Noureldin
(RAA 6809)
(EFSA 88)
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مور ايجيبت محاسبون قانونيون ومستشارون
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Translation From Arabic

Consolidated Interim Statement Of Financial Position

	Note No.	30/9/2022 EGP,000	31/12/2021 EGP,000
Non-Current Assets			
Fixed Assets (Net)	(11-1)	21 371 202	22 202 469
Projects Under Construction	(12)	2 644 050	1 585 312
Long Term Investments	(13)	2 510 081	5 621
Deferred Tax Assets	(31-1)	1 142 287	1 258 053
Long Term Lending To Others	(14)	54 459	47 632
Other Assets	(15)	26 893	30 735
Goodwill	(40-9)	315 214	315 214
Total Non-Current Assets		**28 064 186**	**25 445 036**
Current Assets			
Inventory	(16)	9 834 874	9 518 954
Trade And Notes Receivable	(17)	6 324 154	4 795 988
Debtors And Other Debit Balances	(18)	5 363 013	5 849 771
Suppliers - Advance Payments		832 600	802 659
Investments In Treasury Bills	(40-8)	215 753	132 261
Cash And Cash Equivalents	(20)	6 814 986	3 479 155
Total Current Assets		**29 385 380**	**24 578 788**
Total Assets		**57 449 566**	**50 023 824**
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)	1 253 197	1 335 620
Retained Losses		(8 696 428)	(11 901 253)
Treasury Stocks	(23)	(82 302)	(82 302)
Deficit In Holding Company Shareholders' Equity		**(4 627 118)**	**(7 749 520)**
Non-Controlling Interest		5 710 030	4 162 472
Total (Deficit In) Shareholders' Equity		**1 082 912**	**(3 587 048)**
Liabilities			
Non-Current Liabilities			
Long-Term Loans	(28)	14 735 699	12 432 596
Long-Term Liabilities	(30)	3 224 033	3 436 595
Finance Lease Liabilities	(29)	230 210	291 211
Deferred Tax Liabilities	(31-1)	3 704 190	3 643 486
Total Non-Current Liabilities		**21 894 132**	**19 803 888**
Current Liabilities			
Banks - Overdraft	(20)	2 215 109	270 398
Credit Facilities And Loan Installments Due Within One Year	(28)	16 268 780	22 132 212
Finance Lease Liabilities Due Within One Year	(29)	80 689	73 321
Trade And Notes Payable	(24)	7 800 478	5 301 611
Customers - Advance Payments		1 958 508	1 708 783
Creditors And Other Credit Balances	(25)	3 339 334	2 686 292
Income Tax Liabilities		1 918 714	929 489
Liability Of The Supplementary Pension Scheme	(26)	27 374	25 101
Provisions	(27)	863 536	679 777
Total Current Liabilities		**34 472 522**	**33 806 984**
Total Liabilities		**56 366 654**	**53 610 872**
Total Shareholder's Equity And Liabilities		**57 449 566**	**50 023 824**

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

Date : November 30, 2022

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

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

Consolidated Interim Statement Of Income

	Note No.	For The Nine Months Ended : 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended : 30/9/2022 EGP,000	30/9/2021 EGP,000
Sales (Net)	(40-18)	60 643 638	49 056 410	22 147 043	18 639 216
Less :					
Cost Of Sales	(3)	(46 256 126)	(39 138 158)	(18 017 706)	(15 101 205)
Gross Profit		**14 387 512**	**9 918 252**	**4 129 337**	**3 538 011**
Add / (Less):					
Other Operating Revenues	(4)	90 710	68 169	15 268	22 075
Selling And Marketing Expenses	(5)	(785 098)	(694 752)	(212 446)	(256 163)
Administrative And General Expenses	(6)	(1 297 105)	(1 022 411)	(454 490)	(335 890)
Other Operating Expenses	(7)	(831 010)	(970 356)	(131 937)	(208 614)
Operating Profit		**11 565 009**	**7 298 902**	**3 345 732**	**2 759 419**
Add / (Less):					
Finance Income	(8)	209 652	89 678	83 961	33 207
Finance Cost	(8)	(2 497 395)	(2 596 609)	(855 413)	(832 197)
Foreign Currency Exchange (Losses) / Gains	(8)	(1 434 666)	73 842	(308 082)	(14 405)
Net Finance Cost		**(3 722 409)**	**(2 433 089)**	**(1 079 534)**	**(813 395)**
Net Profit For The Period Before Income Tax		**7 842 600**	**4 865 813**	**2 266 198**	**1 946 024**
(Less)/Add:					
Income Tax		(1 957 667)	(497 595)	(597 797)	(306 932)
Deferred Tax	(31-2)	(176 470)	(608 447)	(89 711)	(276 575)
Total Tax Expense		**(2 134 137)**	**(1 106 042)**	**(687 508)**	**(583 507)**
Net Profit For The Period After Tax		**5 708 463**	**3 759 771**	**1 578 690**	**1 362 517**
Attributable To:					
Owners Of The Holding Company		3 681 852	2 480 531	1 080 875	896 996
Non-Controlling Interest		2 026 611	1 279 240	497 815	465 521
		5 708 463	**3 759 771**	**1 578 690**	**1 362 517**
Basic And Diluted Earnings Per Share For The Period (Le/Share)	**(9)**	**6.91**	**4.65**	**2.03**	**1.68**

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

Translation From Arabic

Consolidated Interim Statement Of Comprehensive Income

	Note No.	For The Nine Months Ended : 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended : 30/9/2022 EGP,000	30/9/2021 EGP,000
Net Profit For The Period After Tax		**5 708 463**	**3 759 771**	**1 578 690**	**1 362 517**
(Less)/Add:					
Other Comprehensive Income Items					
Realized Portion Of Modification Surplus Of Fixed Assets (Transferred To Retained Losses During The Period)	(11-3)	(127 191)	(128 595)	(42 385)	(42 708)
Total Comprehensive Income		**5 581 272**	**3 631 176**	**1 536 305**	**1 319 809**
Attributable To:					
Owners Of The Holding Company		3 599 429	2 397 139	1 053 413	869 306
Non-Controlling Interest		1 981 843	1 234 037	482 892	450 503
		5 581 272	**3 631 176**	**1 536 305**	**1 319 809**

