Ezz Steel Company (S.A.E)

Consolidated Interim Financial Statements For The Six Months Ended June 30, 2023
&
Limited Review Report

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Limited Review Report on The Consolidated Interim Financial Statements

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

Introduction

We have performed a limited review of the accompanying consolidated statement of financial position of **Ezz Steel Company (SAE)** as of June 30, 2023, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope Of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the Six months then ended in accordance with Egyptian Accounting Standards.

Emphasis Of Matters

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

1- The subsidiaries company have incurred retained losses amounted to EGP 8.7 Billion as of June 30, 2023, included in the company's Consolidated Interim statement of financial position, also the Shareholder's Equity amounted to EGP 1.2 Billion at that date, as Al Ezz Flat Steel company (EFS) -a subsidiary company- achieved a net profit of EGP 495 Million for The Six Months Ended June 30, 2023, which led to an increase in the total retained losses until June 30, 2023, to EGP 7.1 Billion, Also Al Ezz Rolling Mills Company (ERM) -a subsidiary company- has achieved a net loss of EGP 2.37 Billion for The Six Months Ended June 30, 2023, which led to an increase in the total retained losses until June 30, 2023, to EGP 9.1 Billion, which deferred tax asset was recognized for it at that date with an amount of EGP 819 Million. The subsidiary management has prepared a budget for the years 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses, based on the materialization of future assumptions used in the planned budget referred to above.

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

The company's management believes that the company has already been taxed for those years. And it was agreed with the ETA's Internal Committee, the points of disagreement which are related to the cancellation of the State Resources Development Duty on the exempted movable tax base to be refered to the Appeal Committee

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

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

3- Note No. 23; The company still holds treasury stocks which were acquired more than a year ago which is in violation of Article No. 48 of Law 159 For the Year 1981, the stocks amounted to EGP 10.4 million on June 30, 2023. The Article requires companies to either sell the treasury stocks to others or to reduce its capital by the same amount with a maximum of one year from the acquisition date.

Cairo, Egypt
October 17, 2023

Beshir S. Noureldin
FCCA, FIPA, FFA, FESAA
(RAA 34360)
(FRA 407)
Moore Egypt

مورايجيبت محاسبون قانونيون ومستشارون
MOORE Egypt
Moore Egypt - Public Accountants & Consultants

Consolidated Interim Statement Of Financial Position

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Non-Current Assets			
Fixed Assets (Net)	(11)	21 642 805	22 141 715
Projects Under Construction	(13)	4 558 805	3 272 036
Long Term Investments	(14)	2 500 065	2 504 081
Deferred Tax Assets	(31-1)	4 055 994	1 785 385
Other Assets	(15)	23 052	25 613
Goodwill	(39-8)	315 214	315 214
Total Non-Current Assets		**33 095 935**	**30 044 044**
Current Assets			
Inventories	(16)	16 829 836	8 902 288
Trade - Notes Receivable	(17)	5 219 686	6 639 883
Debtors - Other Debit Balances	(18)	9 249 609	6 278 580
Suppliers - Advance Payments		1 518 508	581 266
Investments In Treasury Bills	(39-7)	645 272	518 189
Cash And Cash Equivalents	(20)	21 603 002	13 249 886
Total Current Assets		**55 065 913**	**36 170 092**
Total Assets		**88 161 848**	**66 214 136**
Shareholders' Equity			
Issued And Paid - Up Capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	182 090	182 090
Modification Surplus Of Fixed Assets	(12)	1 171 716	1 225 774
Retained Losses		(8 692 854)	(8 100 638)
Treasury Stocks	(23)	(82 302)	(82 302)
Deficit In Holding Company Shareholders' Equity		**(4 705 025)**	**(4 058 751)**
Non-Controlling Interest		5 912 172	6 085 266
Total (Deficit In) Shareholders' Equity		**1 207 147**	**2 026 515**
Liabilities			
Non-Current Liabilities			
Long-Term Loans	(28)	17 306 072	15 561 212
Long-Term Liabilities	(30)	3 067 365	3 314 189
Finance Lease Liabilities	(29)	163 375	209 159
Deferred Tax Liabilities	(31-1)	3 941 248	3 942 682
Total Non-Current Liabilities		**24 478 060**	**23 027 242**
Current Liabilities			
Banks - Overdraft	(20)	4 068 441	638 717
Credit Facilities And Loan Installments Due Within One Year	(28)	27 704 205	16 981 569
Finance Lease Liabilities Due Within One Year	(29)	88 718	83 302
Trade And Notes Payable	(24)	20 637 979	14 732 885
Customers - Advance Payments		2 187 211	1 829 753
Creditors And Other Credit Balances	(25)	4 223 977	3 541 007
Income Tax Liabilities		2 633 356	2 444 108
Liability Of The Supplementary Pension Scheme	(26)	29 384	26 715
Provisions	(27)	903 370	882 323
Total Current Liabilities		**62 476 641**	**41 160 379**
Total Liabilities		**86 954 701**	**64 187 621**
Total Shareholder's Equity & Liabilities		**88 161 848**	**66 214 136**

