EZZSTEEL REPORTS CONSOLIDATED FY 2017 RESULTS

Cairo, 29 March 2018 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the 12 month period ending 31 December 2017. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	FY 2016	FY 2017	YoY % (+/-)
• **Net sales**	23,189	**41,742**	+80
• **Gross profit**	2,512	**4,355**	+73
• **EBITDA***	2,404	**4,420**	+84
• **Net profit after tax and minority interest**	162	**(1,580)**	
• **Earnings per share****	0.30	(2,91)	
• **Net debt to equity**	1.87	2.15	

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

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

Comment

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

"In 2017, after several years of disturbed activity, ezzsteel returned to normal industrial operating mode. Firstly, we did not suffer any interruptions to our electricity or natural gas supplies. Secondly, the foreign currency needed for the purchase of our imported raw materials was made available without limitation.

At the same time, we benefited from a favourable market environment. The sustained recovery in the international steel sector coupled with the anti-dumping duties applied in Egypt allowed us to improve our selling prices and therefore substantially increase our global turnover.

However, we were not able to run our plants at capacity because of an acute shortage in working capital facilities due to the significant devaluation of the Egyptian currency. As a result, our consolidated bottom-line remained negative throughout the year, though it slightly improved quarter by quarter.

We are confident that the readjustment of our working capital lines will be completed in the coming period, which will enable us to fully benefit from the prevailing favourable conditions in the local and international steel markets."

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About ezzsteel

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

In 2017, the company produced 3.4 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales & Production

Consolidated net sales for FY 2017 were EGP 41.7 billion, representing an increase of 80 per cent year on year. Fourth quarter 2017 revenues increased by 8 per cent over the previous quarter and 50 per cent over the same period in 2016. Flat product sales, in particular, saw strong growth of 136 per cent year on year, reaching net sales of EGP 10.9 billion up from EGP 4.6 billion in 2016.

During 2017, prices in Egyptian pounds increased significantly reflecting the steep devaluation of the Egyptian currency that took place at the end of 2016. In the local market long steel prices were up 71 per cent while flat steel prices improved by 95 percent. Both long and flat export prices increased by 88 per cent compared to the prior year.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	8,596	18,665	3,201	**30,462**
Flat	-	8,523	2,378	**10,901**
Others		329	50	**379**
Total	**8,596**	**27,517**	**5,629**	**41,742**

Long steel products accounted for EGP 30.5 billion, or 73 per cent of sales in FY 2017, while flat steel products represented 26 per cent of sales at EGP 10.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 58 per cent of total flat sales, up 10 percentage points from FY 2016.

Sales Value *EGPMn*	**Domestic**	**per cent**	**Export**	**per cent**
Long	28,454	93	2,008	7
Flat	4,537	42	6,364	58

Long sales volumes reached 3.3 million tonnes during FY 2017, three per cent lower than the 3.4 million tonnes sold during the same period last year. The local market for long products contracted slightly, with local sales volumes decreasing by 7 per cent. At the same time, the export market for long products developed very strongly, with volumes up 114 per cent year on year. The total value of long product sales for the full year 2017 grew by 66 per compared to the previous year.

Flat sales volumes, at EZDK and EFS, rose by 25 per cent to 1.13 million tonnes in FY 2017. While the local market remained stable as volumes decreased by just three per cent, 2017 saw a significant increase of 52 per cent in exported flat products.

The group's consolidated sales volumes totalled 4.5 million tonnes in FY 2017, a slight increase of three per cent from the previous year.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the period ending 31 December 2017 were approximately 21 per cent, 66 per cent, and 13 per cent respectively.

Long steel production volumes totalled 3.4 million tonnes during FY 2017, up two per cent compared to FY 2016. Flat steel production volumes increased by 22 per cent to 1.15 million tonnes for the period, compared to 944 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold (COGS) for FY 2016 represented 90 per cent of sales, 1 percentage point higher than in the previous year, leading to a decrease in gross profit margin of 1 percentage points, from 11 per cent in FY 2016 to 10 per cent in FY 2017.

EFS's COGS to sales ratio was at 113 per cent, ESR/ERM's COGS to sales ratio was 96 per cent while EZDK's COGS to sales ratio was 85 per cent. However, COGS to sales ratios improved by one percentage point respectively across all three facilities compared to 9M 2017.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	13,294	30,300	6,731	41,742
COGS	12,700	25,819	7,582	37,407
COGS/Sales	**96%**	**85%**	**113%**	**90%**

Gross profit

Gross profit of EGP 4.3 billion was recorded for FY 2017, an increase of 73 per cent from the EGP 2.5 billion recorded in FY 2016.

EBITDA

EBITDA for FY 2017 amounted to EGP 4.4 billion, representing an increase of 84 per cent from EGP 2.4 billion in FY 2016.

Tax

During 2017, ezzsteel had deferred tax liabilities of EGP 766.1 million and income tax expense of EGP 133.4 million

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1.58 billion for FY 2017, compared to a profit of EGP 162 million during the same period in 2016.

Liquidity and capital resources

At the end of 2017, ezzsteel had cash on hand of EGP 4.7 billion and net debt of EGP 18.9 billion. The company has a gearing of Net Debt / Equity of 2.15 times.

Outlook

We are confident that the readjustment of our working capital lines will be completed in the coming period, which will enable us to fully benefit from the prevailing favourable conditions in the local and international steel markets.

Divisional Overview

EZDK Sales (EGP):	**FY 2016**	**FY 2017**	
Value:	13,511	30,300	Mn
Volume:			
Long:	1,824,049	2,343,517	Tonnes
Flat:	733,910	866,655	Tonnes
Exports as % of Sales:			
Long:	6	10	
Flat:	43	52	
EBITDA:	1,951	4,257	Mn
Production:			
Long Products:	1,771,058	2,081,790	Tonnes
Flat Products:	753,575	886,766	Tonnes
Billets:	1,821,325	2,197,856	Tonnes
ESR/ERM Sales (EGP):			
Value:	6,877	13,294	Mn
Volume:	1,201,961	963,393	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	395	487	Mn
Production:			
Long Products:	1,138,237	959,713	Tonnes
Billets:	514,676	592,659	Tonnes
EFS Sales (EGP):			
Value:	3,365	6,731	Mn
Volume:			
Long:	441,679	333,716	Tonnes
Flat:	173,634	268,127	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	82	91	
EBITDA:	(22)	(431)	Mn
Production:			
Long Products:	395,425	344,111	Tonnes
Flat Products:	190,484	264,851	Tonnes
Billets:	301,832	469,338	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the "Company", in connection with the disclosure of the Company's financial results for the 12 month period ending 31 December 2017. This press release includes forward-looking statements. These forward looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Year Ended December 31, 2017
And Auditor's Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Year Ended December 31, 2017
And Auditor's Report

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Translation from Arabic

AUDITOR'S REPORT

To the Shareholders of Ezz Steel Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated statement of financial position as of December 31, 2017 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of matters

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

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

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

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

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

Translation from Arabic

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

2- As explained in note no. (24) and note no. (37-2) of the notes to the consolidated financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary) and the Sales Tax Authority regarding the amount of the additional tax on materials stevedoring category amounting to LE 127.5 Million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the subsidiary including the lift of attachment on the subsidiary's balances at the various banks.