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

Consolidated Interim Statement Of Changes In Equity

Translation From Arabic

	Capital	Reserves	Modification Surplus Of Fixed Assets	Retained Losses	Treasury Stocks	Total / (Deficit In) Holding Company Shareholders Equity	Non-Controlling Interest	Total / (Deficit In) Shareholders' Equity
	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000
Balance At 1/1/2021	**2 716 325**	**182 090**	**1 446 615**	**(15 527 223)**	**(71 921)**	**(11 254 114)**	**2 291 033**	**(8 963 081)**
Comprehensive Income								
Net Profit For The Period Other Comprehensive Income	—	—	—	2 480 531	—	2 480 531	1 279 240	3 759 771
Realized Portion Of Modification Surplus Of The Fixed Assets(Transferred To Retained Losses During The Period)	—	—	(83 392)	—	—	(83 392)	(45 203)	(128 595)
Total Comprehensive Income	—	—	**(83 392)**	**2 480 531**	—	**2 397 139**	**1 234 037**	**3 631 176**
Realized Portion Of Modification Surplus Of Fixed Asset(Transferred To Retained Losses During The Period)	—	—	—	**83 392**	—	**83 392**	**45 203**	**128 595**
Transactions With Company's Shareholders								
The Non-Controlling Interest Share In Subsidary Company'S Dividends Of Period 2020	—	—	—	(5 830)	—	(5 830)	(4 333)	(10 163)
Purchase Treasury Stocks	—	—	—	—	(10 381)	(10 381)	—	(10 381)
Purchase Treasury Stocks In Subsidiary Company	—	—	—	(3 093)	—	(3 093)	(1 734)	(4 827)
Total Transactions With The Company's Shareholders	—	—		**(8 923)**	**(10 381)**	**(19 304)**	**(6 067)**	**(25 371)**
Balance At 30/9/2021	**2 716 325**	**182 090**	**1 363 223**	**(12 972 223)**	**(82 302)**	**(8 792 887)**	**3 564 206**	**(5 228 681)**
Balance At 1/1/2022	**2 716 325**	**182 090**	**1 335 620**	**(11 901 253)**	**(82 302)**	**(7 749 520)**	**4 162 472**	**(3 587 048)**
Comprehensive Income								
Net Profit For The Period Other Comprehensive Income Items	—	—	—	3 681 852	—	3 681 852	2 026 611	5 708 463
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The Period)	—	—	(82 423)	—	—	(82 423)	(44 768)	(127 191)
Total Comprehensive Income	—	—	**(82 423)**	**3 681 852**	—	**3 599 429**	**1 981 843**	**5 581 272**
Realized Portion Of Modification Surplus Of The Fixed Assets(Transferred To Retained Losses During The Period)	—	—	—	**82 423**	—	**82 423**	**44 768**	**127 191**
Transactions With Company's Shareholders								
Dividends To Shareholders Of The Company And Its Subsidiaries For The Year 2021	—	—	—	(426 313)	—	(426 313)	**(422 462)**	(848 775)
The Share Of The Company And Non-Controlling Interest In The Employees And Boards Of Directors Dividends Of The Company And Its Subsidiaries For Year 2021	—	—	—	(133 137)	—	(133 137)	(56 591)	(189 728)
Total Transactions With The Company's Shareholders	—	—	—	**(559 450)**	—	**(559 450)**	**(479 053)**	**(1 038 503)**
Balance At 30/9/2022	**2 716 325**	**182 090**	**1 253 197**	**(8 696 428)**	**(82 302)**	**(4 627 118)**	**5 710 030**	**1 082 912**

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

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Consolidated Interim Statement Of Cash Flows

	Note No.	30/9/2022 EGP,000	30/9/2021 EGP,000
Cash Flows From Operating Activities			
Net Profit For The Period Before Income Tax		7 842 600	4 865 813
Adjustments To Reconcile Net Profit To Net Cash Provided By (Used In) Operating Activities			
Depreciation	(11-1)	1 089 617	1 086 383
Amortization Of Other Assets	(15)	3 842	3 842
Amortization Of Accrued Interest On Treasury Bills		(18 508)	(23 780)
Amortization Of The Difference From The Change In The Fair Value Of The Long Term Lending		—	(1 838)
Capital (Losses)	(4)	—	(783)
Impairment Loss On Assets	(7)	35 164	105 993
Interest & Finance Costs	(8)	2 497 395	2 596 609
Provisions Formed During The Period	(7)	206 040	218 889
Differences Of Changing In Liability Of The Supplementary Pension Scheme	(26)	36 315	23 768
Foreign Currency Exchange Differences		1 691 480	(81 268)
		13 383 945	**8 793 628**
Changes In:			
Inventory		(315 920)	(3 459 514)
Trade Receivables, Debtors & Other Debit Balances		(1 335 895)	794 497
Trade Payables, Creditors & Other Credit Balances		1 565 640	(2 898 975)
Change In Lending To Employees		(6 827)	(4 039)
Liability Of The Supplementary Pension Scheme		(8 530)	(4 715)
Cash Flows Provided By Operating Activities		**13 282 413**	**3 220 882**
Finance Interests Paid		(2 477 729)	(2 529 072)
Income Tax Paid		(176 827)	(34 304)
Used Provisions		(22 281)	—
Paid Dividends To Employees & Board Of Directors		(189 725)	—
Net Cash Flows Provided By Operating Activities		**10 415 851**	**657 506**
Cash Flows From Investing Activities			
(Payments) For Purchase Of Fixed Assets And Projects Under Construction		(1 317 130)	(1 253 164)
Proceeds From Sale Of Fixed Assets		—	855
(Payments) For Purchase Of Investments In Subsidiaries		(1 254 460)	(900)
(Payments) For Purchase Treasury Stocks		—	(15 208)
(Payments) From Retrieval Of Financial Investments (Treasury Bills)		425 650	521 174
(Payments) For Purchase Of Financial Investments (Treasury Bills)		(490 634)	(421 009)
Net Cash Flows (Used In) Investing Activities		**(2 636 574)**	**(1 168 252)**
Cash Flows From Financing Activities			
(Payments) / Proceeds For Credit Facilities		(724 322)	201 285
Proceeds / (payment) to joined revolving facility		500 011	(1 252 038)
(Payments) / Proceeds From Loans And Other Liabilities		(5 261 438)	2 719 807
Finance Lease Payments		(53 633)	(48 532)
Change In Time-Deposits And Restricted Current Accounts		(305 319)	(29 563)
Paid Dividends To The Shareholders And Non-Controlling Interest		(848 775)	(2 124)
Net Cash (Used In) / Provided By Financing Activities		**(6 693 476)**	**1 588 835**
Change In Cash And Cash Equivalents During The Period		**1 085 801**	**1 078 089**
Cash And Cash Equivalents At The Beginning Of The Period	(20)	3 076 698	1 926 864
Cash And Cash Equivalents At The End Of The Period	(20)	**4 162 499**	**3 004 953**

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

Translation From Arabic

Notes To The Consolidated Interim Financial Statements

1. Company Background

1.1 General Information

- Al Ezz Steel Rebars Company "S.A.E" 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 El Dekheila for Steel - Alexandria (EZDK) – S.A.E – 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 Rolling Mills Company (ERM) – S.A.E – 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 Flat Steel Company (EFS) – S.A.E – 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) – S.A.E – 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.

Contra wood for wood products - Misr for Pipes & Casting Industry Company – S.A.E "previously – was established in August 29, 1992 under the provisions of Law No. 159 of 1981.

