EZZ STEEL REPORTS CONSOLIDATED FY22 RESULTS

Cairo, 6 July 2023 – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 March 2023. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	1Q23	1Q22
Net sales	**27,849**	**18,641**
Gross profit	**8,113**	**4,603**
Net profit before tax*	**(2,635)**	**1,754**
Net profit	**(2,489)**	**1,217**
Earnings per share (EPS)**	(3.12)	1.42

* After allowing for an FX loss of EGP 8,889mn.

** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 31 March 2023.

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Ezz Steel

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Comment

Commenting on the results, the board issued the following notes to the shareholders:

- Sales amounted to EGP 27,849 million in 1Q23 compared to EGP 18,641 million in 1Q22 (increasing 49%). Reinforcing steel coils and bars (rebars) sales accounted for 55% of total sales, and hot rolled coils (HRC) flat steel sales accounted for 44%.
- Export sales amounted to $285 million in 1Q23, of which sales of HRC amounted to $191 million, and sales of rebars amounted to $94 million. Exports in 1Q22 amounted to $212 million, divided into sales of HRC ($184 million) and rabars ($28 million).
- The company continued to maximize its exports quantities to secure the foreign currency needed to import raw materials and consumables. In 1Q23, 285 thousand tonnes of HRC were exported, representing 53% of total HRC sales. This is compared to 37% only in 1Q22. As for rebars, exports in 1Q23 reached 147 thousand tonnes representing 22% of rebar sales, compared to only 4% in 1Q22.
- The economic slow-down in many regions around the world and concerns about recession are negatively affecting steel product prices. By way of background, prices had initially peaked around mid-2022 amid worries about possible supply chains interruptions -which affected a number of commodities- as a direct consequence of the Russian Ukrainian conflict. Since 3Q22, prices, together with margins, started to decrease gradually: especially that alternative suppliers were identified, and supply chains were again secured. International steel products prices decreased about $40/ton in 1Q23 compared to 4Q22; prices continue to trend downwards.
- Forex losses amounted to EGP 8,889 million in 1Q23. The Egyptian Pound continues its downward trend compared to major currencies.
- Net loss before taxes amounted to EGP 2,635 million in 1Q23, compared to a net profit of EGP 1,754 million in 1Q22. Income tax amounted to EGP 1,192 million, and deferred tax (asset) EGP 1,338 million.
- Net loss after tax amounted to EGP 2,489 million in 1Q23, compared to a net profit of EGP 1,217 million in 1Q22.
- Central banks worldwide continue to increase interest rates to counter inflation. The US Federal Reserve raised the interest rate in the United States from 4.5% at the beginning of 2023 - following a series of increases in 2022 - to 5% (in two steps) by the end of the first quarter; then to 5.25% at the beginning of May 2023 (after the fiscal period). CBE also increased the lending rate by 2% to 19.25% on March 30, 2023. These consecutive interest increases -in addition to CBE’s abolishment the interest rate initiative which had been in effect since March 2020 to support industry at 8%- affected the income statement. Interest and financing expenses amounted to EGP 1,203 million in 1Q23, an increase of 53% compared to 1Q22 (EGP 786 million). The recent increases in interest rates globally and locally will further effect 2Q23.

- According to the Worldsteel Association (WSA), global crude steel production remained stable in 1Q23 compared to the same period last year. This is the result of China growing by 6% through abandoning its zero Covid policy, in addition to the recovery of its real estate sector, on one hand, and on the other hand, the decline of global production (other than China) by 7% due to inflationary pressures, high interest rates and the repercussions of the Russian-Ukrainian conflict. The regions most affected by the decline in production were the European Union (-10%), North America (-4%), Russia and Ukraine together (-12%) and the Middle East (-11%).
- Domestic consumption of rebars decreased 33% to 1.4 million tonnes in 1Q23 compared to 2.1 million tonnes in 1Q22, as a result of high inflation rates which affected consumption negatively.
- The company's local rebar sales decreased by 32% from 755 thousand tonnes in 1Q22 to 517 thousand tonnes in 1Q23, due to the decrease in local consumption.
- Local HRC consumption in 1Q23 decreased to 396 thousand tonnes, 23% below 1Q22. In line with this, the company's local HRC sales also decreased by 20% from 315 thousand tonnes in 1Q22 to 251 thousand tonnes in 1Q23.

About Ezz Steel

Ezz Steel is the largest steel producer in the Arab World and North Africa according to the World Top Steel Makers for 2020 published by World Steel Association (WSA). The Company is the Egyptian market leader with a total capacity of 7 million tonnes of finished steel products per annum. Ezz Steel was established on 2/4/1994 as an Egyptian joint stock company in accordance with the provisions of Law No. 159 for the year 1981.

In 2021, the Company produced 2.9 million tonnes of long products (typically used in construction) and 2.1 million tonnes of flat products (typically used in engineering industries, automotive, steel pipes and consumer products). Ezz Steel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

All of the below financial breakdowns are based on Ezz Steel’s consolidated financials, which include the consolidated financial performance of EZDK. Following the latter’s acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales

Consolidated net sales for 1Q23 were EGP 27,849 million compared to EGP 18,641 million in 1Q22, representing a 49% increase.

EGPMn*	**Ezz Steel Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Long	4,061	11,171	**15,232**
Flat	-	12,327	**12,327**
Others	-	290	**290**
Total	**4,061**	**23,788**	**27,849**

*After the elimination of intercompany transactions.

Long steel products accounted for EGP 15.23 billion, or 55% of sales in 1Q23, while flat steel products represented 44% of sales at EGP 12.33 billion. Long steel product exports accounted 19% of its total sales ,while flat product exports accounted for 48% of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**%**	**Export**	**%**
Long	12,360	81%	2,872	19%
Flat	6,465	52%	5,862	48%

Long sales volume decreased 16% to reach 663 thousand tonnes during 1Q23 compared to 789 thousand tonnes during 1Q22. Flat sales volume increased 7% to reach 536 thousand tonnes.

The group’s consolidated sales volumes totalled 1.20 million tonnes in 1Q23 compared to 1.29 million tonnes in 1Q22, a decrease of 7%.

Production

Long steel production volumes totalled 716 thousand tonnes during 1Q23 compared to 808 thousand tonnes in 1Q22, a decrease of 11%. Flat steel production volumes increased 19% to reach 566 thousand tonnes in 1Q23 compared to 475 thousand tonnes in 1Q22.

Cost of Goods Sold

Consolidated Cost of Goods Sold in 1Q23 represented 71% of sales compared to 75% in 1Q22. Consequently, gross profit margin increased to reach 29% in 1Q23 compared to 25% in 1Q22.