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

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 28, 2018

KPMG Hazem Hassan
Public Accountants and Consultants
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Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as at:

	Note No.	31/12/2017 LE(000)	31/12/2016 LE(000)
Non Current Assets			
Fixed assets (net)	(10-1)	26 625 490	28 144 636
Projects under construction	(11)	943 234	609 178
Investments in associates	(12-1)	115	115
Available-for-sale investments	(12-2)	109 880	109 880
Deferred tax assets	(30-1)	2 046 026	2 719 242
Long term lending to others	(13)	43 210	37 419
Other assets	(14)	24 785	30 315
Goodwill	(39-9)	315 214	315 214
Total non current assets		**30 107 954**	**31 965 999**
Current Assets			
Inventory	(15)	7 462 007	6 131 422
Trade and notes receivable (Net)	(16)	188 295	287 324
Debtors and other debit balances (Net)	(17)	3 491 198	2 595 637
Suppliers - advance payments (Net)		616 246	168 831
Investments in treasury bills	(39-8)	8 414	11 974
Cash and cash equivalents	(19)	4 729 816	5 104 712
Total current assets		**16 495 976**	**14 299 900**
Total Assets		**46 603 930**	**46 265 899**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-2)	2 125 452	2 297 341
Retained losses		(3 382 059)	(1 967 635)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		3 870 920	4 061 344
Total holding company shareholders' equity		**5 440 807**	**7 217 544**
Non-controlling interest		3 377 642	2 979 278
Total Shareholders' equity		**8 818 449**	**10 196 822**
Liabilities			
Non Current Liabilities			
Long-term loans	(27)	9 767 010	9 234 971
Long-term liabilities	(29)	1 548 021	831 238
Deferred tax liabilities	(30-1)	3 781 992	3 700 847
Total non current liabilities		**15 097 023**	**13 767 056**
Current Liabilities			
Banks - overdraft	(19)	6 646	60 070
Loan installments and credit facilities due within one year	(27)	13 898 058	14 916 461
Trade and notes payable	(23)	4 775 187	4 467 327
Customers - advance payments		2 131 111	1 243 424
Creditors and other credit balances	(24)	1 423 259	1 390 308
Income tax		133 394	3 267
Liability of the supplementary pension scheme	(25)	9 013	4 673
Provisions	(26)	311 790	216 491
Total current liabilities		**22 688 458**	**22 302 021**
Total liabilities		**37 785 481**	**36 069 077**
Total shareholder's equity and liabilities		**46 603 930**	**46 265 899**

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

Auditor's Report "attached"

ezzsteel
Chairman & Managing Director
شركة حديد عز ش.م.م
Ezz Steel
Paul Philipe Chekriban

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income
For the Financial Year Ended 31 December:

	Note No.	2017 LE(000)	2016 LE(000)
Sales (net)	(39-18)	41 741 880	23 189 275
Less :			
Cost of sales	(3)	(37 406 751)	(20 676 787)
Gross profit		4 335 129	2 512 488
Add (Less):			
Other operating revenues	(4)	76 306	61 730
Selling and marketing expenses	(5)	(287 215)	(193 806)
Administrative and general expenses	(6)	(1 069 406)	(756 390)
Other operating expenses	(7)	(152 179)	(21 616)
Operating profit		2 902 635	1 602 406
Add (Less):			
Finance income	(8)	516 123	295 609
Finance cost	(8)	(3 703 212)	(1 825 770)
Foreign currency exchange differences gains	(8)	86 828	815 910
Net finance costs		(3 100 261)	(714 251)
Net (loss) profit for the year before tax		(197 626)	888 155
(Less):			
Income tax		(133 394)	(2 699)
Deferred tax	(30-2)	(766 144)	(325 303)
Net (loss) profit for the year before tax		(1 097 164)	560 153
Attributable to:			
Owners of the company		(1 580 207)	162 463
Non-controlling interest		483 043	397 690
Net (loss) profit for the year before tax		(1 097 164)	560 153
Basic and diluted (loss) earning per share for the year (LE/share)	(9)	(2.96)	0.30

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

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December:

	Note No.	2017 LE(000)	2016 LE(000)
Net (loss) profit for the year		**(1 097 164)**	**560 153**
Add \ (Less):			
Other comprehensive income			
Foreign exchange losses resulted from the translation of monetary items outstanding at the date of floating exchange rates		–	(4 171 562)
Deferred tax		–	938 602
Foreign exchange differences losses resulted from monetary items at floating date after income tax		–	**(3 232 960)**
Transferred to retained earnings during the year		–	3 232 960
Net		–	–
Modification surplus of fixed assets		–	4 013 795
Deferred tax		–	(903 104)
Modification surplus of fixed assets after income tax		–	**3 110 691**
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	(10-3)	(243 965)	(40 809)
		(243 965)	**3 069 882**
(Less) /Add:			
Actuarial (losses) earnings from programs of limited for pension		(8 291)	6 942
Foreign entities translation differences		(267 774)	4 970 324
Total comprehensive income		**(1 617 194)**	**8 607 301**
Attributable to:			
Owners of the company		**(1 947 046)**	**5 995 499**
Non-controlling interest		**329 852**	**2 611 802**
		(1 617 194)	**8 607 301**

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Financial Year Ended December 31, 2017

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained earning (losses) LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Total holding company Shareholders Equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2016	2 716 325	182 090	–	(58 018)	529 438	(71 921)	3 297 914	1 483 758	4 781 672
Comprehensive income									
Net profit for the year	–	–	–	162 463	–	–	162 463	397 690	560 153
Modification surplus of fixed assets	–	–	2 325 884	–	–	–	2 325 884	784 807	3 110 691
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	(28 543)	–	–	–	(28 543)	(12 266)	(40 809)
Actuarial earnings from programs of limited for pension	–	–	–	3 789	–	–	3 789	3 153	6 942
Foreign entites translation differences	–	–	–	–	3 531 906	–	3 531 906	1 438 418	4 970 324
Total comprehensive income	–	–	2 297 341	166 252	3 531 906	–	5 995 499	2 611 802	8 607 301
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	–	28 543	–	–	28 543	12 266	40 809
Foreign exchange losses resulted from the translation of monetary items outstanding at the date of floating exchange rates	–	–	–	(2 104 412)	–	–	(2 104 412)	(1 128 548)	(3 232 960)
Transactions with company's shareholders									
Total transactions with company's shareholders	–	–	–	–	–	–	–	–	–
Balance as of 31/12/2016	2 716 325	182 090	2 297 341	(1 967 635)	4 061 344	(71 921)	7 217 544	2 979 278	10 196 822
Balance as of 1/1/2017	2 716 325	182 090	2 297 341	(1 967 635)	4 061 344	(71 921)	7 217 544	2 979 278	10 196 822
Comprehensive income items									
Net (loss) profit for the year	–	–	–	(1 580 207)	–	–	(1 580 207)	483 043	(1 097 164)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	(171 889)	–	–	–	(171 889)	(72 076)	(243 965)
Actuarial earnings from programs of limited for pension	–	–	–	(4 526)	–	–	(4 526)	(3 765)	(8 291)
Foreign entites translation differences	–	–	–	–	(190 424)	–	(190 424)	(77 350)	(267 774)
Total comprehensive income	–	–	(171 889)	(1 584 733)	(190 424)	–	(1 947 046)	329 852	(1 617 194)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	–	171 889	–	–	171 889	72 076	243 965
Transactions with company's shareholders									
Non-controling interest share in subsidary company's dividends	–	–	–	–	–	–	–	(2 025)	(2 025)
The share of the company and the non controlling interest in the employees and board of directors of the subsidiary companies 2016 dividends	–	–	–	(1 580)	–	–	(1 580)	(1 539)	(3 119)
Total transactions with the company's shareholders	–	–	–	(1 580)	–	–	(1 580)	(3 564)	(5 144)
Balance as of 31/12/2017	2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	5 440 807	3 377 642	8 818 449

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

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flows
For The Financial Year Ended 31 December:

	Note No.	2017 LE(000)	2016 LE(000)
Cash flows from operating activities			
Net (loss) profit for the year before income tax		(197 626)	888 155
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	(10-1)	1 441 215	841 955
Expansion license amortization		5 530	—
Amortization of accrued interest on treasury bills		(8 848)	(2 128)
Assets impairment reversal	(4)	—	(3 710)
Impairment loss on assets	(7)	9 007	97
Capital lease expense charged to income statement	(28)	42 706	16 761
Provisions formed during the year	(7)	95 976	4 350
Provisions no longer required	(4)	(175)	—
Capital gains	(4)	(347)	(4 727)
Interest & finance expenses	(8)	3 703 212	1 825 770
Present value difference of long term lending		(727)	(1 942)
Differences resulting from the change in liability of the supplementary pension scheme	(25)	47 201	12 444
Foreign currency exchange differences		(128 700)	(1 062 962)
		5 008 424	2 514 063
Changes in working capital			
Inventory		(1 379 974)	(943 292)
Trade receivables, debtors and other debit balances		(1 339 614)	(517 123)
Trade payables, creditors and other credit balances		2 301 638	1 121 506
Lending employees		(7 561)	(6 650)
Liability of the supplementary pension scheme		454	2 754
Net		4 583 367	2 171 258
Used provisions	(26)	(377)	(1 746)
Used Impairment	(18)	(1 089)	—
Income tax paid		(3 267)	(7 275)
Interest paid		(3 578 565)	(1 431 911)
Net cash flows provided by operating activities		1 000 069	730 326
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(760 863)	(871 719)
Payments for purchase of financial investment (treasury bills)		(172 866)	(66 228)
Proceeds from reclaim of financial investment (treasury bills)		185 274	75 850
Proceeds from sale of fixed assets		875	6 784
Net cash used in investing activities		(747 580)	(855 313)
Cash flows from financing activities			
Net proceeds from credit facilities		2 238 476	700 354
Payments for long term liabilities		(27)	(22)
Proceeds from blocked time-deposits and current accounts aginst the medium term finance agreement		566 314	465 170
Payments for loans		(2 752 626)	(778 836)
Proceeds from loans		314 526	565 218
Capital lease payments		(31 671)	(26 481)
Paid dividends		(164 238)	(137 333)
Net cash provided by financing activities		170 754	788 070
Change in cash and cash equivalents during the year		423 243	663 083
Foreign exchange gain resulted from the translation of cash and cash equivalent at the date of floating exchange rates in the other comprehensive statement		—	264 277
Net change in cash and cash equivalents during the year		423 243	927 360
Cash and cash equivalents at the beginning of the year	(19)	2 598 427	1 647 865
Translation differences of financial statement of foreign entities		(1 942)	23 202
Cash and cash equivalents at the ending of the year	(19)	3 019 728	2 598 427

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

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes To The Consolidated Financial Statements
For The Financial Year Ended December 31, 2017

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law no. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under no. 472 on 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 Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebnon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- Chairman is Mr. / Paul Philipe Chekaiban.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" (Parent Company) which contributed in the Company's capital by 65.36%.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

Subsidiaries

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

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

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

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

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

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

The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2017 Percentage Share %	31/12/2016 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91 Direct	98.91 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

Issuance of consolidated financial statements

- These consolidated financial statements were approved by the company's BOD for issuance on March 28, 2018.

2. Basis For The Preparation of The consolidated financial statements

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated 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. (39-2).

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	2017 LE (000)	2016 LE (000)
Raw Materials		29 514 741	15 992 124
Salaries & Wages		1 663 953	1 155 703
Fixed assets depreciation	(10-1)	1 404 510	814 546
Supplementary pension scheme cost		29 878	8 820
Manufacturing overhead expenses		5 237 201	2 504 400
Manufacturing cost		**37 850 283**	**20 475 593**
Change in inventory – finished product and work in process		(443 532)	201 194
		37 406 751	**20 676 787**

4. OTHER OPERATING REVENUES

	Note No.	2017 LE (000)	2016 LE (000)
Provision no longer required	(26)	175	-
Capital gain		347	4 727
Debtors and other debit balances Impairment reversal		-	3 710
Other revenues		75 784	53 293
		76 306	**61 730**

5. SELLING & MARKETING EXPENSES

	Note No.	2017 LE (000)	2016 LE (000)
Salaries & Wages		97 771	65 870
Advertising		29 713	37 326
Fixed assets depreciation	(10-1)	6 023	5 825
Supplementary pension scheme cost		2 905	535
Other expenses		150 803	84 250
		287 215	**193 806**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	2017 LE (000)	2016 LE (000)
Salaries & Wages		643 874	513 349
Spare parts and maintenance expenses		21 903	20 505
Fixed assets depreciation	(10-1)	30 682	21 584
Supplementary pension scheme cost		14 418	3 089
Other expenses		358 529	197 863
		1 069 406	**756 390**

7. OTHER OPERATING EXPENSES

	Note No.	2017 LE (000)	2016 LE (000)
Donations		35 741	12 856
Impairment loss on assets	(18)	9 007	97
Formed provisions during the year	(26)	95 976	4 350
License amortization expenses		5 530	-
Others expenses		5 925	4 313
		152 179	**21 616**

8. FINANCE INCOME AND COST

	2017 LE (000)	2016 LE (000)
Finance income		
Finance and interest income	516 123	295 609
Total finance income	**516 123**	**295 609**
Finance Cost		
Interest & finance	(3 703 212)	(1 825 770)
Total finance cost	**(3 703 212)**	**(1 825 770)**
Foreign currency exchange differences gains	**86 828**	**815 910**
Net finance costs	**(3 100 261)**	**(714 251)**

9. BASIC AND DILUTED (LOSS) EARNING PER SHARE FOR THE YEAR

	2017	2016
Owners of the company share		
Net (loss) profit for the year (LE 000)	(1 580 207)	162 463
Weighted average number of outstanding shares during the year (share)*	533 802 313	533 802 313
Basic and diluted (loss) earning per share for the year (LE / share)	**(2.96)**	**0.30**

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

10. FIXED ASSETS (NET)

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

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost:								
As of January 1, 2016	673 757	4 392 112	16 672 643	200 616	148 583	77 789	3 902	22 169 402
Reclassification	—	—	123 453	—	—	—	—	123 453
Additions during the year	—	2 461 918	2 710 579	11 992	25 446	12 538	—	5 222 473
Effect of cost modification using modification factor	—	—	8 397 494	85 893	65 003	12 940	—	8 561 330
Disposals during the year	—	(13 233)	(91 014)	(1 979)	(3 566)	(1 485)	—	(111 277)
Translation differences of foreign entities	138 490	3 684 553	8 332 973	3 140	22 919	59 691	—	12 241 766
As of December 31, 2016	812 247	10 525 350	36 146 128	299 662	258 385	161 473	3 902	48 207 147
As of January 1, 2017	812 247	10 525 350	36 146 128	299 662	258 385	161 473	3 902	48 207 147
Additions during the year	—	25 538	262 338	4 321	29 020	6 334	—	327 551
Disposals during the year	—	—	(8 284)	(5 849)	(120)	—	—	(14 253)
Translation differences of foreign entities	(6 633)	(176 465)	(399 259)	(144)	(1 118)	(2 873)	—	(586 492)
As of December 31, 2017	805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
Accumulated depreciation:								
As of January 1, 2016	—	1 497 408	9 199 926	121 389	84 124	51 767	3 902	10 958 516
Depreciation for the year	—	141 943	636 457	36 641	16 707	10 207	—	841 955
Effect of cost modification using modification factor	—	—	4 589 278	52 911	20 431	4 818	—	4 667 438
Accumulated depreciation of disposals during the year	—	(13 232)	(85 848)	(1 979)	(3 546)	(1 485)	—	(106 090)
Translation differences of foreign entities	—	735 977	2 899 845	3 125	21 488	40 257	—	3 700 692
As of December 31, 2016	—	2 362 096	17 239 658	212 087	139 204	105 564	3 902	20 062 511
As of January 1, 2017	—	2 362 096	17 239 658	212 087	139 204	105 564	3 902	20 062 511
Depreciation for the year	—	238 467	1 115 897	41 624	28 450	16 777	—	1 441 215
Accumulated depreciation of disposals during the year	—	—	(7 820)	(5 826)	(72)	—	—	(13 718)
Translation differences of foreign entities	—	(36 272)	(142 095)	(144)	(1 039)	(1 995)	—	(181 545)
As of December 31, 2017	—	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
Carrying amount:								
As of December 31, 2016	812 247	8 163 254	18 906 470	87 575	119 181	55 909	—	28 144 636
As of December 31, 2017	805 614	7 810 132	17 795 283	50 249	119 624	44 588	—	26 625 490
Fixed assets fully depreciated and still in use as of December 31, 2017	—	130 586	715 164	140 746	78 488	55 646	3 902	1 124 532