1.3 Company's Activites & 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:

	30/9/2022 Shareholding %	31/12/2021 Shareholding %
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
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 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
Contra wood for wood products - Misr for Pipes & Casting Industry Company "previously"	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 Its Subsidiaries:

- The subsidiaries company have incurred retained losses amounted to EGP 8.7 Billion as of September 30, 2022 included in company's consolidated interim statement of financial position, also the Shareholder's Equity amounted to EGP 1.083 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- achieved a net profit of EGP 1.174 Billion, which led to a decrease in the total retained losses until September 30, 2022 to EGP 8.3 billion, which deferred tax asset was recognized for it at that date with an amount of EGP 193 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till September 30, 2022 amounted to EGP 6.5 Billion, which deferred tax asset was recognized for it at that date with an amount of EGP 627 Million, hence the total amount of these deferred tax assets is amounted to EGP 820 Million stated in deferred tax assets in the consolidated statement of financial position at that date. The subsidiaries 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 November 30, 2022.

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 & Presentation Currency

These Consolidated interim financial statements are presented in thousands of Egyptian pounds

2.4 Use Of Estimates & 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 period in which the estimate is revised if these differences affect the period of the revision and future periods then these differences are recognized in the period 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.
* Classification of lease contracts
* Revenue recognition: Revenue is recognized in accordance with what is detailed in the applicable accounting policies.

2.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will occur either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants would act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by making the asset's best and best use or selling it to another participant who will use the asset in its best and best use.
The Company uses valuation techniques that are considered appropriate in the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities that are measured or disclosed in the separate financial statements at fair value are categorized into the categories of the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the entire measurement over the fair value measurement as a whole:
•Level one: the quoted prices (unadjusted) in an active market for identical assets or liabilities.
•Level Two: Evaluation Methods The lowest level input that is considered significant for the entire measurement is directly or indirectly observable.
• Level Three: Evaluation Methods the lowest level input that is significant to the entire measurement is unobservable.

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

	Note	For The Nine Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000
Raw Materials		31 823 731	29 181 571	11 523 612	11 195 064
Salaries & Wages		1 952 731	1 690 045	633 490	567 666
Fixed Assets Depreciation	(11-1)	1 060 169	1 054 912	355 085	345 671
Other Assets Amortization	(15)	3 842	3 842	1 281	1 281
Supplementary Pension Scheme Cost		28 542	18 648	9 514	6 216
Manufacturing Overhead Expenses		11 421 919	9 080 198	3 475 935	3 148 582
Manufacturing Cost		**46 290 934**	**41 029 216**	**15 998 917**	**15 264 480**
Change In Inventory–Finished Products And Work In Process		(34 808)	(1 891 058)	2 018 789	(163 275)
Total Cost Of Sales		**46 256 126**	**39 138 158**	**18 017 706**	**15 101 205**

4. Other Operating Revenues

	For The Nine Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000
Capital Gain	-	783	-	(2)
Other Revenues	90 710	67 386	15 268	22 077
Total Other Operating Revenues	**90 710**	**68 169**	**15 268**	**22 075**

5. Selling & Marketing Expenses

	Note No.	For The Nine Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000
Salaries & Wages		98 425	89 128	32 840	30 458
Advertising Expenses		173 986	71 796	33 420	20 472
Fixed Assets Depreciation	(11-1)	452	527	148	155
Supplementary Pension Scheme Cost		2 018	1 318	673	439
Other Expenses		510 217	531 983	145 365	204 639
Total Selling & Marketing Expenses		**785 098**	**694 752**	**212 446**	**256 163**

6. Administrative & General Expenses

	Note No.	For The Nine Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000
Salaries & Wages		748 210	615 388	236 026	204 305
Spare Parts And Maintenance Expenses		6 750	6 537	1 999	2 620
Fixed Assets Depreciation	(11-1)	28 996	30 944	9 412	9 967
Supplementary Pension Scheme Cost		5 755	3 421	1 919	1 140
Other Expenses		507 394	366 121	205 134	117 858
Total Administrative & General Expenses		**1 297 105**	**1 022 411**	**454 490**	**335 890**

7. Other Operating Expenses

	Note No.	For The Nine Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000	For The Three Months Ended: 30/9/2022 EGP,000	30/9/2021 EGP,000
Donations		484 350	511 126	99 176	260 340
Impairment Of Assets	(19)	35 164	105 993	-	82 861
Provisions Formed During The Period	(27)	206 040	218 889	12 829	87 889
Other Expenses		105 456	134 348	19 932	(222 476)
Total Other Operating Expenses		**831 010**	**970 356**	**131 937**	**208 614**

8. Finance Income & Cost

	For The Nine Months Ended:		For The Three Months Ended:	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
	EGP,000	EGP,000	EGP,000	EGP,000
Finance & Interest Income	209 652	89 678	83 961	33 207
Interest & Finance Cost	(2 497 395)	(2 596 609)	(855 413)	(832 197)
Foreign Currency Exchange Differences (Losses) Gains	(1 434 666)	73 842	(308 082)	(14 405)
Net Finance Costs	**(3 722 409)**	**(2 433 089)**	**(1 079 534)**	**(813 395)**

9. Basic & Diluted Earnings Per Share For The Period

	For The Nine Months Ended:		For The Three Months Ended:	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
Owners Of The Company Share	EGP,000	EGP,000	EGP,000	EGP,000
Net Profit For The Period	3 681 852	2 480 531	1 080 875	896 996
Weighted Average Number Of Outstanding Shares During The Period (Share)*	532 891 832	532 891 832	532 891 832	532 891 832
Basic And Diluted Earnings Per Share For The Period (LE / Share)	**6.91**	**4.65**	**2.03**	**1.68**

* There's discount for 10 373 195 shares were eliminated for calculating the weighted average number of outstanding shares during the nine months ended September 30, 2022 which represent treasury stocks (comparing to 10 373 195 shares on December 31, 2021) (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 Nine Months ended September 30, 2022 amounted to EGP 24 836 K has been included in salaries and wages in the statement of income (against EGP 23 057 K for the same period from year 2021).