- The accompanying notes and accounting policies are an integral part of these Consolidated Interim financial statements and are to be read therewith.
- Limited Review Report attached.
- Date: October 17, 2023

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

DISCLAIMER: This English version is a translation of the original Arabic version. In the case of a discrepancy, the Arabic original shall prevail.

ezzsteel
Sadat City
شركة حديد عز - ش.م.م
القطاع المالي

Consolidated Interim Statement Of Income

	Note	For The Six Months Ended		For The Three Months Ended	
		30/6/2023	30/6/2022	30/6/2023	30/6/2022
	No.	EGP,000	EGP,000	EGP,000	EGP,000
Sales (Net)	(39-17)	62 261 882	38 496 595	34 412 534	19 856 077
Less :					
Cost Of Sales	(3)	(45 361 201)	(28 238 420)	(25 624 767)	(14 201 318)
Gross Profit		**16 900 681**	**10 258 175**	**8 787 767**	**5 654 759**
Add / (Less):					
Other Operating Revenues	(4)	171 474	75 442	134 008	43 935
Selling And Marketing Expenses	(5)	(997 805)	(572 652)	(522 734)	(337 536)
Administrative And General Expenses	(6)	(1 229 012)	(842 615)	(722 845)	(447 343)
Other Operating Expenses	(7)	(407 224)	(699 073)	(345 358)	(311 642)
Operating Profit		**14 438 114**	**8 219 277**	**7 330 838**	**4 602 173**
Add / (Less):					
Finance Income	(8)	797 986	125 691	448 465	68 679
Finance Cost	(8)	(2 617 413)	(1 641 982)	(1 414 168)	(855 545)
Foreign Currency Exchange Losses	(8)	(13 099 729)	(1 126 584)	(4 211 114)	6 695
Net Finance Cost		**(14 919 156)**	**(2 642 875)**	**(5 176 817)**	**(780 171)**
Net (Loss) Profit For The period Before Income Tax		**(481 042)**	**5 576 402**	**2 154 021**	**3 822 002**
(Less)/Add:					
Income Tax		(2 600 778)	(1 359 870)	(1 408 869)	(799 385)
Deferred Tax	(31-2)	2 272 043	(86 759)	934 461	(109 814)
Total Incone Tax For The Period		**(328 735)**	**(1 446 629)**	**(474 408)**	**(909 199)**
Net (Loss) Profit For The Period After Tax		**(809 777)**	**4 129 773**	**1 679 613**	**2 912 803**
Attributable To:					
Owners Of The Holding Company		(643 286)	2 600 977	1 017 092	1 842 123
Non-Controlling Interest		(166 491)	1 528 796	662 521	1 070 680
		(809 777)	**4 129 773**	**1 679 613**	**2 912 803**
Basic / Diluted (Losses)/ Earnings Per Share For The Period (EGP/Share)	(9)	**(1.21)**	**4.88**	**1.91**	**3.46**

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

Consolidated Interim Statement Of Comprehensive Income

	Note	For The Six Months Ended		For The Three Months Ended	
		30/6/2023	30/6/2022	30/6/2023	30/6/2022
	No.	EGP,000	EGP,000	EGP,000	EGP,000
Net (Loss) Profit For The Period After Tax		(809 777)	4 129 773	1 679 613	2 912 803
(Less)/Add:					
Other Comprehensive Income Items					
Realized Portion Of Modification Surplus Of Fixed Assets (Transferred To Retained Losses During The Period)	(12)	(83 446)	(84 806)	(41 723)	(42 377)
Total Comprehensive Income		**(893 223)**	**4 044 967**	**1 637 890**	**2 870 426**
Attributable To:					
Owners Of The Holding Company		(697 344)	2 546 016	990 064	1 814 660
Non-Controlling Interest		(195 879)	1 498 951	647 826	1 055 766
		(893 223)	**4 044 967**	**1 637 890**	**2 870 426**