- The land item includes a piece of land with a total area of 928 km2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.
- Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.
- Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 million.
- Depreciation for the year charged to statement of income as follows:

	Note	For the The Year Ended: 12/31/2017	12/31/2016
	no.	LE(000)	LE(000)
Cost of sales	(3)	1 404 510	814 546
Selling and marketing expenses	(5)	6 023	5 825
General & administrative expenses	(6)	30 682	21 584
		1 441 215	841 955

10.2 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":

	L.E. (000)
Modification surplus of fixed assets at November 3,2016 before income tax	4 013 795
Income tax	(903 104)
Modification surplus of fixed assets at November 3, 2016	**3 110 691**
Recognized portion during 2016	(40 809)
Modification surplus of fixed assets at December 31, 2016	**3 069 882**
Recognized portion during 2017	(243 965)
Modification surplus of fixed assets at December 31, 2017	**2 825 917**
Attribute to:	
Owners of the Company	2 125 452
Non-controlling interest	700 465
	2 825 917

11. PROJECTS UNDER CONSTRUCTION

	31/12/2017 LE (000)	31/12/2016 LE (000)
Constructions expansion	76 647	31 517
Machinery under installation	839 803	532 768
Design and construction of administrative building	-	3 980
Advance payments for purchase of machinery	26 784	40 568
Advance payments for building	-	345
	943 234	**609 178**

12. INVESTMENTS

12-1 Investments in associates

	Participatio Percentage %	Investments cost 31/12/2017 LE (000)	Investments cost 31/12/2016 LE (000)
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – note no. (37-1)	50	-	-
		115	**115**

12-2 Available-for-sale investments

	Note No.	Investments cost 31/12/2017 LE (000)	Investments cost 31/12/2016 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		109 800	109 800
		127 606	**127 606**
Less:			
Impairment loss on Arab Company for Special Steel	(18)	17 726	17 726
		109 880	**109 880**

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

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		15 440	11 881
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(13-1)	20 952	20 569
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(13-2)	467	552
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(13-3)	6 143	3 876
Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a year up to 7 years (interest free)	(13-4)	208	541
		43 210	**37 419**

13.1 Present value of the employees' housing loan installments:

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Total employees' housing loan		39 868	39 234
(Less):			
Short term lending (included in debtors & other debit balances)	(17)	(6 931)	5 382
Nominal value of the long term- employees' housing loan		**32 937**	**33 852**
(Less):			
Differences resulting from the change in the fair value of the employees' housing long term loans		(11 985)	(13 283)
The present value of the employees' housing long term loan installments		**20 952**	**20 569**

The employees' housing loan of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the young employees in the company to have their own residential unit with an amount of LE 36 Million, according to Board of Directors' decree during the years 2012/2013. The Board of Directors agreed in its meeting held on March 13, 2013 to increase the interest free loan for the employees housing with an amount of LE 7 Million thus, the amount of the loan became LE 43 Million. On May 11, 2015, the loan increased to an amount of LE 48 Million under the approval of Chief Executive Officer of the Company. This loan was granted according to specific regulations to achieve the goal and guarantee the Company's right to recover the loan during 10 years as it is deemed as revolving loan that grants the beneficiary from this project 30% of the value of the apartment which is equivalent to LE 36 K to be paid on installments over 10 years without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department.

The number of beneficiaries from this loan till December 31, 2017 is 1 938 beneficiary with a total value of LE 39.9 Million and the collectible due installments during the year amounted to LE 6.9 Million which is recorded under the item of debtors & other debit balance – short term lending (note no. 17).

The balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated financial statements date according to a discount rate which is determined by the Company at an annual rate of 13% during the year of the interest free loan that is charged to the consolidated statement of income.

13.2 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 K per employee or LE 18 K per employee with one or more members of his family, in addition to the financial support provided by the Company with an amount of LE 1 000 per employee, LE 1 500 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 and its amendments on October 24, 2013 provided that the said loan shall be paid over 24 months.

On June 17, 2015, the Company approved increasing Umrah supporting with 25% to be the support which the company presented to the one employee is LE 1 250 and the employee with one of his family is LE 1 875 or LE 2 500 in case of two persons from the family. Thus, the installments due for collection within one year amounted to LE 775 K were recorded under the item of debtors & other debit balances- short term lending (note no.17).

13.3 The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the Company to the employees once in their career with an amount of LE 30 K which the Company provide financial support to the employee with an amount of LE 4 K and premium the remaining amount for 6 years according to the Human Resources Manager's decision on March 28, 2013. And on June 17, 2015, the Company approved to increase Hajj support by 25% to become LE 5 000. And on May 4, 2016, it was approved for Hajj loan to become LE 36 K instead of LE 30 K and for Hajj support to increase from LE 5000 to LE 6000. The installments due for collection in one year amounted to LE 1.6 Million were recorded under the item of debtors & other debit balances- short term lending (note no.17).

13.4 **Present value of the installments of the employees' housing loan granted to those who were negatively affected by gate no. (8) Project:**

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Total employees' housing loan		779	1 208
(Less):			
Short term lending (included in debtors & other debit balances)	(17)	(486)	(459)
Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project		293	749
(Less):			
Differences resulting from the change in the fair value of the employees' housing long term loans for those who were negatively affected by gate No. (8) project		(85)	(208)
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		**208**	**541**

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

This loan was granted by an amount of LE 3 K per year within a maximum limit LE 20 K according to the remaining years for the beneficiary until the retirement age to be paid on installments according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan is 171 beneficiary with a total value of LE 0.779 Million to be paid on installments over a year up to 7 years and the collectible due installments during the year amounted to LE 486 K which is recorded under the item of debtors & other debit balance – short term lending (note no. 17).

The balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated financial statements date according to a discount rate which is determined by the Company at an annual rate of 13% during the year of the interest free loan that is charged to the consolidated statement of income.

14. OTHER ASSETS

The amount is represented in the paid up amount during the year by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority which amounted to USD 3 248 K equivalent to LE 24 785 K for the approval of expanding the steel rebar production, the necessary procedures to obtain licenses are process.