11. Fixed Assets

11.1 The Following Is The Movement Of Fixed Assets During The Current Period & Comparative Period:

	Land	Buildings	Machinery & Equipment	Vehicles	Furniture & office Equipment	Tools & Appliances	Leasehold Improvments	Total
	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000
Cost:								
At 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	2 867	19 209	200 130	637	11 624	22 471	-	256 938
Disposals During The Period	-	(1 174)	(13 528)	(4 816)	(1 990)	(2 803)	-	(24 311)
At September 30, 2021	782 141	10 011 790	36 018 841	308 905	487 878	264 629	3 902	47 878 086
At January 1, 2022	782 141	10 021 982	36 079 210	308 903	494 192	275 049	3 902	47 965 379
Additions During The Period	-	11 867	189 769	-	30 656	26 310	-	258 602
Disposals During The Period	-	-	(3 636)	(230)	(177)	(13)	-	(4 056)
At September 30, 2022	782 141	10 033 849	36 265 343	308 673	524 671	301 346	3 902	48 219 925
Accumulated Depreciation:								
At January 1, 2020	-	3 103 506	20 498 065	297 968	286 901	163 314	3 902	24 353 656
Depreciation For The Period	-	173 231	858 595	5 008	33 110	16 439	-	1 086 383
Accumulated Depreciation Of Disposals During The Period	-	(1 174)	(13 458)	(4 816)	(1 989)	(2 803)	-	(24 240)
At September 30, 2021	-	3 275 563	21 343 202	298 160	318 022	176 950	3 902	25 415 799
At January 1, 2022	-	3 332 358	21 615 149	299 750	328 786	182 965	3 902	25 762 910
Depreciation For The Period	-	171 581	863 926	4 379	30 054	19 677	-	1 089 617
Accumulated Depreciation Of Disposals During The Period	-		(3 384)	(230)	(177)	(13)	-	(3 804)
At September 30, 2022	-	3 503 939	22 475 691	303 899	358 663	202 629	3 902	26 848 723
Carrying Amount:								
At September 30, 2021	782 141	6 736 227	14 675 639	10 745	169 856	87 679	-	22 462 287
At December 31, 2021	782 141	6 689 624	14 464 061	9 153	165 406	92 084	-	22 202 469
At September 30, 2022	782 141	6 529 910	13 789 652	4 774	166 008	98 717	-	21 371 202
Fixed Assets Fully Depreciated & Still In Use At September 30, 2022	-	564 069	2 546 853	285 929	200 664	133 119	3 902	3 734 536

- The land item includes a piece of land with a total area of 928000 M^2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value LE 28 Million including the Suez governorate fees amounting to LE 5 Million for the purpose of establishing an industrial project the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.
- Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.
- Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 Million.
- Depreciation for the period charged to the statement of income is as follows:

	Note No.	For The Nine Months Ended: 30/9/2022	30/9/2021
		EGP,000	EGP,000
Cost Of Sales	(3)	1 060 169	1 054 912
Selling & Marketing Expenses	(5)	452	527
Administrative & General Expenses	(6)	28 996	30 944
		1 089 617	1 086 383

11.2 Leased Fixed Assets:

Fixed assets include leased assets as of September 30, 2022 as follows:

	Cost At 30/9/2022 EGP,000	Accumulated Depreciation At 30/9/2022 EGP,000	Net At 30/9/2022 EGP,000	Net At 2021/12/31 EGP,000
Land *	70 000	-	70 000	70 000
Building **	145 000	23 260	121 740	124 458
	215 000	**23 260**	**191 740**	**194 458**

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

	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, 2021**	(1 040 995)
Net Modification Surplus Of Fixed Assets At December 31, 2021	**2 069 696**
Recognized Portion During The Nine months ended September 30, 2022	(127 191)
Net Modification Surplus Of Fixed Assets At September 30, 2022	**1 942 505**
Attributable To:	
Owners Of The Holding Company	1 253 197
Non-Controlling Interest	689 308
	1942 505

12. Projects Under Construction

	30/9/2022 EGP,000	31/12/2021 EGP,000
Constructions Expansion	2 658	4 820
Machinery Under Installation	2 611 861	1 565 720
Advance Payments For Purchase Of Fixed Assets	29 531	14 772
Total Projects Under Construction	**2 644 050**	**1 585 312**

13. Long Term Investments

	30/9/2022 EGP,000	31/12/2021 EGP,000
13-1 Investments In Subsidiaries		
(Not Included In The Consolidated Interim Financial Statements)		
- Al Ezz For Medical Industries (30% Owned By Ezz Steel Company And 30% By Al Ezz El Dekheila For Steel – Egypt (EZDK) The Subsidiary Company Was Established On August 11, 2020, The Company Did Not Practice Any Activities Yet To Date, And The Company Hasn't Prepared Any Financial Statements Yet.	6 000	1 500
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 (50% Owned By Al Ezz El Dekheila For Steel – Alexandria)	1	1
13-3 Investments Available-For-Sale		
- Egyptian Steel (18% By Al Ezz El Dekheila For Steel – Egypt (EZDK)	2 499 960	-
- Arab Company For Special Steel (SAE) (1% Owned By Ezz El Dekheila For Steel – Alexandria).	4 263	4 263
- 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
	2 514 435	**9 975**
Less:		
- Impairment Loss In Arab Company For Special Steel	4 263	4 263
- 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)	**4 354**	**4 354**
	2 510 081	**5 621**

14. Long Term Lending To Other

Long Term Lending which included in long term assets in the consolidated financial statements Represented In amount of EGP 54 Million as of September 30, 2022 (against EGP 48 Million as of December 31, 2021) and the value of long term portion of employees loans amounted to EGP 109 Million as of September 30, 2022 (against EGP 91 Million as of December 31, 2021) after deducting the transfers to short term employees' Loans and advances amounting to EGP 45 Million in the current period (against to EGP 34 Million as of December 31, 2021) and deducting differences arising from the change in the present value amounted to EGP 9 Million (against EGP 9 Million as of December 31, 2021).

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,000
Cost At January 1, 2022	30 735
(Less):	
Amortization For The Period	(3 842)
Net At September 30, 2022	**26 893**

16. Inventory

	30/9/2022 EGP,000	31/12/2021 EGP,000
Raw Materials And Supplies	4 534 514	4 524 310
Work In Process	717 122	704 873
Finished Products	2 243 873	2 221 314
Spare Parts And Supplies	1 980 861	1 835 844
Goods In Transit	140 189	160 923
Letters Of Credit	218 315	71 690
Total Inventory	**9 834 874**	**9 518 954**

17. Trade & Notes Receivable

	Note No.	30/9/2022 EGP,000	31/12/2021 EGP,000
Trade Receivables		2 015 069	2 771 711
Trade Receivables – Related Parties	(32-1)	9 250	9 048
Notes Receivable		4 340 394	2 055 788
		6 364 713	**4 836 547**
Less:			
Impairment Loss On Trade Receivables	(19)	(40 559)	(40 559)
Total Trade & Notes Receivable		**6 324 154**	**4 795 988**

18. Debtors & Other Debit Balances

	Note No.	30/9/2022 EGP,000	31/12/2021 EGP,000
Deposits With Others		1 272 584	1 272 913
Tax Authority		1 589 632	2 019 832
Tax Authority – Vat		919 827	1 227 071
Customs Authority		176 438	182 728
Accrued Revenues		554	761
Prepaid Expenses		36 368	68 648
Employees' Loans And Advance Payments Due Within A Year		63 269	48 538
Letters Of Credit Cash Margin		197 597	7 212
Letters Of Guarantee Cash Margin	(33-1)	468	1 315
Due From Related Parties	(32-2)	41 526	34 849
Advance Payment Under The Account Of Employees' Dividends		2 475	53 522
Other Debit Balances*		1 190 330	1 025 273
		5 491 068	**5 942 662**
Less:			
Impairment Loss On Debtors & Other Debit Balances	(19)	(128 055)	(92 891)
Total Debtors & Other Debit Balances		**5 363 013**	**5 849 771**