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

Consolidated Interim Statement Of Changes In Equity

	Capital	Reserves	Modification Surplus Of Fixed Assets	Retained (Losses)	Treasury Stocks	Total / (Deficit In) Holding Company Shareholders Equity	Non-Controlling Interest	Total / (Deficit In) Shareholders' Equity
	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000
Balance At 1/1/2022	2 716 325	182 090	1 335 620	(11 901 253)	(82 302)	(7 749 520)	4 162 472	(3 587 048)
Comprehensive Income								
Net Profit For The period	--	--	--	2 600 977	--	2 600 977	1 528 796	4 129 773
Other Comprehensive Income								
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The period)	--	--	(54 961)	--	--	(54 961)	(29 845)	(84 806)
Actuarial Losses From Defined Benefits Pension Schemes	--	--	--		--			
Total Comprehensive Income	--	--	(54 961)	2 600 977	--	2 546 016	1 498 951	4 044 967
Realized Portion Of Modification Surplus Of Fixed Asset (Transferred To Retained Losses During The Period)	--	--	--	54 961	--	54 961	29 845	84 806
Transactions With Company Shareholders								
The Non-Controlling Interest Share In Subsidary Companys For FY 2021	--	--	--	(426 313)	--	(426 313)	(422 462)	(848 775)
The Share Of The Company And The Non-Controlling Interest In The Employees And Board Of Directors Dividends Of The Subsidiary Companies For Year 2021	--	--	--	(133 137)	--	(133 137)	(56 591)	(189 728)
The Non-Controlling Interest Share In Increasing The Capital Of Subsidiaries	--	--	--		--			
Non-Controling Interest Share In Subsidary Company's paid Capital	--	--	--	--	--			
Purchase Treasury Stocks	--	--	--	--				
Purchase Treasury Stocks In Subsidiary Company	--	--	--		--			
Closing Interim Dividends Distributions								
Non-Controling Interest Share In Subsidary Company'S Dividends Of Year 2018								
The Share Of The Company And The Minority In The Employees And Board Of Directors Dividendes Of The Subsidiary Companies For Year 2018								
Total Transactions With The Company Shareholders	--	--	--	(559 450)		(559 450)	(479 053)	(1 038 503)
Balance At 30/6/2022	2 716 325	182 090	1 280 659	(9 804 765)	(82 302)	(5 707 993)	5 212 215	(495 778)
Balance At 1/1/2023	2 716 325	182 090	1 225 774	(8 100 638)	(82 302)	(4 058 751)	6 085 266	2 026 515
Comprehensive Income								
Net Losses For The Period	--	--	--	(643 286)	--	(643 286)	(166 491)	(809 777)
Other Comprehensive Income Items								
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The Period)	--	--	(54 058)	--	--	(54 058)	(29 388)	(83 446)
Actuarial Gain From Defined Benefits Pension Schemes	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	(54 058)	(643 286)	--	(697 344)	(195 879)	(893 223)
Realized Portion Of Modification Surplus Of The Fixed Assets (Transferred To Retained Losses During The Period)	--	--	--	54 058	--	54 058	29 388	83 446
Transactions With Company's Shareholders								
Dividends To Shareholders Of The Company And Its Subsidiaries For The Year 2022	--	--	--	--	--		(4 386)	(4 386)
Non-Controling Interest Share In Subsidary Company's Paid Capital	--	--	--	--	--			
Shareholders Of The Holdings Company & Non-Controlling Interest Share In The Employee & Boards Of Directors Dividends Paid By The Company & Its Subsidiaries For Year Ended 2022	--	--	--	(2 988)	--	(2 988)	(2 217)	(5 205)
Total Transactions With The Company Shareholders	--	--	--	(2 988)	--	(2 988)	(6 603)	(9 591)
Balance At 30/6/2023	2 716 325	182 090	1 171 716	(8 692 854)	(82 302)	(4 705 025)	5 912 172	1 207 147