15. INVENTORY

	31/12/2017 LE (000)	31/12/2016 LE (000)
Raw materials and supplies	2 994 871	2 075 993
Work in process	339 697	220 329
Finished products	1 549 346	1 098 411
Finished products – DRI	185 683	312 454
Spare parts and supplies	1 889 126	1 802 510
Goods in transit	501 745	497 159
Letter of credit	1 539	124 566
	7 462 007	**6 131 422**

16. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Trade receivables		174 655	306 408
Trade receivables – Related parties	(31-1)	1 298	1 773
Notes receivable		41 999	8 800
		217 952	**316 981**
Less:			
Impairment loss on trade receivables	(18)	29 657	29 657
		188 295	**287 324**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Deposits with others		740 908	681 482
Tax Authority *		1 030 196	987 000
Tax Authority – usufruct **		127 477	127 477
Tax Authority – VAT		189 948	–
Tax Authority – sales tax – capital goods installments		–	95 284
Customs Authority		30 309	34 269
Accrued revenues		1 596	3 139
Prepaid expenses		55 400	66 516
Alexandria Port Authority		41 473	65 196
Short - term lending – employees' housing loan	(13-1)	6 931	5 382
Short - term lending – employees' loans		33 967	23 689
Short - term lending – employees' Umrah loans	(13-2)	775	1 696
Short - term lending – employees' Hajj and Jerusalem visit loans	(13-3)	1 603	1 043
Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project	(13-4)	486	459
Letters of credit cash margin		74 991	–
Letters of guarantee cash margin	(32)	885	798
Due from related parties	(31-2)	826 589	213 653
Advance payment under the account of employees' dividends		266 125	235 541
The Cairo Economic Court***		35 060	35 060
Other debit balances****		83 521	71 303
		3 548 240	**2 648 987**
Less:			
Impairment loss on debtors and other debit balances	(18)	57 042	53 350
		3 491 198	**2 595 637**

* The Tax Authority balances includes an amount of LE 254.2 Million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects according to what is mentioned in detail in Note No.(34-3-1) in addition to an amount of LE 233 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. And an amount of L.E 15 Million paid to Large Taxpayers Tax Authority under the account of corporate tax inspection differences for years from 2009 till 2013.

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

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

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

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance at 1/1/2017 LE (000)	Charged to the statement of income LE (000)	Used impairment LE (000)	Balance at 31/12/2017 LE (000)
Impairment loss on trade and notes receivables	(16)	29 657	-	-	29 657
Impairment loss on debtors and other debit balances	(17)	53 350	4 781	(1 089)	57 042
Impairment loss on advances to suppliers		5 611	4 226	-	9 837
Impairment loss on investments available for sale	(12-2)	17 726	-	-	17 726
		106 344	**9 007**	**(1 089)**	**114 262**

19. CASH AND CASH EQUIVALENTS

	31/12/2017 LE (000)	31/12/2016 LE (000)
Banks - time deposits	363 949	412 140
Banks – current accounts	4 247 140	4 640 910
Cheques under collection	107 458	41 802
Cash on hand	11 269	8 705
Investment funds	-	1 155
	4 729 816	**5 104 712**
Less:		
Banks – overdraft	6 646	60 070
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	1 703 442	2 446 215
Cash and cash equivalents in the statement of cash flows	**3 019 728**	**2 598 427**

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

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

21. RESERVES

	31/12/2017 LE (000)	31/12/2016 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

* **Legal reserve:** 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case the reserve balance becomes less than stated percentage, the appropriation will continue.

The legal reserve may be used for the benefit of the Company based on a proposal by the Board of Directors after approval by the General Assembly.

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

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

	LE (000)
Represents the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was as a result from transactions under common control from companies within the same group.	3 280 493
Represents the difference between the cost of acquiring additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital – subsidiary – on April 2010 (which represents 1.35% from its capital) and the net carrying amount of these shares since this transaction was made in the presence of the company's control over the subsidiary. The company has purchased these shares from shareholders outside Ezz group.	127 162
Represents the difference between the cost of acquiring 7.23% from the capital of Al Ezz Flat Steel Company – subsidiary – on November 2015 and the net carrying amount of these shares, the difference resulted from acquiring additional shares in non-controlling interest share in the subsidiary.	389 174
	3 796 829

22. TREASURY STOCKS

- Treasury stocks as of December 31, 2017 represents the value of 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. TRADE AND NOTES PAYABLE

	31/12/2017 LE (000)	31/12/2016 LE (000)
Trade payables	4 340 029	4 399 151
Notes payable	567 577	68 176
	4 907 606	4 467 327
Unamortized portion of the current value of notes payable	(132 419)	-
Net current value of trade and notes payable	**4 775 187**	**4 467 327**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Fixed assets – creditors		347 907	497 581
Accrued interest		392 442	274 653
Accrued expenses*		386 462	317 632
Tax Authority		81 397	36 066
Performance guarantee retention		43 112	30 928
Sales tax installments		26	104 114
Tax Authority – sales tax		-	34 518
Dividends payable		1 561	1 561
Due to related parties	(31-3)	16	12
Alexandria Port Authority**		95 691	15 026
Other credit balances		74 645	78 217
		1 423 259	**1 390 308**

* Accrued expenses item includes an amount of LE 1 314 K which represents the accrued installments of finance lease expenses note no. (28).

** The balance represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between Alexandria Port Authority and Sales Tax Authority about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not in addition to delay interest which are claimed by Alexandria port Authority and the dispute was referred to court.

And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 29, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit no. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment.

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

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

Consequently, the company filed an appeal against the ruling under no. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action no. 54 for the judicial year no. 35 J Supreme Constitutional court is constitutionally settled, and the lawsuit has been completed, the report and the said report has not been submitted, yet (note no. 37-2).

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

- Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the Company to confirm the fact that such service is not subjected to sales tax. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority (note no. 37-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

The value of the supplementary pension scheme cost reached during the year ended as at December 31, 2017 the amount of LE 47.2 Million which was charged to the consolidated statement of income according to the report prepared by the actuary.

	Note No	31/12/2017 LE (000)	31/12/2016 LE (000)
Total liability of the supplementary pension scheme and distributed as follow:		**120 535**	**64 589**
Recorded in current liabilities		9 013	4 673
Recorded in long term liabilities	(29)	111 522	59 916
		120 535	**64 589**

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

	31/12/2017 LE (000)	31/12/2016 LE (000)
Balance at the beginning of January	64 589	44 100
Present service cost	8	3 520
Return cost	6 982	8 769
Previous return cost	40 211	-
Employees paid subscriptions	11 517	20 929
	123 307	**77 318**
Less:		
Paid pensions during the year	(11 063)	(5 787)
Actuarial gains from the defined benefits scheme for pensions	8 291	(6 942)
	120 535	**64 589**

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

	31/12/2017 LE (000)
Current service cost	8
Return cost	6 982
Previous return cost	40 211
	47 201

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

Average assumptions to determine the assets of the benefits	**31/12/2017**	**31/12/2016**
A- Average discount rate	17 %	15.25 %
B- Average inflation rate	14 %	11 %
Average assumptions to determine the liabilities of the benefits	**31/12/2017**	**31/12/2016**
A- Average discount rate	15.5 %	17 %
B- Average inflation rate	14 %	14 %

Sensitivity Analysis of the system:

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

	Discount rate 15%	**Discount rate 17 %**
Liability current cost	123 836	115 146
Service cost	15 097	14 402

26. PROVISIONS

	Balance as at 1/1/2017	**Formed provision during the year**	**Foreign currency exchange differences**	**Provision no longer required**	**Used provision during the year**	**Balance as at 31/12/2017**
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Tax provision and claims	214 536	95 976	125	(175)	(377)	309 835
Employees Lawsuits provision	1 955	-	-	-	-	1 955
	216 491	**95 976**	**125**	**(175)**	**(377)**	**311 790**

27- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	300 000	1 097 562	1 397 562	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement.
Banks - credit facilities			Average 20 % for the Egyptian Pound, and 5% for the US Dollar			4 214 288	—	4 214 288	Without guarantees within a limit of LE 3.8 Billion.
27-2 Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-3 years	—	4 175 200	4 175 200	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	—	1 616 775	1 616 775	
Banks - credit facilities	To finance working capital and letter of credit.		- Average lending and discount rate puplished from the Ceneral Bank on withdrown amount of egyptian pound and based on Libor rate on withdrown amounts of US Dollar			5 247 195	—	5 247 195	
27-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Centeral Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	68 303	—	68 303	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledgeand possession mortgage on inventories and the company waived its right to construction and supplying contracts and technical support and insurance in favor of banks.
Loans - foreign currency			Related variable interest to Libor price.			1 709 044	—	1 709 044	
Banks - credit facilities			Based on an varaiable interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 441 354	—	1 441 354	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 450 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4 Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 working days beginning from every interest period (3 month for the first and second section) and (monthly for the Thired section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the thired section	1-10 years	366 997	2 877 473	3 244 470	Within a limit of LE 3.05 Billion granted by group of real estate mortgages and commercial mortgage.
Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			550 877	—	550 877	
Balance as of December 31, 2017						13 898 058	9 767 010	23 665 068	
Balance as of December 31, 2016						14 916 461	9 234 971	24 151 432	

27.1 **Ezz Steel Company (Holding company)**

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly installments, the first installment accrued on August 2015 starting from the ending of six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company get the loan, and the balance appears after deducting the amortization of the year from the date of obtaining the loan till December 31, 2017 deducted from the loan balance.
- The installments paid until December 31, 2017 amounted to LE 295 Million (against LE 60 Million on December 31, 2016).

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

27.2.1 The Company acquired a revolving medium term loan from National Bank Of Egypt amounted USD 58.9 Million within a limit of USD 100 Million or its equivalent in Egyptian Pound, for the purpose of financing the general investment requirements and to balance the Company's financial structure. The loan is to be fully paid in one installment on its due date. The balance as of December 31, 2017 is LE 526 Million.

27.2.2 The Company acquired a medium term loan from Qatar National Bank – Al Ahly amounted USD 90 Million or its equivalent in foreign currencies. The 90-Million medium-term loan included a portion in the local currency whose balance amounted to LE 1 115 Million as at December 31, 2017 whose due date is September 2020 and a portion in foreign currency whose balance amounted to LE 407 Million as at December 31, 2017 equivalent to USD 23 Million and LE 31.7 Million as at December 31,2017 equivalent to EUR 1.40 Million.

27.2.3 The Company has made an agreement with the Export Development Bank of Egypt to acquire the revolving medium-term credit facility, whose due date is April 30, 2020, amounted LE 390 Million or its equivalent in foreign currency to finance the current activity of the Company. The revolving medium-term credit facility is included a portion in the local currency whose balance amounted to LE 287 Million as at December 31, 2017 and a portion in the foreign currency whose balance amounted to LE 101 Million as at December 31, 2017 equivalent to USD 5.7 Million.

27.2.4 The Company acquired from the Arab African International Bank (AAIB) a medium-term credit facility in order to finance the current activity of the Company with a total amount of USD 158 Million or its equivalent in local currency. The medium-term credit facility included a portion in the local currency whose balance amounted to LE 2 247 Million as at December 31, 2017 and a portion in the foreign currency whose balance amounted to LE 183 Million as at December 31, 2017 equivalent to USD 10 Million.

27.2.5 The Company acquired a revolving medium term loan from Qatar National Bank - Al Ahly amounted USD 51.95 Million in a manner that did not exceed an amount of LE 300 Million or its equivalent in USD, for the purpose of financing the company's working capital and partially refinancing the company's investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts. The is due on December 2024.

The balance as of December 31, 2017 is LE 892 Million equivalent to USD 50.2 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

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

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

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

The balance of the loan installments due within a year according to the loans agreements amount to USD 100.019 Million equivalent to LE 1.777 Billion representing the installments due since the payment cessation date until December 31, 2017.

27.4 Ezz Rolling Mills (Subsidiary)

The loan balance is represented as follows:-

	31/12/2017 LE (000)	31/12/2016 LE (000)
Total loan balance	3 244 470	3 164 719
Less:		
Current portion	366 997	121 937
Non-current portion	2 877 473	3 042 782

28. Capital lease

- The Company signed lease contracts with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building according to capital lease law for eight years ending at June 2024, the contracts provide the right to the Company to own those assets at a predetermined value at the end of the contract period. On July 18, 2017, the company signed appendex to this 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 at July 2025.
- On November 13, 2016, the Company signed a lease contract 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 at November 2024, the contracts data as follow:

Description	Contract number	Contracts starting date	Contracts period	Total Value of contracts LE (000)	Payment method Quarterly Installment	Payments till 31/12/2017 LE (000)	Capital lease liability 31/12/2017 LE (000)
Corplease	4537 4538	2016	8 years	289 776	32	53 083	236 693
Corplease	4675	2016	8 years	47 203	32	5 070	42 133
				336 979		58 153	278 826

- Capital lease expenses for the year are amounted to LE 42 706 K included in administrative and general expenses – Note no. (6).
- Accrued installments, which are included in accrued expenses – note no. (24), after deducting capital lease liabilities which are mentioned below are amounted to LE 1 314 K (against LE 9 721 K included in prepaid expenses as of December 31, 2016).
- The capital lease liabilities till end of contracts as follows :

	2018	2019	2020	2021	5 years and More	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Capital lease liability	34 781	40 386	43 965	44 274	115 420	278 826

- The company has issued checks in favor of the leasing company covered all capital lease liabilities till July 2025.

29. LONG TERM LIABILITIES

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Fixed assets- creditors		18	47
Notes payable		909 833	-
Alexandria Port Authority		-	94 298
Liability of the supplementary pension scheme	(25)	111 522	59 916
lending from others	(29-1)	658 450	676 977
		1 679 823	**831 238**
Unamortized portion of current value of notes payable		(131 802)	-
		1 548 021	**831 238**

29.1 Al Ezz Flat Steel Company borrowed USD 37 million equivalent to LE 658.45 million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	31/12/2017		31/12/2016	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Items				
Fixed assets	-	(3 709 465)	-	(3 700 847)
Unpaid dividends in subsidiary companies	-	(54 150)	-	-
Provisions	26 869	-	21 913	-
Impairment loss on debtors	12 913	-	10 893	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	2 536	-	1 673	-
Tax losses	1 733 170	-	1 863 927	-
Foreign currency exchange differences loss	266 550		816 848	-
Foreign currency exchange differences gain	-	(18 377)	-	-
	2 046 026	**(3 781 992)**	**2 719 242**	**(3 700 847)**
Net deferred tax (liability)		(1 735 966)		(981 605)

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

	31/12/2017 LE (000)	31/12/2016 LE (000)
Net deferred tax	(1 735 966)	(981 605)
Less:		
Translation difference	11 783	(102 447)
Previously charged deferred tax	(981 605)	(589 353)
Deferred tax	**(766 144)**	**(289 805)**
Shown in the consolidated financial statements as follow:		
Recognized deferred tax charged to the consolidated statement of income	**(766 144)**	**(325 303)**
Recognized deferred tax charged to the consolidated statement of comprehensive income	**-**	**35 498**
	(766 144)	**(289 805)**

30.3 Unrecognized deferred tax assets

	31/12/2017 LE (000)	31/12/2016 LE (000)
Impairment loss on Receivables , debtors and other debit balances	7 189	7 442
Provisions	42 158	25 932
Foreign currency exchange differences loss	-	52 887
Tax losses	400 839	121 943
	450 186	**208 204**