* The other debit balances item includes an amount of EGP 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.	1/1/2022 EGP,000	Formed During The Period EGP,000	30/9/2022 EGP,000
Long Term Investments	(13)	4 354	-	4 354
Trade And Notes Receivable	(17)	40 559	-	40 559
Debtors And Other Debit Balances	(18)	92 891	35 164	128 055
Advance Payments For Suppliers		2 332	-	2 332
Total Impairment Loss On Assets		**140 136**	**35 164**	**175 300**

20. Cash & Cash Equivalents

	30/9/2022 EGP,000	31/12/2021 EGP,000
Banks - Time Deposits	28 252	243 960
Banks – Current Accounts	6 449 436	3 069 795
Cheques Under Collection	127 676	115 492
Investments funds	59 512	-
Cash On Hand	150 110	49 908
	6 814 986	**3 479 155**
Less:		
Banks – Overdraft	(2 215 109)	(270 398)
Restricted Time Deposits And Current Accounts Within The Credit Conditions Granted By The Bank For The Group Companies	(437 378)	(132 059)
Cash & Cash Equivalents In The Statement Of Cash Flows	**4 162 499**	**3 076 698**

21. Capital

21.1 Authorized Capital

The company's authorized capital is LE 8 Billion.

21.2 The Issued & Paid In Capital

The issued and paid capital after the increase is EGP 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 EGP 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:

Shareholder Name	No. Of Shares	Par Value 30/9/2022	Shareholding	Shareholding 31/12/2021
		EGP	%	%
- Engineer / Ahmed Abd El Aziz Ezz	356 933 139	1 784 665 695	65.701	65.701
- Al Ezz For Rolling Mills (Subsidiary Company)	9 462 714	47 313 570	1.742	1.742
- Others	176 869 174	884 345 870	32.557	32.557
	543 265 027	**2 716 325 135**	**100**	**100**

22. Reserves

	30/9/2022 EGP,000	31/12/2021 EGP,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 EGP 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 EGP 10 381 K.

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

24. Trade & Notes Payable

	30/9/2022			31/12/2021
	Due Within One Year EGP,000	Long term Note No. (30) EGP,000	Total EGP,000	Total EGP,000
Trade payables	4 336 266	-	4 336 266	3 743 039
Notes payable	3 464 212	837 630	4 301 842	3 370 255
	7 800 478	**837 630**	**8 638 108**	**7 113 294**

As of September 30, 2022, trade and notes payable include an amount of instalments 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 EGP 2 178.3 Million to be paid on maximum of 48 monthly instalment beginning from the date of the agreement, in addition to an annual interest stated on the rescheduling agreement mentioned above.

25. Creditors & Other Credit Balances

	Note No.	30/9/2022 EGP,000	31/12/2021 EGP,000
Accrued Interest		278 440	259 026
Accrued Expenses		2 179 684	1 720 718
Tax Authority		335 810	223 923
Performance Guarantee Retention		84 491	90 217
Dividends Payable		1 612	1 609
Due To Related Parties	(32-3)	59 374	71 324
Deferred Revenue For Grants		-	750
Other Credit Balances		399 923	318 725
Total Creditors & Other Credit Balances		**3 339 334**	**2 686 292**

26. Liability Of The Supplementary Pension Scheme

The cost of the supplementary pension scheme during the nine months ended September 30, 2022 amounted to EGP 36.32 Million charged to the consolidated financial statement according to the actuary's report issued annually.

	Note No.	30/9/2022 EGP,000	31/12/2021 EGP,000
Balance At The Beginning Of January		**246 343**	**217 500**
Add:			
Present Service Cost		12 529	2 825
Return Cost		23 786	28 866
Amounts Recognized In The Consolidated Statement Of Income		**36 315**	**31 691**
		282 658	**249 191**
Actuarial (Profits) Losses From The Defined Benefits Pension Scheme		(1)	4 077
Employees Paid Subscriptions During The Period		5 477	8 486
		288 134	**261 754**
Less:			
Paid Pensions During The Period		(14 006)	(15 411)
Total Liabilities Of Supplementary Pension Scheme		**274 128**	**246 343**
Distributed As Follows:			
Included In Current Liabilities		27 374	25 101
Included In Long-Term Liabilities	(30)	246 754	221 242
		274 128	**246 343**

27. Provisions

	1/1/2022 EGP,000	Formed During The Period EGP,000	Used During The Period EGP,000	30/9/2022 EGP,000
Tax and claims provision	677 822	206 040	(22 281)	861 581
Employees Lawsuits provision	1 955	-	-	1 955
Total Provisions	**679 777**	**206 040**	**(22 281)**	**863 536**

28. Loans And Credit Facilities

28.1 Ezz Steel Company (Holding Company)

28-1-1 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 EGP 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 period 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 EGP 12.75 Million has been paid when the company got the loan.

- The total loan balance on September 30, 2022 amounted to EGP 721 million (against EGP 864 Million on December 31, 2021) of which LE 275 million are due to be repaid within a year.
- 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 EGP 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 31/3/2021` to pay the loan plus interest in 16 quarterly instalments 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.

28-1-2 The balance of short-term credit facilities on September 30, 2022 amounted to EGP 3.892 Billion (against LE 3.916 Billion on December 31, 2021)

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

Medium & Long-Term Loans On September 30, 2022 (Amounts Presented In Million)

Banks	Loan Amount	Currency	No. Instalments	Maturity Date	Total In EGP
QNB	69.5	USD	26 Quarterly	August 31,2025	642
QNB	565	EGP	26 Quarterly	January 13, 2029	565
AAIB	61.5	USD	28 Quarterly	November 28, 2025	561
Bank Of Alexandria	50	USD	26 Quarterly	January 15, 2026	539
HSBC	12.5	EUR	12 Semi-annual	January 15, 2026	138
HSBC	80	EGP	12 Semi-annual	January 15, 2026	30
NBK	20	USD	26 Quarterly	August 28,2026	242
NBE	2131	EGP	20 Quarterly	June 15,2028	1 712
Banque Du Caire	500	EGP/ USD	28 Quarterly	December 31,2028	459
EDBE	300	EGP	24 Quarterly	February 17, 2028	276
Total Medium & Long-term Loans In Addition To Instalments For The Year On September 30, 2022					**5 164**

Medium-Term Credit Facilities On September 30, 2022. (Amounts Presented In Million)

Banks	Facility Amount	Currency	Renew Date	Total in EGP
NBE	800	EGP	October 17,2024	224
EBE	321	EGP/ USD	December, 2024	170
AAIB	171$	EGP/ USD	July, 2023	1 317
Banque Du Caire	880	EGP/ USD	December, 2024	400
Banque Misr	4 000	EGP/ USD	June, 2025	2 767
Total Medium Credit Facilities On September 30, 2022				**4 879**

The company obtained long term loan amounted to EGP 2 131 Million from the national bank of Egypt to finance a part of investment cost of the project to build electric furnace in the integrated industrial compound in EL Ain El Sokhna, the loan will be paid on 20 quarterly instalments, the first instalment will start on September 15, 2023 and the last instalment on June 10, 2028, the loan balance at September 30, 2022 amounted to EGP 1 712 Million.