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

Consolidated Interim Statement Of Cash Flows

	Note No.	For The Six Months Ended 30/6/2023 EGP,000	30/6/2022 EGP,000
Cash Flows From Operating Activities			
Net Profit For The Period Before Income Tax		(481 042)	5 576 402
Adjustments To Reconcile Net Profit To Net Cash Provided By (Used In) Operating Activities			
Depreciation	(11-1)	775 085	724 972
Amortization Of Other Assets	(15)	2 561	2 561
Amortization Of Accrued Interest On Treasury Bills		(53 702)	(9 596)
Capital Losses	(7)	172	--
Impairment Loss On Assets	(7)	--	35 164
Interest & Finance Costs	(8)	2 617 413	1 641 982
Provisions Formed During The Period	(7)	21 202	193 211
Differences Of Changing In Liability Of The Supplementary Pension Scheme	(26)	17 601	24 210
Foreign Currency Exchange Differences		12 728 861	1 417 509
		15 628 151	**9 606 415**
Changes In:			
Inventories		(7 927 548)	(2 601 945)
Trade Receivables, Debtors & Other Debit Balances		1 018 397	(156 708)
Trade Payables, Creditors & Other Credit Balances		(1 526 171)	149 456
Liability Of The Supplementary Pension Scheme		(7 828)	(5 418)
Cash Flows Provided By Operating Activities		**7 185 001**	**6 991 800**
Finance Interests Paid		(2 337 436)	(1 555 927)
Income Tax Paid		(1 923 841)	(181 494)
Used Provisions		(155)	(21 535)
Dividends Paid To Employees & Board Of Directors		(32 633)	(189 562)
Net Cash Flows Provided By Operating Activities		**2 890 936**	**5 043 282**
Cash Flows From Investing Activities			
Payments For Purchase Of Fixed Assets And Projects Under Construction		(1 563 116)	(722 341)
Payments For Installments To Purchase Investments		(624 980)	(1 254 501)
Proceeds From Retrieval Of Investments		7 562	--
Proceeds From Retrieval Of Financial Investments (Treasury Bills)		961 725	161 900
Payments For Purchase Of Financial Investments (Treasury Bills)		(1 035 107)	(290 527)
Net Cash Flows (Used In) Investing Activities		**(2 253 916)**	**(2 105 469)**
Cash Flows From Financing Activities			
(Payments) / Proceeds For Credit Facilities		4 620 907	219 067
(Payments) / Proceeds From Loans And Other Liabilities		(1 401 685)	(2 562 576)
Finance Lease Payments		(40 368)	(36 116)
Change In Time-Deposits & Restricted Current Accounts		(3 307 870)	(617 340)
Paid Dividends To The Shareholders And Non-Controlling Interest		--	(848 711)
Net Cash (Used In) Financing Activities		**(129 016)**	**(3 845 676)**
Change In Cash And Cash Equivalents During The Period		**508 004**	**(907 863)**
Foreign Currency Exchange Differences For Cash & Cash Equivalents		1 107 518	--
Cash & Cash Equivalents At The Beginning Of The Period	(20)	11 513 961	3 076 698
Cash & Cash Equivalents At The End Of The Period	(20)	**13 129 483**	**2 168 835**

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

Notes To The Consolidated Interim Financial Statements

1. Company Background

1.1 General Information

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

1.2 Subsidiaries

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

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

Al Ezz Rolling Mills Company (ERM) – S.A.E – was established in 1986 under Law No. 43 of 1974, which was replaced by Law No. 8 of 1997, which was replaced by Law No. 72 of 2017 by issuance investment law.

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

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

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

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

1.3 Company's Activites & Its Subsidiaries

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

The following is an analysis of investments in the subsidiary Companies of Ezz Steel Company which are included in the Consolidated Interim Financial Statements:

	30/6/2023 Shareholding %	31/12/2022 Shareholding %
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
Al Ezz Rolling Mills Company (ERM)	64.061 (Direct and Indirect) through Al Ezz El Dekheila	64.061 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	64.06 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	57.657 (Indirect) Through Al Ezz El Dekheila	57.657 (Indirect) Through Al Ezz El Dekheila
Contra Wood For Wood Products - Misr for Pipes & Casting Industry Company "previously"	55.16 (Indirect) Through Al Ezz El Dekheila	55.16 (Indirect) Through Al Ezz El Dekheila
Al Ezz For Medical Industries	49.2 (Direct and Indirect) Through Al Ezz El Dekheila	49.2 (Direct and Indirect) Through Al Ezz El Dekheila

The Main Financial Indicators For The Company And Some Of Its Subsidiaries:

- The subsidiaries company have incurred retained losses amounted to EGP 8.7 Billion as of June 30, 2023 included in company's Consolidated Interim statement of financial position, also the Shareholder's Equity amounted to EGP 1.2 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- achieved a net profit of EGP 495 Million for The Six Months Ended June 30, 2023, which led to a increase in the total retained losses until June 30, 2023 to EGP 7.1 Billion, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has achieved a net loss of EGP 2.37 Billion for The Six Months Ended June 30, 2023, which led to a increase in the total retained losses until June 30, 2023 to EGP 9.1 Billion, which deferred tax asset was recognized for it at that date with an amount of EGP 819 Million. The subsidiaries management has prepared a budget for the years from 2021 to 2026 in which it adopts the sachievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

1. Company Background (Continued)

1.4 Issuance Of Consolidated Interim Financial Statements

- These Consolidated Interim Financial Statements were approved by the company's BOD for issuance on October 17, 2023.

2. Basis For The Preparation Of The Consolidated Interim Financial Statements

2.1 Statement Of Compliance

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

2.2 Basis Of Measurement

These Consolidated Interim Financial Statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in (Note no. 39-2).

2.3 Functional & Presentation Currency

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

2.4 Use Of Estimates & Judgments

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Any differences to accounting estimates are recognized in the period in which the estimate is revised if these differences affect the period of the revision and future periods then these differences are recognized in the period of the revision and future periods.

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

* Impairment loss on assets.
* Recognition of deferred tax assets.
* Contingencies, liabilities and Provisions.
* Operational useful life of fixed assets.
* Classification of lease contracts
* Revenue recognition: Revenue is recognized in accordance with what is detailed in the applicable accounting policies.

2.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will occur either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants would act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by making the asset's best and best use or selling it to another participant who will use the asset in its best and best use.

The Company uses valuation techniques that are considered appropriate in the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities that are measured or disclosed in the separate financial statements at fair value are categorized into the categories of the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the entire measurement over the fair value measurement as a whole:

•Level one: the quoted prices (unadjusted) in an active market for identical assets or liabilities.

•Level Two: Evaluation Methods The lowest level input that is considered significant for the entire measurement is directly or indirectly observable.

• Level Three: Evaluation Methods the lowest level input that is significant to the entire measurement is unobservable.

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

2.6 Basis Of Consolidation

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

3. Cost Of Sales

	Note NO.	For The Six Months Ended: 30/6/2023 EGP,000	For The Six Months Ended: 30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	For The Three Months Ended: 30/6/2022 EGP,000
Raw Materials		34 060 259	20 300 119	18 867 212	11 413 602
Salaries & Wages		1 600 444	1 319 241	836 183	652 973
Fixed Assets Depreciation	(11-1)	756 324	705 084	384 920	353 280
Other Assets Amortization	(15)	2 561	2 561	1 280	1 280
Supplementary Pension Scheme Cost		13 758	19 028	6 879	9 514
Manufacturing Overhead Expenses		12 375 340	7 945 984	7 186 255	4 082 300
Manufacturing Cost		**48 808 686**	**30 292 017**	**27 282 729**	**16 512 949**
Change In Inventory–Finished Products And Work In Process		(3 447 485)	(2 053 597)	(1 657 962)	(2 311 631)
Total Cost Of Sales		**45 361 201**	**28 238 420**	**25 624 767**	**14 201 318**

4. Other Operating Revenues

	For The Six Months Ended: 30/6/2023 EGP,000	For The Six Months Ended: 30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	For The Three Months Ended: 30/6/2022 EGP,000
Other Operating Revenues	171 474	75 442	134 008	43 935
Total Other Operating Revenues	**171 474**	**75 442**	**134 008**	**43 935**

5. Selling & Marketing Expenses

	Note NO.	For The Six Months Ended: 30/6/2023 EGP,000	For The Six Months Ended: 30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	For The Three Months Ended: 30/6/2022 EGP,000
Salaries & Wages		83 641	65 585	44 836	31 488
Advertising Expenses		76 823	140 566	32 652	115 747
Fixed Assets Depreciation	(11-1)	302	304	154	148
Supplementary Pension Scheme Cost		973	1 345	487	672
Other Expenses		836 066	364 852	444 605	189 481
Total Selling & Marketing Expenses		**997 805**	**572 652**	**522 734**	**337 536**