EGPMn*	**ESR Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Sales	4,061	23,788	27,849
COGS	3,242	16,494	19,736
COGS/Sales	**80%**	**69%**	**71%**

*After the elimination of intercompany transactions

Gross profit

Gross profit of EGP 8.11 billion was recorded for 1Q23 for Ezz Steel consolidated, a 76% increase compared to the EGP 4.60 billion recorded in 1Q22.

EBITDA

Consolidated EBITDA for 1Q23 amounted to EGP 7.5 billion, a 88% increase compared to the EGP 4.0 billion recorded in 1Q22.

Foreign Exchange Loss

Foreign exchange loss amounted to EGP 8,889 million in 1Q23.

Tax

During 1Q23, Ezz Steel had an income tax of EGP 1.192 billion and a deferred tax of EGP 1.338 billion.

Net profit/loss

Net profit reached EGP 2.489 billion 1Q23, compared to EGP 1.217 billion in 1Q22.

Net profit after minority interests

Net result after tax and minority interests recorded a loss of EGP 1,660 million for 1Q23 compared to a profit of EGP 759 million in 1Q22.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 20.2 billion and net debt of EGP 22.7 billion.

Outlook

- Industry experts still predict that world steel consumption in 2023 would preserve its same level as 2022 (1,885 million tonnes). Earlier market forecasts indicating the beginning of regaining strength associated with limited growth was not achieved; inflation negatively affected the United States, Europe and Japan, furthermore, the Russian Ukrainian conflict affected the consumption of both countries. Balancing this is 2% expected growth in Chinese consumption in 2023. It is also noted that Turkey requires considerably higher quantities for the reconstruction of the misfortunate areas hit by the February 2023 earthquake.
- Short term projections indicate that the trend of international steel products prices is expected to be decreasing till year end. This would constitute a challenge to producers. To contain the possible negative effect on financial performance, the company stands to benefit from the technical capabilities of its plants in maximizing production and sales of thin-gauges HRC, and other value-added grades of HRC. With respect to rebars, the company continues to produce the high tensile B500DWR grade (suitable also for earthquake codes of design) which is successful both locally and in export markets. Furthermore, there is an increase in the planned quantities of production and sales with the second meltshop of EFS starting production in 2Q23.
- As expected, the local market suffered a shrinkage in consumption as a result of inflation, prices increase and devaluation of currency. Consequently, consumption forecasts are tentatively revised to a 20% decrease in Rebar and HRC consumption compared to 2022. The company is closely following local market consumption to plan its export and domestic sales directions accordingly.
- Production of the second meltshop of EFS started on May 17, 2023. Operations finetuning is successfully underway. The company is benefiting from its accumulated technical expertise to accelerate ramp-up to capacity, thus achieving its objectives to maximize exports and meet local demand. The electric arc furnace (EAF) capacity is 1.6 million tonnes annually, production reached 120 thousand tonnes in the second quarter, and is expected to reach 500 thousand tonnes in the second half of 2023 will. Danieli, the world’s renown steel technology and equipment supplier, provided engineering, machinery & equipment, advised on installation and conducted commissioning tests. This expansion cost is EGP 4.2 billion, financed by a EGP 2.2 billion loan with the balance from the group's internal resources.
- The world is following the development of the Russian-Ukrainian war in its second year. Despite hopes for a settlement, or for the conflict to calm-down, the ambiguity of the current situation projects fears that the confrontation worsens, and possibilities of recession. This affects global economy, and in particular the steel sector - due to the active presence of the two countries as suppliers of raw materials and as exporters of products.

Divisional Overview

EZDK Standalone Sales (EGP):		**1Q23**	**4Q22**	**1Q22**
Value:	Mn	20,559	18,200	13,671
Volume:				
Long:	000 Tonnes	489	557	588
Flat:	000 Tonnes	303	318	265
Exports as % of Sales:				
Long:		24%	10%	6%
Flat:		44%	32%	44%
EBITDA:	Mn	4,881	2,918	2,527
Production:				
Long Products:	000 Tonnes	475	459	481
Flat Products:	000 Tonnes	311	290	278
Billets:	000 Tonnes	558	545	541
Ezz Steel Standalone Sales (EGP):		**1Q23**	**4Q 2022**	**1Q22**
Value:	Mn	4,574	4,879	3,393
Volume:	000 Tonnes	165	231	231
Exports as % of Sales:		-	-	
EBITDA:	Mn	724	343	243
Production:				
Long Products:	000 Tonnes	187	223	216
Billets:	000 Tonnes	187	220	194

EZDK Consolidated Sales (EGP):		**1Q23**	**4Q 2022**	**1Q22**
Value:	Mn	25,037	21,241	17,161
Volume:				
Long:	000 Tonnes	492	576	588
Flat:	000 Tonnes	536	498	503
Exports as % of Sales:				
Long:		24%	10%	6%
Flat:		48%	26%	39%
EBITDA:	Mn	6,729	3,782	3,738
EBT	Mn	(2,428)	1,026	1,734
Net Profit	Mn	(2,351)	924	1,190
Production:				
Long Products:	000 Tonnes	529	557	592
Flat Products:	000 Tonnes	566	478	475
Billets:	000 Tonnes	558	579	614
Ezz Steel Consolidated Sales (EGP):		**1Q23**	**4Q 2022**	**1Q22**
Value:	Mn	27,849	23,341	18,641
Volume:				
Long:	000 Tonnes	663	799	789
Flat:	000 Tonnes	536	498	503
Exports as % of Sales:				
Long:		19%	7%	4%
Flat:		48%	26%	39%
EBITDA:	Mn	7,490	4,152	3,981
EBT	Mn	(2,635)	1,083	1,754
Net Profit	Mn	(2,489)	939	1,217
Production:				
Long Products:	000 Tonnes	716	780	808
Flat Products:	000 Tonnes	566	478	475
Billets:	000 Tonnes	745	799	808

Disclaimer:

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E.) the "Company", in connection with the disclosure of the Company's financial results for the quarter ending 31 March 2022. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East, changes in the business strategy of the Company, and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezz Steel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, no such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to Ezz Steel's actual results.

Ezz Steel Company (S.A.E)

Consolidated Interim Financial Statements For The Three Months Ended March 31, 2023
&
Limited Review Report

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Limited Review Report On The Consolidated Interim Financial Statements

TO: THE BOARD OF DIRECTORS OF EZZ STEEL COMPANY (SAE)

Introduction

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

Scope Of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements no. 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2023, 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- Note No. (1-3) in the notes to the Consolidated Interim Financial Statements; the retained losses amounted to EGP 9.7 billion as of March 31, 2023, stated in consolidated statement of financial position, resulting in a shareholders' equity deficit balance amounting to EGP 472 billion at the period end. Al Ezz Flat Steel company (EFS), a subsidiary, recognized a net profit of EGP 1.3 million for the period ending March 31, 2023 which led to a decrease in the total retained losses to EGP 7.6 billion. Al Ezz Rolling Mills company (ERM) a subsidiary, recognized a retained losses balance of EGP 8.6 billion for the period ending March 31, 2023, the company also had a deferred tax asset amounting to EGP 819 million. The management of both Al Ezz Flat Steel company (EFS) & Al Ezz Rolling Mills company (ERM), have prepared a planned budget for FY 2021 to 2026 in which it forecasts the profits and the improvement of the overall financial results, in addition to receiving financial support from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in future years, while benefiting from the accumulated tax losses based on the materialization of future assumptions used in the planned budget referred to above.