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 most significant guarantees provided are represented in real-estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory pledge on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favour of the banks.
- The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt.
- The balance of loan installments due in the course of one year on loan agreements is EGP 716 Million consisting of instalments due from the stoppage date to September 30, 2022

- The Banks-credit facilities amounting to EGP 1.036 Billion on 30/9/2022 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 rate during the first year from the date of activation, then applying 2% above the corridor rate 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).
- The loan restructuring were activated on June 16, 2021.
- According to the commercial register of the company, there is a commercial pledge for the guarantee agent its self and on behalf on the borrowing banks on all the material and abstract, equipment, goodwill, and the industrial copyrights of the company.

29. Finance Lease

	Future Lease Payments		Deferred Interest		Present Value Of Lease Payments	
	30/9/2022 EGP,000	**31/12/2021 EGP,000**	**30/9/2022 EGP,000**	**31/12/2021 EGP,000**	**30/9/2022 EGP,000**	**31/12/2021 EGP,000**
Due Within One Year	115 347	115 347	34 658	42 026	80 689	73 321
Add						
Long Term Liabilities	271 038	357 095	40 828	65 884	230 210	291 211
Total Finance Lease Liabilities	**386 385**	**472 442**	**75 486**	**107 910**	**310 899**	**364 532**

- 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.	30/9/2022 EGP,000	31/12/2021 EGP,000
Notes Payable	(24)	837 630	2 075 696
Investment creditors (the rest of the investment dues in the Egyptian Steel Company)		624 980	-
Liability Of The Supplementary Pension Scheme	(26)	246 754	221 242
Lending From Others	(30-1)	725 147	583 230
Fixed Asset Purchase Creditors	(30-2)	789 522	820 440
Present Value For The Long-Term Liabilities		**3 224 033**	**3 436 595**

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to EGP 725 Million from Danieli 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 to LIBOR.

30.2 Fixed asset purchase creditors represented in the due to Danieli from the companies Ezz Falt Steel – subsidiary- and Ezz Rolling Mills -subsidiary- , 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.

31. Deferred Tax

31.1 Recognized Deferred Tax Assets & Liabilities

	30/9/2022		31/12/2021	
	Assets EGP,000	Liabilities EGP,000	Assets EGP,000	Liabilities EGP,000
Fixed Assets	-	(3 472 784)	-	(3 536 054)
Provisions And Assets Impairment	134 497	-	107 722	-
Finance Lease Liabilities	16 222	-	20 487	-
Tax Losses	820 305	-	1 095 701	-
Losses From Foreign Currency Translation	171 263	-	34 143	-
Tax On Unpaid Dividends	-	(231 406)	-	(66 426)
Gains From Foreign Currency Translation	-	-	-	(41 006)
	1 142 287	**(3 704 190)**	**1 258 053**	**(3 643 486)**
Net Deferred Tax (Liability)		**(2 561 903)**		**(2 385 433)**

31.2 Recognized Deferred Tax Charged To The Consolidated Statement Of Income:

	30/9/2022 EGP,000	30/9/2021 EGP,000
Net Deferred Tax	(2 561 903)	(2 149 694)
Less/ (Add):		
Previously Charged Deferred Tax	(2 385 433)	(1 541 247)
Deferred Tax	**(176 470)**	**(608 447)**

31.3 Unrecognized Deferred Tax Assets

	30/9/2022 EGP,000	31/12/2021 EGP,000
Impairment Loss On Receivables And Debtors	11 317	10 850
Provisions	133 363	101 084
Tax Losses	957 018	1 017 681
	1 101 698	**1 129 615**

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 30/9/2022 Debit/(Credit) EGP,000	Balance As Of 31/12/2021 Debit/(Credit) EGP,000
32.1 Items Included In Trade And Notes Receivable				
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)	Sales	437	9 250	9 048
			9 250	**9 048**
32.2 Items Included In Debtors And Other Debit Balances				
- Gulf Of Suez Development Company (Affiliated Company)		-	127	91
- Al Ezz For Ceramics And Porcelain (GEMMA) (Affiliated Company)	Rent	730	27 474	24 175
	Sales	681		
	Purchase	34		
- Al Ezz For Medical Industries (Subsidiary)			13 925	10 583
			41 526	**34 849**
32.3 Items Included In Creditors And Other Credit Balances				
- Al Ezz Group Holding Company For Industry & Investment			(59 362)	(71 294)
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)			(12)	(30)
			(59 374)	**(71 324)**

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:

	30/9/2022 Equivalent EGP,000	31/12/2021 Equivalent EGP,000
Letters Of Guarantee	214 121	25 172
Letters Of Credit	2 444 082	2 691 394

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on September 30, 2022 amounted to EGP 468 K (against EGP 1 315 K as of December 31, 2021 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 30/9/2022 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 September 30, 2022 amounted to EGP 47 Million, (whereas the amount as of December 31, 2021 is EGP 33 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 2018:2020 under Law No. 91 of 2005 on the due legal dates, currently the tax inspection is being inspected for those years.
  - The company submitted the tax return for 2021.

35.1.2 Sales Tax & VAT

- The Tax Authority inspected the Company's books until year 2015 and the company paid the tax differences in full.
- The tax inspection was done for years 2016/2020 and differences were settled by deducting from the company's credit balance in the VAT return.
- Tax returns are submitted according to Value Added Tax law on the due legal dates.
- The company submitted the tax return for 2021.

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 2019/2020 and the settlement and payment in progress.
- Years 2021, the company deducts and supplies tax.

35.1.4 Stamp Tax

- The tax inspection was done till 2018 and there are no outstanding due.
- The tax inspection was done for years 2019/2020 and the settlement and payment in progress.
- - Years 2021, the company supplies the tax due on time.

35.1.5 Property Tax

- The tax assessment issued and paid up to 31/12/2021.

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 til 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 EGP 73 862 000 in 2016 and EGP 1 321 347 000 in 2017
- The tax return was submitted on its legal date for years 2018 till 2021 according to the income tax law No. 91 for 2005 and its amendments The tax losses, according to the submitted declarations, amounted to 939 153 000 in 2018, the amount of 1 846 897 000 in 2019, and the amount of 1 794 425 000 in 2020, and the amount of 757 241 000 in 2021.

35.2.2 Sales Tax & VAT

- The Tax Authority inspected the Company's books until 2018 and the taxes due were paid.
- The years 2019 and 2020 inspected and the original tax paid until the final settlement.
- Years 2021, The monthly tax returns are summited on their legal due dates.