6. Administrative & General Expenses

	Note NO.	For The Six Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000
Salaries & Wages		622 599	512 184	347 519	276 158
Spare Parts And Maintenance Expenses		7 572	4 751	4 727	2 942
Fixed Assets Depreciation	(11-1)	18 459	19 584	9 009	9 311
Supplementary Pension Scheme Cost		2 871	3 836	918	2 091
Other Expenses		577 511	302 260	360 672	156 841
Total Administrative & General Expenses		**1 229 012**	**842 615**	**722 845**	**447 343**

7. Other Operating Expenses

	Note NO.	For The Six Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000
Donations		331 678	385 174	295 553	268 437
Impairment Of Assets		-	35 164	-	2 146
Provisions Formed During The Period	(27)	21 202	193 211	21 199	23 399
Capital Loss		172	-	172	-
Other Expenses		54 172	85 524	28 434	17 660
Total Other Operating Expenses		**407 224**	**699 073**	**345 358**	**311 642**

8. Finance Income & Cost

	For The Six Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000
Finance & Interest Income	797 986	125 691	448 465	68 679
Interest & Finance Cost	(2 617 413)	(1 641 982)	(1 414 168)	(855 545)
Foreign Currency Exchange Differences Losses	(13 099 729)	(1 126 584)	(4 211 114)	6 695
Net Finance Costs	**(14 919 156)**	**(2 642 875)**	**(5 176 817)**	**(780 171)**

9. Basic & Diluted (Losses) Earnings Per Share For The Period

Owners Of The Company Share	For The Six Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000	For The Three Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000
Net (Losses) Profit For The Period	(643 286)	2 600 977	1 017 092	1 842 123
Weighted Average Number Of Outstanding	532 891 832	532 891 832	532 891 832	532 891 832
Basic And Diluted (Losses) Earnings Per	**(1.21)**	**4.88**	**1.91**	**3.46**

* The 910,481 treasury shares were deducted from the weighted average shares outstanding used in calculating the earnings per basic and diluted shares above for the Six month period ending on June 30, 2023 as per Note No. 23 in the notes to the separate financial statements.

10. Employee Benefits

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 31/12/2018 in addition to the annual salary increasing maximum 7% annual.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies For The Six Months Ended June 30, 2023 amounted to EGP 19 051 K has been included in salaries and wages in the statement of income (against EGP 16 507 K for The Six months ended June 30, 2022).

11. Fixed Assets

	Land	Buildings	Machinery & Equipment	Vehicles	Furniture & Office Equipment	Tools & Appliances	Leasehold Improvments	Total
	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000	EGP,000
Cost:								
At January 1, 2022	782 141	10 021 982	36 079 210	308 903	494 192	275 049	3 902	47 965 379
Additions During The Period	-	4 446	144 900	-	12 377	20 474	-	182 197
Disposals During The Period	-	-	(927)	(230)	(176)	(13)	-	(1 346)
At June 30, 2022	782 141	10 026 428	36 223 183	308 673	506 393	295 510	3 902	48 146 230
At January 1, 2023	784 744	10 034 353	37 365 042	307 949	529 670	309 115	3 902	49 334 775
Additions During The Period	-	10 319	204 658	1 573	31 491	28 306	-	276 347
Disposals During The Period	-	(209)	596.00-	(1 121)	(9 187)	-	-	(11 113)
At June 30, 2023	784 744	10 044 463	37 569 104	308 401	551 974	337 421	3 902	49 600 009
Accumulated Depreciation:								
At January 1, 2022	-	3 332 358	21 615 149	299 750	328 786	182 965	3 902	25 762 910
Depreciation For The Period	-	114 912	573 815	3 043	20 309	12 893	-	724 972
Accumulated Depreciation Of Disposals During The Period	-	-	(927)	(230)	(176)	13.00-	-	(1 346)
At June 30, 2022	-	3 447 270	22 188 037	302 563	348 919	195 845	3 902	26 486 536
At January 1, 2023	-	3 560 400	22 742 149	304 145	368 125	214 339	3 902	27 193 060
Depreciation For The Period	-	113 045	622 910	2 152	20 007	16 971	-	775 085
Accumulated Depreciation Of Disposals During The Period	-	(209)	(424)	(1 121)	(9 187)	-	-	(10 941)
At June 30, 2023	-	3 673 236	23 364 635	305 176	378 945	231 310	3 902	27 957 204
Carrying Amount:								
At June 30, 2022	782 141	6 579 158	14 035 146	6 110	157 474	99 665	-	21 659 694
At December 31, 2022	784 744	6 473 953	14 622 893	3 804	161 545	94 776	-	22 141 715
At June 30, 2023	784 744	6 371 227	14 204 469	3 225	173 029	106 111	-	21 642 805
Fixed Assets Fully Depreciated & Still In Use At June 30, 2023	-	591 569	2 683 291	284 146	217 350	147 486	3 902	3 927 744