2- Note No. (35-3-1) in the notes to the consolidated interim financial statements, the tax claims received by Al Ezz El Dekheila For Steel – Alexandria from the Egyptian Tax Authority (ETA) amounted to EGP 254 million according to the tax forms received on February 17, 2011, including late payment penalties related to the tax imposed on the Flat Steel project which had been previously exempted from tax during the years 2000 – 2004.

The company's management believes that the company has already been taxed for those years. As per agreement with the ETA's Internal Committee the points of disagreement which are related to the cancellation of the State Resources Development Duty on the exempted movable tax base shall be transferred to the Appeal Committee

On June 12, 2010, the Appeal Committee issued a decision to eliminate the development fee on the exempted movable tax pool with the remaining tax basis exempt for the disputed years. According to the decision of the Internal Committee, the due tax amounts have been paid in full and the dispute has ended by agreement. The company's management and its legal advisor believe in the stability of the tax position of the company due to the issuance of the decision by Appeal Committee in favor of the company. Accordingly, the company's tax position is legally undisputable, and the ETA cannot raise any claims for these years in the future. The company filed a tax clearance lawsuit (Lawsuit No 405 For The Year 2011) and reached an agreement with the ETA to cancel the seize imposed on the company resulting from the above mentioned dispute.

The amounts paid amounted to EGP 254 million, including an amount of EGP 35 million late payment penalties. The company believes that this procedure does not change the legal and tax position of the company, and it reserves its right to recover what has been paid. The court of appeal issued its verdict on November 10 , 2022 in Lawsuit No. 268 For The Legal Year 1974 in favor of the company invalidating the Tax Form No. 3 & 4 numbered 1380, 1381, 1382, &1383 dated February 17 , 2011 for the years from 2000 till 2004, in addition not permitting the company to recover the claimed tax differences by the ETA due to filing the lawsuit prematurely; and the ETA is being notified for the implementation of the verdict.

3- Note No. (38) in the notes to the consolidated interim financial statements; a dispute began between Al Ezz El Dekheila For Steel – Alexandria and the Sales Tax Authority regarding the additional tax on the value of right of use of equipment used on port's dock of mineral materials used in handling materials in Dekheila Port, amounting to EGP 127.5 million till June 28, 2012. The subsidiary company had paid the original tax amounting EGP 104 million on October 3, 2012 with a seizure on the payment until the Sales Tax Authority ceases all procedures taken accordingly the Port Authority will cease all procedures taken against the subsidiary company, including the cancellation of the seizure imposed on the banks' balances of the company.

The subsidiary company had paid the additional tax claimed for amounting to EGP 127.5 million with a seizure on the payment, accordingly the Port Authority has contacted the banks to the administrative freeze imposed on the subsidiary's balances at banks in favor of the Port Authority.

Based on the opinion of their tax advisor, the company's management believes that the General Authority of Alexandria Port do not have the right to claim for the sales tax on the right of use of mineral materials dock's equipment related to handling of raw material in Dekheila port, the occupancy of allocated yards and performing the operation and maintenance for these equipment as they are not subject to sales tax. The payments made in the present or future to the General Authority of Alexandria Port, as tax on this service do not indicate the company's approval for imposing such taxation as the company's will continue its litigation process to confirm the fact that such service is not subject to sales tax.

4- Note No. 23; The company still holds treasury stocks which were acquired more than a year ago which is in violation of Article No. 48 of Law 159 For The Year 1981, the stocks amounted to EGP 10.4 million on March 31, 2023. The Article requires companies to either sell the treasury stocks to others or to reduce its capital by the same amount with a maximum of one year since the acquisition date.

Cairo, Egypt
July 6, 2023

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Consolidated Interim Statement Of Financial Position

	Note No.	31/3/2023 EGP,000	31/12/2022 EGP,000
Non-Current Assets			
Fixed Assets (Net)	(11)	21 874 429	22 141 715
Projects Under Construction	(12)	3 687 297	3 272 036
Long Term Investments	(13)	2 500 065	2 504 081
Deferred Tax Assets	(31-1)	3 045 549	1 785 385
Long Term Lending To Others	(14)	63 913	57 507
Other Assets	(15)	24 332	25 613
Goodwill	(40-8)	315 214	315 214
Total Non-Current Assets		**31 510 799**	**30 101 551**
Current Assets			
Inventories	(16)	12 718 554	8 902 288
Trade - Notes Receivable	(17)	6 466 948	6 639 883
Debtors - Other Debit Balances	(18)	7 397 869	6 221 073
Suppliers - Advance Payments		1 140 728	581 266
Investments In Treasury Bills	(40-7)	554 591	518 189
Cash And Cash Equivalents	(20)	20 177 447	13 249 886
Total Current Assets		**48 456 137**	**36 112 585**
Total Assets		**79 966 936**	**66 214 136**
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)	1 198 744	1 225 774
Retained Losses		(9 736 974)	(8 100 638)
Treasury Stocks	(23)	(82 302)	(82 302)
Deficit In Holding Company Shareholders' Equity		**(5 722 117)**	**(4 058 751)**
Non-Controlling Interest		5 249 651	6 085 266
Total (Deficit In) Shareholders' Equity		**(472 466)**	**2 026 515**
Liabilities			
Non-Current Liabilities			
Long-Term Loans	(28)	15 873 537	15 561 212
Long-Term Liabilities	(30)	3 058 787	3 314 189
Finance Lease Liabilities	(29)	186 602	209 159
Deferred Tax Liabilities	(31-1)	3 865 264	3 942 682
Total Non-Current Liabilities		**22 984 190**	**23 027 242**
Current Liabilities			
Banks - Overdraft	(20)	3 707 460	638 717
Credit Facilities And Loan Installments Due Within One Year	(28)	23 266 091	16 981 569
Finance Lease Liabilities Due Within One Year	(29)	85 903	83 302
Trade And Notes Payable	(24)	19 761 861	14 732 885
Customers - Advance Payments		2 680 471	1 829 753
Creditors And Other Credit Balances	(25)	3 407 241	3 541 007
Income Tax Liabilities		3 636 010	2 444 108
Liability Of The Supplementary Pension Scheme	(26)	28 005	26 715
Provisions	(27)	882 170	882 323
Total Current Liabilities		**57 455 212**	**41 160 379**
Total Liabilities		**80 439 402**	**64 187 621**
Total Shareholder's Equity & Liabilities		**79 966 936**	**66 214 136**