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 outstanding dues on the company.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and disputes are being resolved by the Internal Committee.
- The years from 2019 to 2020 have been inspected, and the final payment and settlement are in progress.
- The company deducts and submits its tax.

35.2.4 Stamp Tax

- The Tax Authority inspected the Company's books until year 2020 and all disputes were settled and there are no outstanding dues.
- The company deducts and submits its tax.

35.2.5 Property Tax

- The tax assessment issued and paid up to 31/12/2021.

35.3 Al Ezz El Dekheila For Steel – Alexandria Company

35.3.1 Corporate Tax

- The Company's books have been inspected until year 2017 and there are no outstanding dues on the company.
- The tax inspection for years 2018 and 2020 is in progress.
- **The situation of tax disputes:**
- The period 2000-2004: for the exemption of flat steel project amounted to EGP 254 Million, the dispute is currently submitted to Alexandria Court of Appeal.
- The period 2005-2006: for the exemption of flat steel project (5th year) amounted to EGP 215 Million, the dispute is currently submitted to administrative court.

35.3.2 Salary Tax

- The tax inspection for the years until 2016 were done and there are no outstanding.

- From 2017 Till 2019 :

- The inspection has been done, the company was informed by the form no. 38 payroll on 20/05/2022, The company submitted a request to benefit from Law 153 of 2022 to write off 65% of the delay fee.

35.3.3 Sales Tax & VAT

Years From The Inception Date Till 2020:

The inspection and tax assesment have been done by the tax authority, disputes have been ended, the due amounts have been paid and there are no tax claims.

- **The Situation Of Tax Disputes:**

2008-2012: The additional tax on the accrual of the sales tax retroactively on iron oxide ore as the tax is refundable in the amount of EGP 108 million, and the judgment was issued in favour of the company rejecting the sub-lawsuit filed by the Ministry of Finance and the debt department of the major financiers center cancelled the claim.

35.3.4 Stamp Tax

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

From 2017 Till 2020:

These years were inspected and the company has been informed by the form no 19 on 28/2/2022 with an amount EGP 7,173,113, but it was appealed on 24/3/2022, The internal committee was established on 18/05/2022, where the tax was reduced to EGP 2,938,406, and the full due amounts have been paid.

35.3.5 Property Tax

- The decision of the committee of tax dispute settlement approved by the Minister of Finance was issued to reduce the annual real estate tax from EGP 17 million to EGP 10.7 million, and a settlement was made with the real estate taxes Agami, and the tax paid until December 31, 2021.
- The re-estimation of property tax as stated in law no 196 for the year 2008 and the reckon of property every five years leads to an increase in annual tax from LE 10.7 million to be EGP 12.3 million starting from 1/1/2022 which represent a percentage of 15% increase .
- The company submitted a request to the Agamy Real Estate Taxes Authority in order to benefit from the Prime Minister's Resolution No. 61 of 2022 that the Ministry of Finance bears the tax on real estate built for industrial sectors.

35.4 Al Ezz Flat Steel Company

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.
- Years 2019 to 2021 The tax return was submitted on the legal time, in accordance with the provisions of the Income Tax Law No. 91 of 2005 and its amendments.

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 2019.
- Years from 2020 to 2021, the company deducts and submits the tax, and the Tax authority has not carried out the tax examination to date.

35.4.3 Sales Tax & VAT

- The Tax Authority inspected the Company's books until 31/12/2020, tax assessment issued and paid up at legal date and there are no dues.
- The company submits the monthly tax return on the legal due dates and the inspection for year 2021 hasn't been requested by the tax authority yet.

35.4.4 Stamp Tax

- Tax inspection was issued and made until 2020 and there are no claims on the Company.
- Years from 2021, the company submits the tax due on the legal dates.

35.4.5 Real Estate Tax

- Tax assessment issued and paid until December 31, 2021.

36. Financial Instruments & Risk Management

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 which amounted to EGP 32 116 011 K as of September 30, 2022 (EGP 35 620 632 K as of December 31, 2021). Financing interest and expenses related to these balances amounted to EGP 2 497 395 K during the period (EGP 2 596 609 K during the same period from the previous year). Restricted time deposits and current accounts and investments funds amounted to LE 525 142 K as of September 30, 2022 (EGP 376 019 EGP as of December 31, 2021), interest income related to these time deposits and current accounts amounted to EGP 209 652 K during the current period (EGP 89 678 K during the same 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 that 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.	30/9/2022 EGP,000	31/12/2021 EGP,000
Long Term Lending To Others	(14)	54 459	47 632
Trade & Notes Receivables	(17)	6 324 154	4 795 988
Debtors & Other Bebit Balances	(18)	5 363 013	5 849 771
Suppliers - Advance Payments		832 600	802 659
Cash & cash Equivalents	(20)	6 664 876	3 429 247

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 3 158 880 K and LE 14 623 752 K respectively as at the date of financial position.

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.

The following is a statement of net foreign currency balances and the exchange rates used at the date of financial position:

Foreign Currency	(Deficit)/Surplus In Thousands	Closing rate as of: 30/9/2022	Closing rate as of: 31/12/2021
US Dollars	(526 530)	19.5700	15.7400
Euro	(58 966)	19.2823	17.8791

37. The Litigation Status

Workers Lawsuits Regarding Profits

All lawsuits filed against the company by employees whose services have ended in the company have been resolved, and there is one lawsuit still in circulation regarding profit differences and previous years' bonuses.

38. Other Topics

Alexandria Port Authority

The Following Is An Explanation Of The Existing Disputes And Issues With The Alexandria Port Authority

- Case related to the Authority's claim for sales tax and delay fine on the trading category.
- The lawsuit related to the authority's claim for the right to use the mining ores berth equipment and related to the handling of raw materials in the port of Dekheila.
- The lawsuit filed by the company against both the Port Authority and the Tax Authority to claim the refund of what was collected from the company under the name of sales tax for the period from February 15, 2003 to December 31, 2013.
- The lawsuit filed by the company requesting a refund of what was collected under the name of sales tax on the consideration for the usufruct license for the period from January 2014 to September 2016.
- At its first meeting of 2022, on January 26, 2022, the Board of Directors of Al-Azz Dekheila Steel Company-Alexandria agreed that the company would amicably settle existing disputes and issues with the Alexandria Port Authority, in order to ensure a speedy end to the dispute with the Port Authority.

39. significant Events

39-1 The world was hardly recovering from the negative effects of the Corona virus, Covid 19, to enter into a wave of negative effects, which led to the slowdown of many major economies in the past period, which led to a combination of high global prices for basic commodities, supply chain disruptions and high shipping costs, in addition to fluctuations in the global economy. Financial markets in emerging countries, which led to inflationary pressures that affected the economies of many countries, including the economy of the Arab Republic of Egypt. The war between Russia and Ukraine led to a decrease in foreign exchange flows from tourism as well as from foreign direct investment, which resulted in a rise in prices in general.