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

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 72 074 K and LE 202 K respectively in addition to rent amounted to LE 1 525 K The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the year LE (000)	Balance as of 31/12/2017 Debit/(credit) LE (000)	Balance as of 31/12/2016 Debit/(credit) LE (000)
31-1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	- Sales	72 074	1 298	1 773
			1 298	1773
31-2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (Holding company)			804 553	184 298
- Gulf of Suez Development Company (Affiliated company)			61	23
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	- Purchases	202	21 975	29 332
	- Rent	1 525		
			826 589	213 653
31-3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(16)	(12)
			(16)	(12)

32. CONTINGENT LIABILITIES

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

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 3 356 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between the it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 200 Million	Short term financing from Banque Misr, and bailing the subsidiary in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 300 Million.
	LE 350 Million	Bailing the subsidiary in the short term finance which is given to it by The National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 350 Million.
Al Ezz Flat Steel Company	USD 60 Million	Guaranteeing the credit facilities which is given to the subsidiary by The National Bank Of Egypt with an amount of USD 60 Million and its interests and commissions and any other extension until the amounts are fully settled.
	LE 500 Million	Bailing the subsidiary of the total short term finance which is given to it by The National Bank Of Egypt.

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

	31/12/2017 LE (000)	31/12/2016 LE (000)
Letters of guarantee		
Egyptian Pound	6 739	2 029
US Dollar	19 470	20 097
Letters of credit		
US Dollar	764 552	690 103
Euro	40 545	222 484

- The amount of letters of guarantee issued by the banks of the Company and its subsidiaries in favor of others on December 31, 2017 amounted to LE 885 K fully covered (against LE 797.5 K as of December 31, 2016 fully covered) note no. (17).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz Steel (Holding Company) as at December 31, 2017 amounted to LE 52.106 Million which represent unexecuted portion of DRI Handling project.
- The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at December 31, 2017 are represented in the amount of LE 62.7 Million (against LE 480 Million on December 31, 2016).
- The capital commitments also include amount of EURO 952.5 K (equivalent to LE 20.4 Million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company is granted a tax exemption according to the article no. 24 of law no. 159 for 1979 relating to the development of new urban communities, 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 and all disputes were settled until December 31, 2014 and there is no taxes due.
- The Company submitted tax returns until 2016 according to the provisions of law no. 91 of 2005.

34.1.2 Sales tax and VAT

- The tax inspection was made for the Company's books until year 2012 and the tax differences were paid in full.
- The years 2013 and 2014 were inspected and the company is waiting for the results of the inspection.
- On September 7, 2016, the law no. 67 for year 2016 of value add tax has been issued to be effective starting from September 8, 2016. The Company submitted tax returns on the legal dates according to this law.

34.1.3 Salary tax

- The Company's books was inspected until year 2012 and there is no any due amounts on the company.
- The Tax Authority finished inspection of the Company's books until years 2013 and 2014 and the company appealed in legal dates, currently the company finishing the dispute with Internal Committee.

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article no. (24) of law no. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books and a settlement was made until 2013 and the taxes due were paid and there are no any due amounts on the company for this period.

34.2.2 Sales tax and VAT

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

34.2.3 Salary tax

- The Company's books have been inspected until year 2013 and the taxes due were paid.

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of law no. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000 / 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005. The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee.

  And on June 12, 2010, the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004. The due tax was paid in full and form no. (9) Paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.

  The company was notified of the tax – claim amounts for the years 2000/2004 according to forms no. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same year. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights. On February 17, 2011, The Tax Authority has held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 Million on 24 installments the first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts is LE 254.2 million, including delay interest amounting to LE 35 million. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit no. 405 of 2011. Which recorded with no. 963 year 2012 tax total Alexandria, which was deliberated during sessions. The Primary Court of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and the court has set a session at January 2, 2018.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form no. (19) – taxes on February 21, 2011. The tax differences amounted to LE 94.56 Million in addition to delay interests, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee.
- The Appeal Committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally canceled, hence the company filed the lawsuit no. 245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and the court didn't set a session for it, yet.
- The Tax Authority demanded that the company pays an amount of LE 124 million as a delay penalty based on the article no. 111 of the law no. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax differences during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.
- The company ensures the validity of its position and the strength of its defense since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a lawsuit no. 269 for the year 69J Administrative Justice Alexandria requesting that the Tax Authority has no right in demanding any amounts for the delay of the payment of taxes for the years 2005 till 2014, and it is referred to the experts of the Ministry of Justices.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form no. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 million, and the company appealed against these forms in the legal due dates. The said differences are currently considered by the internal committee and no date has been set to consider it yet. During the month of October 2014, the Company paid the amount of LE 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once a decision is issued in favor of the Company.
- The company's tax inspection was made for years 2009/2010 and the company has been notified with form no. (19) tax, the tax differences amounted to LE 105 million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 million as part of the inspection deference till the issuance of the committee's decision.
- The tax authority inspected the years 2011/2013 and the company has been notified with tax form no. (19), the tax differences amounted to LE 163 million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 million that was fully paid.
- The tax inspection for years from 2014 till 2016 has inspected, and the company were not notified with any tax form till that date, yet.

- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit no.639 for the year 2013, the company paid all the amounts according to form no. 19 issued by the authority beside the additional forms for the years 2000/2010 and the session was postponed. On the session which was set on December 4, 2017, the court issued its ruling by the expiration of lawsuit with reconciliation.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- Tax inspection was made till year 2012 and tax differences have been fully paid.
- The tax inspection for years from 2013 till 2016 is currently in process, and the company were not notified with any tax form yet.

34.3.3 Sales Tax and VAT

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

  However, the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling. On August 29, 2013, the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and recorded with no. 10229 for the year 68 J, the lawsuit was postponed to set the ruling.

  Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form no. (15) The tax differences amounted to LE 77.3 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the Large Taxpayer Center, points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 million and the dispute is represented in the amount of LE 7 million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company made the litigation no. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67J Administrative Judiciary as a session was set on November 19, 2017 for the expert to present his report. The company paid an amount of LE 4.5 million, and the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.
- The period from the first of January 2011 till December 31, 2011 was inspected and the company has been notified with form no. (15), the differences amounted to LE 1.5 million fully paid.

- Tax inspection for the year 2012 were performed and the company was notified with form no. (15) and with an amount of LE 18.9 million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the law no. (79) for the year 2016 and the company's defense and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by L.E 12.1 million with due tax by L.E 6.8 million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- Tax inspection for the year 2013 were performed and the company was notified with form no. (15) with differences which are amounted to LE 23.3 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by L.E 6.5 million and it was fully paid.
- The tax inspection is under progress for years from 2014 till 2016 and the company were not notified with tax form (15) till that date, yet.

34.3.4 Sales Tax on imports of iron oxide ore

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

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

- The company filed lawsuit no. 9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and the lawsuit is held for the report the College of Commissioners. Although, the company filed lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by no. 14721 for the year 69 J Alexandria Administrative Judgment to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim and the session was set at October 8, 2017 for documents and the court referred the lawsuit to the committee established by the state council to consider the tax and duties lawsuits and the session was postponed to session May 28,2018 to set the ruling.

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

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed lawsuit no. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials, the lawsuit has been transferred to Alexandria administrative court no. 36522 for year 69J and the court determined the session on January 29, 2018 for notice and notes and it is attached for session April 30, 2018 for pleading.