- The accompanying notes and accounting policies are an integral part of these Consolidated Interim financial statements and are to be read therewith.
- Limited Review Report attached.
- Date: July 6, 2023

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

ezzsteel
Sadat City
شركة حديد عز
القطاع المالي

Consolidated Interim Statement Of Income

	Note No.	For The Three Months Ended 31/3/2023 EGP,000	31/3/2022 EGP,000
Sales (Net)	(40-17)	27 849 348	18 640 518
Less :			
Cost Of Sales	(3)	(19 736 434)	(14 037 102)
Gross Profit		**8 112 914**	**4 603 416**
Add / (Less):			
Other Operating Revenues	(4)	37 466	31 507
Selling And Marketing Expenses	(5)	(475 071)	(235 116)
Administrative And General Expenses	(6)	(506 167)	(395 272)
Other Operating Expenses	(7)	(61 866)	(387 431)
Operating Profit		**7 107 276**	**3 617 104**
Add / (Less):			
Finance Income	(8)	349 521	57 012
Finance Cost	(8)	(1 203 245)	(786 437)
Foreign Currency Exchange Losses	(8)	(8 888 615)	(1 133 279)
Net Finance Cost		**(9 742 339)**	**(1 862 704)**
Net (Loss) Profit For The period Before Income Tax		**(2 635 063)**	**1 754 400**
(Less)/Add:			
Income Tax		(1 191 909)	(560 485)
Deferred Tax	(31-2)	1 337 582	23 055
Total Incone Tax For The Period		**145 673**	**(537 430)**
Net (Loss) Profit For The Period After Tax		**(2 489 390)**	**1 216 970**
Attributable To:			
Owners Of The Holding Company		(1 660 378)	758 854
Non-Controlling Interest		(829 012)	458 116
		(2 489 390)	**1 216 970**
Basic / Diluted (Losses)/ Earnings Per Share For The Period (EGP/Share)	**(9)**	**(3.12)**	**1.42**

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

Consolidated Interim Statement Of Comprehensive Income

	Note No.	For The Three Months Ended 31/3/2023 EGP,000	31/3/2022 EGP,000
Net (Loss) Profit For The period After Tax		**(2 489 390)**	**1 216 970**
(Less)/Add:			
Other Comprehensive Income Items			
Realized Portion Of Modification Surplus Of Fixed Assets (Transferred To Retained Losses During The Period)	(11-3)	(41 723)	(42 429)
Total Comprehensive Income		**(2 531 113)**	**1 174 541**
Attributable To:			
Owners Of The Holding Company		(1 687 408)	731 356
Non-Controlling Interest		(843 705)	443 185
		(2 531 113)	**1 174 541**

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

Consolidated Interim Statement Of Changes In Equity

	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 1/1/2022	**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	--	--	--	758 854	--	758 854	458 116	1 216 970
Other Comprehensive Income								
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The period)	--	--	(27 498)	--	--	(27 498)	(14 931)	(42 429)
Total Comprehensive Income	--	--	**(27 498)**	**758 854**	--	**731 356**	**443 185**	**1 174 541**
Realized Portion Of Modification Surplus Of Fixed Asset (Transferred To Retained Losses During The Period)	--	--	--	**27 498**	--	**27 498**	**14 931**	**42 429**
Transactions With Company's Shareholders								
The Non-Controlling Interest Share In Subsidary Companys For FY 2021	--	--	--	(15 352)	--	(15 352)	(11 275)	(26 627)
Total Transactions With The Company's Shareholders	--	--	--	**(15 352)**		**(15 352)**	**(11 275)**	**(26 627)**
Balance At 31/3/2022	**2 716 325**	**182 090**	**1 308 122**	**(11 130 253)**	**(82 302)**	**(7 006 018)**	**4 609 313**	**(2 396 705)**
Balance At 1/1/2023	**2 716 325**	**182 090**	**1 225 774**	**(8 100 638)**	**(82 302)**	**(4 058 751)**	**6 085 266**	**2 026 515**
Comprehensive Income								
Net Losses For The Period	--	--	--	(1 660 378)	--	(1 660 378)	(829 012)	(2 489 390)
Other Comprehensive Income Items								
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The Period)	--	--	(27 030)	--	--	(27 030)	(14 693)	(41 723)
Total Comprehensive Income	--	--	**(27 030)**	**(1 660 378)**	--	**(1 687 408)**	**(843 705)**	**(2 531 113)**
Realized Portion Of Modification Surplus Of The Fixed Assets Transferred To Retained Losses During The period)	--	--	--	**27 030**	--	**27 030**	**14 693**	**41 723**
Transactions With Company's Shareholders								
Dividends To Shareholders Of The Company And Its Subsidiaries For The Year 2022	--	--	--	--	--		(4 386)	(4 386)
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 2022	--	--	--	(2 988)	--	(2 988)	(2 217)	(5 205)
Total Transactions With The Company's Shareholders	--	--	--	**(2 988)**	--	**(2 988)**	**(6 603)**	**(9 591)**
Balance At 31/3/2023	**2 716 325**	**182 090**	**1 198 744**	**(9 736 974)**	**(82 302)**	**(5 722 117)**	**5 249 651**	**(472 466)**