This increase in international prices put additional pressure on the local currency (the Egyptian pound), which necessitated the intervention of the Central Bank to raise the interest rate on the Egyptian pound and move the exchange rate during the month of March 2022, and this move resulted in a decrease in the value of the Egyptian pound against the US dollar during that period. By more than (18%), which resulted in the companies that have large obligations balances in foreign currency, whether short-term or long-term, affected by large losses as a result of re-translation of these balances according to the exchange rate after moving it.

These losses were largely reflected in the results of the business of these companies in the income statement (profit or loss statement) and affected the financial performance of these companies.

The company decided not to apply the "optional" special accounting treatment contained in Annex "B" added to the Egyptian Accounting Standard No. (13) on "The Effects of Changes in Foreign Exchange Rates" issued by Prime Minister's Resolution No. 1568 of 2022 on April 27, 2022.

39-2 On October 27, 2022, the Central Bank of Egypt decided to apply flexible exchange rates system for pricing foreign currencies, which resulted in a decrease in the value of the Egyptian pound against the foreign currencies by more than (26%) during October 2022. We draw attention that as a result of re-translating the balances of short and long-term foreign currency liabilities according to the new exchange rates, the consolidated currency exchange losses amounted to EGP 2,812 billion during October 2022, noting that consolidated currency exchange losses as of September 30, 2022 amounted to EGP 1,435 billion, with a total consolidated losses amounted to EGP 4.247 billion as of end of October 2022, companies are exposed to such losses due to obligations in dollars and foreign currencies.

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 & 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 & Equipment	
– Machinery and equipment	5 – 25
– Rolling rings (machinery and equipment)	According to actual use (ERM 5-6)
Vehicles	2 – 5
Furniture & Office Equipment	
– Furniture and office equipment	3 – 10
– Central air conditioning and fixtures	8
Tools & 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 period.

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 & Notes Receivables & 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 & 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 & Notes Payable & 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.Non-Derivative Financial Assets

Financial Instruments & Assets Arising From The Contract

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

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

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, which are measured at an amount equal to the 12-month ECL:

- debt instruments that are identified as having low credit risk at the reporting date; And the
- Other debt instruments and bank balances in which the credit risk (ie the risk of default over the expected life of the financial instrument) has not increased significantly since the first recognition.

Provisions for losses of commercial customers and contract assets are always measured at an amount equal to the expected credit losses over their life.

- In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and known credit assessment, including forward-looking information.
- The company assumes that the credit risk of the financial asset has increased significantly if it is more than 30 days past due.

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

It is unlikely that the borrower will pay its credit obligations to the group in full, without resorting to the company by measures such as liquidating the guarantee (if any); Or the financial asset is more than 90 days old.

The Company considers debt instruments to have low credit risk when their credit risk rating is equal to the globally understood definition of "investment grade".

Life expectancy credit losses are the expected credit losses that result from all possible failure events over the expected life of the financial instrument.

12-month ECL is the portion of ECL that results from failure events that are possible within a 12-month period after the reporting date (or a shorter period if the instrument has an expected life of less than 12 months). The maximum period considered when estimating Expected credit losses and the maximum contractual period in which the company is exposed to credit risk.

Measuring Expected Credit Losses

It is a probability-weighted estimate of credit losses. The present value of all cash shortfalls is measured (that is, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

Expected credit losses are discounted at the financial asset's effective interest rate.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments measured at FVOCI are credit impaired. The financial asset is considered "credit impairment",

When one or more events that have a detrimental effect on the estimated future cash flows of the financial asset occur.

Evidence that financial assets are credit impaired includes observable data.

Significant financial difficulty for the lender or issuer and

Breach of contract such as failure or overdue for a period greater than 90 days and

- the restructuring of a loan or advance by the company on terms that the company will not take into account in one way or another; And the

It is possible that the borrower will enter bankruptcy or other financial reorganization; or

The disappearance of an active stock market due to financial difficulties.

Disclosure The Provision For Expected Credit Losses In The Statement Of Financial Position

The loss allowance for financial assets measured at amortized cost is deducted from the total carrying amount of the assets.

For securities in debt securities that are measured at fair value through other comprehensive income, the loss allowance is charged to the profit or loss and is recognized in other comprehensive income.

Execution of Debt

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering all or part of the financial asset. For individual clients, the Company has a policy of writing off the total gross book value when the financial asset is more than two years past due based on previous experience in recovering similar assets. For corporate clients, the Company makes an independent assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The company does not expect any significant refund of the amount written off. However, financial assets that have been written off may still be subject to liability activities in order to comply with the Company's procedures for recovering amounts due.

B.Non-Financial Assets

At the end of each fiscal year, the company reviews the book values of the company's non-financial assets other than inventory, work in progress, and deferred tax assets to determine whether there is any indication of impairment. If this is the case, the company makes an estimate of the recoverable value of the asset.

To perform an impairment test for an asset, assets are grouped together into the smallest group of assets that includes the asset and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets - cash-generating units.

The recoverable amount of an asset or cash-generating unit is its fair value less costs to sell or its value in use, whichever is greater. The value in use of an asset is the present value of the expected future cash flows discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount, the impairment loss is recognized in profit or loss. On the basis of the book value of each asset in the unit. For other assets, impairment losses are reversed to the extent that the carrying amount that would have been determined (net of depreciation and amortization) had not been recognized for the impairment loss for the asset in prior years.

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 Revenue Recognition.

- Revenue is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the goods and invoice issuance. And it is probable that the economic benefits associated with the transaction will flow to the Company, and determine the costs related to selling and returned goods in trusted way with the inability of the company's management to make any letter effects on selling goods with the possibility of trusted revenue measuring, In the case of export sales, the transfer of control is extended to the goods sold in accordance with the shipping conditions.

Egyptian Accounting Standard No. (48) - Revenue From Contracts With Trade Receivables

- Egyptian Accounting Standard No. (48) defines a comprehensive framework for determining the value and timing of revenue recognition, and this standard replaces the following Egyptian accounting standards (Egyptian Accounting Standard No. (11) “Revenue” and Egyptian Accounting Standard No. (8) “Construction Contracts”).
- Revenue is recognized when the Trade Receivables is able to control the goods or services. Determining when to transfer control over a period of time or at a point in time requires a degree of personal judgment.
- The incremental costs of obtaining a contract with a Trade Receivables are recognized as an asset if the company expects to recover those costs.

The Potential Impact On The Financial Statements

Due to the nature of the company's activities, in addition to the accounting policies followed, the impact of the Egyptian Accounting Standard No. 48 on revenue recognition by the company will be immaterial.

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.

- ***<u>Trade receivable & other debtors</u>***
  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.
- ***<u>Cash and cash equivalents</u>***
  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 Egyptian Accounting Standard No. (47) Financial Instruments

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

A- Classification & Measurement Of Financial Assets & Financial Liabilities

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

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

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

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

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

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

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

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

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

D- Impairment

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