34.3.6 Service Charges related to imported equipment for production use

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

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

  On February 6, 2012, the appeal ruling was issued in favor of the company supporting the first degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

***34.4* Al Ezz Flat Steel Company**

34.4.1 Corporate tax

- In the light of issuing law no. 114 of 2008 on May 5, 2008, the private free zones license were deleted and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's books from the commencement of activity until 2011 and the result of the inspection was tax losses.
- The Tax Authority inspected the Company's book for years from 2012 till 2014 and resulted in tax losses for that year and the dispute points were referred to the Internal Committee.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 2011 and finalize all the disputes and there is no any due amounts on the Company.
- The tax inspection for years from 2012 till 2014 is currently in process.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2012 and the company paid the due amount.
- The tax inspection was performed for the years 2013/2014 and the company hasn't receive the inspection results, yet.

34.4.4 Stamp tax

- Tax inspection was made till 2016, the Company paid and assessed and there is no claims on the Company.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial instruments

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

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities which amounted to LE 24 330 956 K as of December 31, 2017 (LE 24 837 669 K as of December 31, 2016). Financing interest and expenses related to these balances amounted to LE 3 703 212 K during the year (LE 1 825 770 K during the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 2 067 391 K as of December 31, 2017 (LE 2 859 510 K as of December 31, 2016), interest income related to these balances amounted to LE 516 123 K during the year (LE 295 609 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
Long term lending to others	(13)	43 210	37 419
Trade and notes receivables	(16)	188 295	287 324
Debtors and other debit balances	(17)	3 491 198	2 595 637
Suppliers - advance payments		616 246	168 831
Investments in treasury bills		8 414	11 974
Cash and cash equivalents	(19)	4 718 547	5 096 007

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 653 241 K and LE 11 885 851 K respectively, as of the financial position date.

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

Foreign Currency	(Deficit)/Surplus In thousand
US Dollars	(552 923)
Euro	(64 767)
Swiss Frank	13
Sterling Pound	(250)
Japanese Yen	(103 484)

As shown in note no. (39-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the consolidated financial statements.

The Central Bank of Egypt had decided in its meeting dated November 3, 2016 to float exchange rates of foreign currencies, to give the Egyptian banks more flexibility in the process of the setup of pricing the foreign currencies on selling & buying.

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

	Closing rate at		Average rate for the year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
US Dollars	17.77	18.25	17.974	10.5440
Euro	21.3738	19.4381	20.3484	11.5963
Swiss Frank	18.2537	18.1249	18.3272	10.7199
Sterling Pound	24.0659	22.6063	23.2921	14.1163

35.5 Fair values for financial instruments

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

The fair value of these financial instruments does not materially differ from its book value.

36. THE LITIGATION STATUS

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

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

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

In accordance with the report of the independent legal advisor, the former chairman of the company conciliated with the state with respect to all lawsuits filed against him, among of which is the lawsuit under discussion, in compliance with the decision of the assets Recovery National Committee issued on February 28, 2018, accordingly, the said lawsuit was settled by issuing a ruling to the nonsuit due to conciliation on March 8, 2018.

On October 3, 2012 the Industrial Development Authority decrees to issue a new temporary license to Al-Ezz Rolling Mills Company with a value of LE 330 million and to be renewed annually. On November 13, 2012 the company paid an amount of LE 49.50 million that (included in other debit balances Item – note no. (17) Represents 15% from the value of the license, in addition to granting the company a grace period of 18 months, the remaining 85% of the license value will be paid on five equal annual installments, and in case of the company committed with the installments and paid the full amount it will obtain the permanent license.

36.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

36.2.1 Workers Lawsuits Regarding Profits Differences :

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

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

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

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

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

36.2.2 The lawsuits Referred to the Criminal Court:

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

Some of the officials related to this case have been resigned while the remaining employees who referred to the criminal court still in their jobs as the accusations against them had not been issued a final judgment of a criminal court.

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

On December 14, 2013, the Court of Cassation issued its ruling to the effect of nullification of the previously issued ruling and to refer the lawsuit to Giza Criminal Court, the court has decided to delegate technical committee to examine the lawsuit documents and the session was postponed to the third week of January 2018 to present the report of reconciliation with the state.

In accordance with the report of the independent legal advisor, the former chairman of the company conciliated with the state with respect to all lawsuits filed against him, among of which is the lawsuit under discussion, in compliance with the decision of the assets Recovery National Committee on February 28, 2018, Accordingly, the said lawsuit was settled by issuing a ruling to nonsuit due to conciliation with the accused and all other accused on March 22, 2018.

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

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

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

The Court of cassation , ruled on its session held on November 25, 2014 to amend the appeal of lawsuit no.368 of the year 2013 economic concerning what is presented by the Public Prosecutor Office against some officers of Ezz steel company during the period from May 16, 2005 until December 31, 2006 concerning their professional capacities in Ezz Steel company and some of the companies affiliated to Ezz group relating to the monopoly of steel bars product inside the Arab republic of Egypt in Violation of non-competition and anti-monopoly act no. 3 for the year 2005 and re-affirming a ruling to the effect of imposing a fine on the officers of Ezz Steel company and some other companies of Al-Ezz Group with an amount of LE 200.5 million.

The financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company.

The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officers of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.

37. OTHER TOPICS

***37.1* EZDK Steel UK limited Company**

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

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

***37.2* Alexandria Port Authority**

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

The commissioner decided to set a date for submitting the report and the said report has not been submitted, yet.

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

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

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

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

  The company has also established Case no. 1609 of year 2014 against both the Port Authority and the Tax Authority requesting the recovery the collected amount from the company under the name of the sales tax for the period from 15/02/2003 till December 2013 in the amount of LE 249 525 k, A session date to be considered on November 27, 2014 and ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date.

38. THE STATEMENT OF CASH FLOWS (NON-MONATERY TRANSACTIONS)

For the purpose of preparing the statement of cash flow, the change in debtors and other debit balances is eliminated, which is amounted LE 125.93 Million, against eliminating the same amount from the change in creditors and other credit balances which is reconciled the mentioned amount among the debit balances (Tax Authority – withholding tax) and credit balances (Tax Authority – other taxes) based on the incoming forms to the Company from Tax Authority.

39. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

39.1 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 balance sheet 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 consolidated financial statements date in consolidated statement of income.

Financial statements of Al Ezz Flat Steel (EFS)

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

39.2 *Fixed assets and depreciation*

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

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

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

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

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

39.3 *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.

39.4 *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.

39.5 *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.

39.6 *Investments in associates*

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

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

39.7 *Available-for-sale investments*

Available-for-sale investments are initially measured at fair value and as of the consolidated 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.

39.8 *Investments in treasury bills*

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

39.9 *Goodwill*

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

39.10 *Inventory*

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

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

39.11 *Trade and notes receivables and debtors*

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

39.12 Cash and cash equivalents

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

39.13 Trade and notes payable and creditors

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

39.14 Impairment loss on assets

A. *Financial assets*

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

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

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

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

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

B. *Non-financial assets*

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

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

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

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

39.15 Interest-bearing borrowings

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

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

39.16 Provisions

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

39.17 Share capital

Repurchase of share capital

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

39.18 Revenues

a) Sales revenues

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

b) Dividends

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

c) Interest income

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

39.19 Capital lease contracts

The due rental value, expenses of maintenance and repair of assets leased based on capital lease contracts in accordance with the provisions of the leasing no. 95 for the year 1995 as an expense in the income statement for the year according to the accrual basis, and at end of the contract and if the Company desired to purchase the assets leased, it will be recognized as fixed assets with the amount paid to exercise the right to purchase those assets stated in the contract and to be depreciated over the estimated useful life remaining to them.

39.20 Earnings per share

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

39.21 Income Tax

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

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

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

39.22 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 financial statements.

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

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

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

39.22.1 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.

39.22.2 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.

39.22.3 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.

39.22.4 Capital management

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