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

Consolidated Interim Statement Of Cash Flows

	Note No.	For The Three Months Ended 31/3/2023 EGP,000	31/3/2022 EGP,000
Cash Flows From Operating Activities			
Net Profit For The period Before Income Tax		(2 635 063)	1 754 400
Adjustments To Reconcile Net Profit To Net Cash Provided By (Used In) Operating Activities			
Depreciation	(11-1)	381 002	362 233
Amortization Of Other Assets	(15)	1 281	1 281
Amortization Of Accrued Interest On Treasury Bills		(22 159)	(4 121)
Impairment Loss On Assets	(7)	--	33 018
Interest & Finance Costs	(8)	1 203 245	786 437
Provisions Formed During The Period	(7)	3	169 812
Differences Of Changing In Liability Of The Supplementary Pension Scheme	(26)	8 800	12 105
Foreign Currency Exchange Differences		9 780 641	1 335 261
		8 717 750	**4 450 426**
Changes In:			
Inventory		(3 816 799)	773 466
Trade Receivables, Debtors & Other Debit Balances		772 353	680 371
Trade Payables, Creditors & Other Credit Balances		1 500 654	(15 180)
Change In Lending To Employees		(6 406)	(2 579)
Liability Of The Supplementary Pension Scheme		(3 687)	(2 551)
Cash Flows Provided By Operating Activities		**7 163 865**	**5 883 953**
Finance Interests Paid		(1 162 623)	(754 119)
Income Tax Paid		--	(14 919)
Used Provisions		(156)	(21 535)
Net Cash Flows Provided By Operating Activities		**6 001 086**	**5 093 380**
Cash Flows From Investing Activities			
(Payments) For Purchase Of Fixed Assets And Projects Under Construction		(547 185)	(98 062)
(Payments) For installments to Purchase Investments		(624 980)	(1 254 460)
Proceeds From Retrieval Of Investments		7 562	--
Proceeds From Retrieval Of Financial Investments (Treasury Bills)		526 000	123 900
(Payments) For Purchase Of Financial Investments (Treasury Bills)		(521 757)	(167 907)
Net Cash Flows (Used In) Investing Activities		**(1 160 360)**	**(1 396 529)**
Cash Flows From Financing Activities			
(Payments) / Proceeds For Credit Facilities		2 086 590	387 055
(Payments) / Proceeds From Loans And Other Liabilities		(3 048 024)	(1 944 852)
Finance Lease Payments		(19 956)	(17 614)
Change In Time-Deposits And Restricted Current Accounts		(4 648 212)	(284 882)
Paid Dividends To The Shareholders And Non-Controlling Interest		(518)	-
Net Cash (Used In) Financing Activities		**(5 630 120)**	**(1 860 293)**
Change In Cash And Cash Equivalents During The Period		**(789 394)**	**1 836 558**
Cash And Cash Equivalents At The Beginning Of The Period	(20)	11 513 961	3 076 698
Cash And Cash Equivalents At The End Of The Period	(20)	**10 724 567**	**4 913 256**

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

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.

Al Ezz For Medical Industries – S.A.E - was established in August 11, 2020

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:

	31/3/2023 Shareholding %	**31/12/2022** 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
Al Ezz For Medical Industries	49.2 (Direct and Indirect) Through Al Ezz El Dekheila	49.2 (Direct and 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 9.7 Billion as of March 31, 2023 included in company's Consolidated Interim statement of financial position, also the Deficit In Shareholder's Equity amounted to EGP 472 Million at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- achieved a net profit of EGP 1,3 Million for the three months ended March 31, 2023, which led to a increase in the total retained losses until March 31, 2023 to EGP 7.6 Billion, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has achieved a net loss of EGP 1.9 Billion for the three months ended March 31, 2023, which led to a increase in the total retained losses until March 31, 2023 to EGP 8.6 Billion, which deferred tax asset was recognized for it at that date with an amount of EGP 819 Million. The subsidiaries management has prepared a budget for the years from 2021 to 2026 in which it adopts the sachievement 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. Company Background (Continued)

1.4 Issuance Of Consolidated Interim Financial Statements

- These Consolidated Interim Financial Statements were approved by the company's BOD for issuance on july **, 2023.

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. Basis For The Preparation Of The Consolidated Interim Financial Statements (Continued)

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 Interim 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 NO.	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Raw Materials		15 193 047	8 886 517
Salaries & Wages		764 261	666 268
Fixed Assets Depreciation	(11-1)	371 404	351 804
Other Assets Amortization	(15)	1 281	1 281
Supplementary Pension Scheme Cost		6 879	9 514
Manufacturing Overhead Expenses		5 189 085	3 863 684
Manufacturing Cost		**21 525 957**	**13 779 068**
Change In Inventory–Finished Products And Work In Process		(1 789 523)	258 034
Total Cost Of Sales		**19 736 434**	**14 037 102**

4. Other Operating Revenues

	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Other Revenues	37 466	31 507
Total Other Operating Revenues	**37 466**	**31 507**

5. Selling & Marketing Expenses

	Note NO.	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Salaries & Wages		38 805	34 097
Advertising Expenses		44 171	24 819
Fixed Assets Depreciation	(11-1)	148	156
Supplementary Pension Scheme Cost		486	673
Other Expenses		391 460	175 371
Total Selling & Marketing Expenses		**475 071**	**235 116**

6. Administrative & General Expenses

	Note NO.	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Salaries & Wages		275 080	236 026
Spare Parts And Maintenance Expenses		2 845	1 809
Fixed Assets Depreciation	(11-1)	9 450	10 273
Supplementary Pension Scheme Cost		1 953	1 745
Other Expenses*		216 839	145 419
Total Administrative & General Expenses		**506 167**	**395 272**

7. Other Operating Expenses

	Note No.	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Donations		36 125	116 737
Impairment Of Assets		-	33 018
Provisions Formed During The Period	(27)	3	169 812
Other Expenses		25 738	67 864
Total Other Operating Expenses		**61 866**	**387 431**

8. Finance Income & Cost

	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Finance & Interest Income	349 521	57 012
Interest & Finance Cost	(1 203 245)	(786 437)
Foreign Currency Exchange Differences Losses	(8 888 615)	(1 133 279)
Net Finance Costs	**(9 742 339)**	**(1 862 704)**

9. Basic & Diluted Earnings Per Share For The Period

Owners Of The Company Share	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Net (Losses) Profit For The Period	(1 660 378)	758 854
Weighted Average Number Of Outstanding Shares During The Period (Share)*	532 891 832	532 891 832
Basic And Diluted (Losses) Earnings Per Share For The Period (LE / Share)	**(3.12)**	**1.42**

* The 910,481 treasury shares were deducted from the weighted average shares outstanding used in calculating the earnings per basic and diluted shares above for the three month period ending on March 31, 2023 as per Note No. 23 in the notes to the separate financial statements.

10. Employee Benefits

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 1/1/2000 in addition to the annual salary increase.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies For The Three months ended March 31, 2023 amounted to EGP 9 976 K has been included in salaries and wages in the statement of income (against EGP 8 204 K for The Three months ended March 31, 2022).

1. Fixed Assets

	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, 2022	782 141	10 021 982	36 079 210	308 903	494 192	275 049	3 902	47 965 379
Additions During The Year	-	2 163	107 399	-	6 376	8 318	-	124 256
Disposals During The Year	-	-	(927)	-	(13)	-	-	(940)
At March 31, 2022	782 141	10 024 145	36 185 682	308 903	500 555	283 367	3 902	48 088 695
At January 1, 2023	784 744	10 034 353	37 365 042	307 949	529 670	309 115	3 902	49 334 775
Additions During The Year	-	1 595	87 831	1 573	3 636	19 081	-	113 716
Disposals During The Year	-	(209)	-	-	(9 187)	-	-	(9 396)
At March 31, 2023	784 744	10 035 739	37 452 873	309 522	524 119	328 196	3 902	49 439 095
Accumulated Depreciation:								
At January 1, 2022	-	3 332 358	21 615 149	299 750	328 786	182 965	3 902	25 762 910
Depreciation For The Year	-	57 259	286 811	1 523	10 466	6 174	-	362 233
Accumulated Depreciation Of Disposals During The Year	-	-	(927)	-	(13)	-	-	(940)
At March 31, 2022	-	3 389 617	21 901 033	301 273	339 239	189 139	3 902	26 124 203
At January 1, 2023	-	3 560 400	22 742 149	304 145	368 125	214 339	3 902	27 193 060
Depreciation For The Year	-	56 661	304 785	874	10 182	8 500	-	381 002
Accumulated Depreciation Of Disposals During The Year	-	(209)	-	-	(9 187)	-	-	(9 396)
At March 31, 2023	-	3 616 852	23 046 934	305 019	369 120	222 839	3 902	27 564 666
Carrying Amount:								
At March 31, 2022	782 141	6 634 528	14 284 649	7 630	161 316	94 228	-	21 964 492
At December 31, 2022	784 744	6 473 953	14 622 893	3 804	161 545	94 776	-	22 141 715
At March 31, 2023	784 744	6 418 887	14 405 939	4 503	154 999	105 357	-	21 874 429
Fixed Assets Fully Depreciated & Still In Use At March 31, 2023	-	589 128	2 683 291	284 908	213 970	144 107	3 902	3 919 306

- The land item includes a piece of land with a total area of 928000 M² 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.

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

	Note No.	For The Three Months Ended: 31/3/2023 EGP,000	31/3/2022 EGP,000
Cost Of Sales	(3)	371 404	351 804
Selling & Marketing Expenses	(5)	148	156
Administrative & General Expenses	(6)	9 450	10 273
		381 002	**362 233**

11.2 Leased Fixed Assets:

Fixed assets include leased assets as of March 31, 2023 as follows:

	Cost At 31/3/2023 EGP,000	Accumulated Depreciation At 31/3/2023 EGP,000	Net At 31/3/2023 EGP,000	Net At 31/12/2022 EGP,000
Land *	70 000	-	70 000	70 000
Building **	145 000	25 073	119 927	120 833
	215 000	**25 073**	**189 927**	**190 833**

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

	EGP,000
Modification Surplus Of Fixed Assets At Floating Foreign Exchange Rate Date (November 3, 2016)	4 013 795
Income Tax	(903 104)
Net Modification Surplus Of Fixed Assets After Income Tax	**3 110 691**
Recognized Portion Till December 31, 2022	(1 210 522)
Net Modification Surplus Of Fixed Assets At December 31, 2022	**1 900 169**
Recognized Portion During The Three months ended March 31, 2023	(41 723)
Net Modification Surplus Of Fixed Assets At March 31, 2023	**1 858 446**
Attributable To:	
Owners Of The Holding Company	1 198 744
Non-Controlling Interest	659 702
	1 858 446

12. Projects Under Construction

	31/3/2023	31/12/2022
	EGP,000	EGP,000
Constructions Expansion	24 657	15 729
Machinery Under Installation*	3 639 223	3 232 999
Advance Payments For Purchase Of Fixed Assets	22 054	21 945
Other	1 363	1 363
Total Projects Under Construction	**3 687 297**	**3 272 036**

* The balance includes EGP 107 million in capitalized interest

13. Long Term Investments

	31/3/2023 EGP,000	31/12/2022 EGP,000
- 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
- Egyptian Steel (18% By Al Ezz El Dekheila For Steel – Egypt (EZDK)	2 499 960	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
	2 504 419	**2 508 435**
Less:		
Impairment Loss In Long Term Investments (Note No.19)	4 354	4 354
	2 500 065	**2 504 081**

* On September 5, 2022, the General Assembly of Atlantic Pacific Shipping and Trade Company - a subsidiary company - decided to liquidate the company and appoint a liquidator for the company in accordance with the provisions of Law 159 of 1981, and the full value of the investment in US dollars was recovered on March 13, 2023.

14. Long Term Lending To Other

Long Term Lending which included in long term assets in the Consolidated Interim financial statements Represented In amount of EGP 64 Million as of March 31, 2023 (against EGP 58 Million as of December 31, 2022) and the value of long term portion of employees loans that's amounted to EGP 120 Million as of March 31, 2023 (against EGP 116 Million as of December 31, 2022) after deducting the transfers to short term employees' Loans and advances amounting to EGP 47 Million in the current year (against to EGP 49 Million as of December 31, 2022) and deducting differences arising from the change in the present value amounted to EGP 9 Million (against EGP 9 Million as of December 31, 2022).

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, 2023	25 613
(Less):	
Amortization For The Period	(1 281)
Net At March 31, 2023	**24 332**

16. Inventory

	31/3/2023	31/12/2022
	EGP,000	EGP,000
Raw Materials And Supplies	5 157 205	4 275 038
Spare Parts And Supplies	2 641 943	2 166 502
Work In Process	811 657	533 249
Finished Products	3 256 730	1 745 615
Goods In Transit	418 901	3 785
Letters Of Credit	432 118	178 099
Total Inventory	**12 718 554**	**8 902 288**

17. Trade & Notes Receivable

	Note No.	31/3/2023	31/12/2022
		EGP,000	EGP,000
Trade Receivables		3 904 642	2 029 061
Trade Receivables – Related Parties	(32-1)	9 371	9 297
Notes Receivable		2 593 494	4 642 084
		6 507 507	**6 680 442**
Less:			
Impairment Loss On Trade Receivables	(19)	(40 559)	(40 559)
Total Trade & Notes Receivable		**6 466 948**	**6 639 883**

18. Debtors & Other Debit Balances

	Note No.	31/3/2023	31/12/2022
		EGP,000	EGP,000
Deposits With Others		1 759 623	1 328 660
Tax Authority		1 932 105	1 711 268
Tax Authority – Vat		1 234 302	992 903
Customs Authority		541 105	366 811
Accrued Revenues		668	988
Prepaid Expenses		29 490	29 835
Employees' Loans And Advance Payments Due Within A Year		76 669	67 167
Letters Of Credit Cash Margin		173 766	598 243
Letters Of Guarantee Cash Margin	(33-1)	467	165
Due From Related Parties	(32-2)	28 221	28 498
Advance Payment Under The Account Of Employees' Dividends		28 949	34 099
Other Debit Balances*		1 720 564	1 190 491
		7 525 924	**6 349 128**
Less:			
Impairment Loss On Debtors & Other Debit Balances	(19)	(128 055)	(128 055)
Total Debtors & Other Debit Balances		**7 397 869**	**6 221 073**

* 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.	31/3/2023	31/12/2022
		EGP,000	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)	128 055	128 055
Advance Payments For Suppliers		2 332	2 332
Total Impairment Loss On Assets		**175 300**	**175 300**

20. Cash & Cash Equivalents

	31/3/2023 EGP,000	31/12/2022 EGP,000
Banks - Time Deposits	60 513	67 155
Banks – Current Accounts	19 874 221	12 858 691
Cheques Under Collection	106 247	234 779
Cash On Hand	136 466	89 301
	20 177 447	**13 249 886**
Less:		
Banks – Overdraft	(3 707 460)	(638 717)
Restricted Time Deposits And Current Accounts Within The Credit Conditions Granted By The Bank For The Group Companies	(5 745 420)	(1 097 208)
Cash & Cash Equivalents In The Statement Of Cash Flows	**10 724 567**	**11 513 961**

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 31/3/2023 EGP	Shareholding %	Shareholding 31/12/2022 %
- 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

	31/3/2023 EGP,000	31/12/2022 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

	31/3/2023			31/12/2022
	Due Within One Year	Long term Note No. (30)	Total	Total
	EGP,000	EGP,000	EGP,000	EGP,000
Trade Payables	12 216 146	-	12 216 146	14 043 690
Notes Payable	7 545 715	326 780	7 872 495	1 269 849
	19 761 861	**326 780**	**20 088 641**	**15 313 539**

As of March 31, 2023, 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 1508.1 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.	31/3/2023 EGP,000	31/12/2022 EGP,000
Accrued Interest		593 033	415 186
Accrued Expenses		2 219 671	2 097 304
Tax Authority		178 436	467 258
Performance Guarantee Retention		110 982	96 747
Dividends Payable		6 536	1 612
Due To Related Parties	(32-3)	53 895	56 596
Other Credit Balances*		244 688	406 304
Total Creditors & Other Credit Balances		**3 407 241**	**3 541 007**

26. Liability Of The Supplementary Pension Scheme

The cost of the supplementary pension scheme during The Three months ended March 31, 2023 amounted to EGP 8.8 Million charged to the Consolidated Interim financial statement according to the actuary's report issued annually.

	Note No.	31/3/2023 EGP,000	31/12/2022 EGP,000
Balance At The Beginning Of January		**219 790**	**246 343**
Add:			
Present Service Cost		578	16 705
Return Cost		8 222	31 715
Amounts Recognized In The Consolidated Statement Of		**8 800**	**48 420**
		228 590	**294 763**
Actuarial Profits From The Defined Benefits Pension Scheme		-	(1 058)
Employees benefits (under reconciliation)		-	(61 933)
Employees Paid Subscriptions During The Period \ year		1 887	7 368
		230 477	**239 140**
Less:			
Paid Pensions During The period \ Year		(5 573)	(19 350)
Total Liabilities Of Supplementary Pension Scheme		**224 904**	**219 790**
Distributed As Follows:			
Included In Current Liabilities		28 005	26 715
Included In Long-Term Liabilities	(30)	196 899	193 075
		224 904	**219 790**

27. Provisions

	1/1/2023	Formed During The Period	Used During The Period	31/3/2023
	EGP,000	EGP,000	EGP,000	EGP,000
Tax And Claims Provision	880 368	3	(156)	880 215
Employees Lawsuits Provision	1 955	-	-	1 955
Total Provisions	**882 323**	**3**	**(156)**	**882 170**

28. Loans And Credit Facilities

		Short Term	Long Term	Total
		EGP,000	EGP,000	EGP,000
Ezz Steel	Long Term Loans	332 845	272 981	**605 826**
	Credit Facilities	4 843 483	-	**4 843 483**
Al Ezz El Dekheila For Steel - Alexandria (Ezdk)	Long Term Loans	1 586 604	4 687 663	**6 274 267**
	Credit Facilities	11 732 399	6 641 629	**18 374 028**
Al Ezz Flat Steel (Efs)	Long Term Loans	1 255 805	-	**1 255 805**
	Credit Facilities	2 084 015	683 977	**2 767 992**
Al Ezz Rolling Mills Company (Erm)	Long Term Loans	1 236 996	3 587 287	**4 824 283**
	Credit Facilities	193 944	-	**193 944**
Total As Of 31/3/2023		**23 266 091**	**15 873 537**	**39 139 628**
Total As Of 31/12/2022		**16 981 569**	**15 561 212**	**32 542 781**

28.1 Ezz Steel Company (Holding Company)

On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to 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 company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in December 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.

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

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

Banks	Loan Amount	Currency	No. Instalments	Maturity Date	Total In EGP
QNB	69.5	USD	26 Quarterly	August 31,2025	951.77
QNB	565	EGP	26 Quarterly	January 13, 2029	521.6
AAIB	61.5	USD	28 Quarterly	November 28, 2025	844.33
Bank Of Alexandria	50	USD	26 Quarterly	January 15, 2026	822.02
HSBC	12.5	EUR	12 Semi-annual	January 15, 2026	211.17
HSBC	80	EGP	12 Semi-annual	January 15, 2026	25.57
NBK	20	USD	26 Quarterly	August 28,2026	376.11
NBE	2602	EGP	20 Quarterly	June 15,2028	2001.60
Banque Du Caire	500	EGP/ USD	28 Quarterly	December 31,2028	524.99
EDBE	300	EGP	24 Quarterly	February 17, 2028	252.00
Total Medium & Long-term Loans In Addition To Instalments For The Year On March 31, 2023					**6 531.16**

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

Banks	Facility Amount	Currency	Renew Date	Total In EGP
NBE	1500	EGP	October 17,2024	355.62
EBE	321	EGP/ USD	December, 2024	578.09
AAIB	171$	EGP/ USD	July, 2023	3277.14
Banque Du Caire	880	EGP/ USD	December, 2024	614.34
Banque Misr	4 000	EGP/ USD	June, 2025	1559.51
Total Medium Credit Facilities On March 31, 2023				**6384.7**

The company obtained long term loan amounted to EGP 2602 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 15, 2028, the loan balance at March 31, 2023 amounted to EGP 2001.59 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 1.255 Million
- The Banks-credit facilities amounting to EGP 2.768 Billion on 31/3/2023 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. Loans And Credit Facilities (Continued)

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	
	31/3/2023 EGP,000	31/12/2022 EGP,000	**31/3/2023 EGP,000**	31/12/2022 EGP,000	**31/3/2023 EGP,000**	31/12/2022 EGP,000
Due Within One Year	125 151	119 357	39 248	36 055	85 903	83 302
Add						
Long Term Liabilities	235 465	253 025	48 863	43 866	186 602	209 159
Total Finance Lease Liabilities	**360 616**	**372 382**	**88 111**	**79 921**	**272 505**	**292 461**

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

30. Long Term Liabilities

	Note No.	31/3/2023 EGP,000	31/12/2022 EGP,000
Notes Payable	(24)	326 780	580 654
Investment creditors (the rest of the investment dues in the Egyptian Steel Company)		-	624 980
Liability Of The Supplementary Pension Scheme	(26)	196 899	193 075
Lending From Others	(30-1)	1 292 815	915 604
Fixed Asset Purchase Creditors	(30-2)	1 242 293	999 876
Present Value For The Long-Term Liabilities		**3 058 787**	**3 314 189**

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to EGP 1.273 Billion 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

	31/3/2023		31/12/2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	EGP,000	**EGP,000**	**EGP,000 Restated**	**EGP,000 Restated**
Fixed Assets	-	(3 628 857)	-	(3 684 456)
Provisions And Assets Impairment	134 497	-	134 497	-
Finance Lease Liabilities	13 080	-	14 685	-
Tax Losses*	819 412	-	1 054 216	-
Losses From Foreign Currency Translation	2 078 560	-	581 987	-
Tax On Unpaid Dividends	-	(236 407)	-	(258 226)
	3 045 549	**(3 865 264)**	**1 785 385**	**(3 942 682)**
Net Deferred Tax (Liability)		**(819 715)**		**(2 157 297)**

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

	31/3/2023	31/3/2022
	EGP,000	EGP,000
Net Deferred Tax	(819 715)	(2 362 378)
Less/ (Add):		
Previously Charged Deferred Tax	(2 157 297)	(2 385 433)
Deferred Tax	**1 337 582**	**23 055**

31.3 Unrecognized Deferred Tax Assets

	31/3/2023	31/12/2022
	EGP,000	EGP,000
Impairment Loss On Receivables And Debtors	11 337	11 337
Provisions	127 629	132 341
Tax Losses	727 131	481 120
	766 097	**624 798**

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

32. Related Parties Transactions

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

	Nature Of Transaction	Transaction Volume During The Period EGP,000	Balance As Of 31/3/2023 Debit/(Credit) EGP,000	Balance As Of 31/12/2022 Debit/(Credit) EGP,000 Restated
32.1 Items Included In Trade And Notes Receivable				
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)			9 371	9 297
			9 371	**9 297**
32.2 Items Included In Debtors And Other Debit Balances				
- Gulf Of Suez Development Company (Affiliated Company)		-	17	11
- Al Ezz For Ceramics And Porcelain (GEMMA) (Affiliated Company)	Rent	25	28 204	28 487
	Sales	115		
			28 221	**28 498**
32.3 Items Included In Creditors And Other Credit Balances				
- Al Ezz Group Holding Company For Industry & Investment			(53 883)	(56 584)
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)			(12)	(12)
			(53 895)	**(56 596)**

33. Contingent Liabilities

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

	31/3/2023 Equivalent EGP,000	31/12/2022 Equivalent EGP,000
Letters Of Guarantee	331 701	343 769
Letters Of Credit	6 434 188	6 416 049

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on March 31, 2023 amounted to EGP 467 K (against EGP 165 K as of December 31, 2022 fully covered) (Note no.18).

33.2 The settlement agreement with one of the foreign suppliers (Note no.30-2) includes the supplier claims Al Ezz Flat Steel (subsidiary company) for interest that will be calculated in agreement with the company on the liability of supplying spare parts during previous years amounted to 15 483 K Euro which is stated in the suppliers balance as of 31/3/2023 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 steel as of March 31, 2023 amounted to EGP 4.47 Million,
- The capital Commitments of El Ezz El Dekhaila as of March 31, 2023 amounted to EGP 79 Million, (whereas the amount as of December 31, 2022 is EGP 72.78 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 2021/2022, the company deducts and pay tax.

35.1.4 Stamp Tax

- The tax inspection was done till 2018 and there are no outstanding due.

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 K in 2016 and EGP 1 321 347 K 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 EGP 939 153 K in 2018, the amount of EGP 1 846 897 K in 2019, and the amount of EGP 1 794 425 K in 2020, and the amount of EGP 757 241 K 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 31/12/2022.

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 ruling of the Court of Appeal in Case No. 268 of 74 BC was issued in favour of the company, invalidating the "corporate tax forms 3 , 4 issued with numbers 1380-1381-1382-1383, on 17/2/2011, and follow-up is underway with the Center for major taxpayer to implement the ruling.
- 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 and the tax differences has been paid.

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 K 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 938K, 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, 2022.

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 40 793 059 K as of March 31, 2023 (EGP 33 830 765 K as of December 31, 2022). Financing interest and expenses related to these balances amounted to EGP 1 203 245 K during the current period (EGP 786 437 K during the same period of the previous year). Restricted time deposits and current accounts amounted to LE 5 805 933 K as of March 31, 2023 (EGP 1 164 324 EGP as of December 31, 2022), interest income related to these time deposits and current accounts amounted to EGP 349 521 K during the current period (EGP 57 012 K during the same period of the previous year).

The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically 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.	31/3/2023 EGP,000	31/12/2022 EGP,000
Long Term Lending To Others	(14)	63 913	57 507
Trade & Notes Receivables	(17)	6 466 948	6 639 883
Debtors & Other Debit Balances	(18)	7 397 869	6 221 073
Suppliers - Advance Payments		1 140 728	581 266
Investments In Treasury Bills		554 591	518 189
Cash & Cash Equivalents	(20)	20 040 981	13 160 585

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 10 776 029 K and LE 43 126 475 K respectively as at the date of financial position.

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: 31/3/2023	Closing Rate As Of: 31/12/2022
US Dollars	(865 028)	34.8900	24.7100
Euro	(56 142)	37.9080	26.3631

*The USD exchange rate used at the end of period to value the assets and liabilities was the prevailing exchange rate in the company's signed future contracts.

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 December 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.

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.

40. Significant Accounting Policies For The Consolidated Interim Financial Statements (Continued)

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 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.

40.7 Investments In Treasury Bills

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

40.8 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. Significant Accounting Policies For The Consolidated Interim Financial Statements (Continued)

40.9 Inventory

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

- Raw materials: is valued at its cost up to bringing them to warehouses, 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.

40.10 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.

40.11 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.

40.12 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.

40.13 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.

40. Significant Accounting Policies For The Consolidated Interim Financial Statements (Continued)

Credit Impaired Financial Assets

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

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

Evidence that financial assets are credit impaired includes observable data.

Significant financial difficulty for the lender or issuer and

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.

40.14 **Interest-Bearing Borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost 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.

40.15 **Provisions**

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

40.16 **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.

41. Significant Accounting Policies For The Consolidated Interim Financial Statements (Continued)

***40.17* 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.

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.

***40.18* 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).

***40.19* 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.

***40.20* 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.

***40.21* 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.

***40.22* 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).

***40.23* Financial Risk Management**

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

* Credit risk
* Liquidity risk
* Market risk

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

40. Significant Accounting Policies For The Consolidated Interim Financial Statements (Continued)

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.

40.23.1 Credit Risk

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

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

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

40.23.2 Liquidity Risk

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

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

40.23.3 Market Risk

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

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

- **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.

40.23.4 Capital Management

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