11. Fixed Assets (Continued)

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

11.1 Depreciation Expense Were Classified To The Statement Of Income As Follws:

	Note No.	For The Six Months Ended: 30/6/2023 EGP,000	30/6/2022 EGP,000
Cost Of Sales	(3)	756 324	705 084
Selling & Marketing Expenses	(5)	302	304
Administrative & General Expenses	(6)	18 459	19 584
		775 085	**724 972**

11.2 Leased Fixed Assets:

Fixed assets include leased assets as of June 30, 2023 as follows:

	Cost At 30/6/2023 EGP,000	Accumulated Depreciation At 30/6/2023 EGP,000	Net At 30/6/2023 EGP,000	Net At 31/12/2022 EGP,000
Land *	70 000	-	70 000	70 000
Building **	145 000	25 979	119 021	120 833
	215 000	**25 979**	**189 021**	**190 833**

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

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

12. Modification Surplus Of Fixed Assets

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

	EGP,000
Modification Surplus Of Fixed Assets At Floating Foreign Exchange Rate Date (November 3, 2016)	4 013 795
Income Tax	(903 104)
Net Modification Surplus Of Fixed Assets After Income Tax	**3 110 691**
Recognized Portion Till December 31, 2022	(1 210 522)
Net Modification Surplus Of Fixed Assets At December 31, 2022	**1 900 169**
Recognized Portion During The Six Months Ended June 30, 2023	(83 446)
Net Modification Surplus Of Fixed Assets At June 30, 2023	**1 816 723**
Attributable To:	
Owners Of The Holding Company	645 007
Non-Controlling Interest	1 171 716
	1 816 723

13. Projects Under Construction

	30/6/2023 EGP,000	31/12/2022 EGP,000
Constructions Expansion	24 492	15 729
Machinery Under Installation*	4 512 689	3 232 999
Advance Payments For Purchase Of Fixed Assets	20 261	21 945
Other	1 363	1 363
Total Projects Under Construction	**4 558 805**	**3 272 036**

* The balance includes EGP 107 million in capitalized interest.

14. Long Term Investments

	30/6/2023 EGP,000	31/12/2022 EGP,000
- Egyptian German Co. For Flat Steel Marketing (Franco) (L.L.C) (Under Liquidation) (50% Owned By Al Ezz El Dekheila For Steel – Alexandria)	90	90
- Al Ezz El Dekheila For Steel – Egypt (EZDK) (50% Owned By Al Ezz El Dekheila For Steel – Alexandria)	25	25
- Ezdk Steel Uk Ltd (50% Owned By Al Ezz El Dekheila For Steel – Alexandria)	1	1
- Egyptian Steel (18% By Al Ezz El Dekheila For Steel – Egypt (EZDK)	2 499 960	2 499 960
- Arab Company For Special Steel (SAE) (1% Owned By Ezz El Dekheila For Steel – Alexandria).	4 263	4 263
- The Egyptian Company For Cleaning And Security Services (30.80% Owned By Al Ezz Steel Company)	80	80
- Atlantic Pacific Transport Ltd. (5% Owned By Iron For Industrial, Trading And Constructing Steel Company (Contra Steel)).*	-	4 016
	2 504 419	**2 508 435**
Less:		
Impairment Loss In Long Term Investments (Note No.19)	4 354	4 354
	2 500 065	**2 504 081**

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

15. Other Assets

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

	EGP,000
Cost At January 1, 2023	25 613
(Less):	
Amortization For The Period	(2 561)
Net At June 30, 2023	**23 052**

16. Inventoies

	30/6/2023 EGP,000	31/12/2022 EGP,000
Raw Materials And Supplies	6 774 242	4 275 038
Spare Parts And Supplies	2 686 719	2 166 502
Work In Process	1 495 752	533 249
Finished Products	4 230 597	1 745 615
Goods In Transit	729 578	3 785
Letters Of Credit	912 948	178 099
Total Inventories	**16 829 836**	**8 902 288**

17. Trade & Notes Receivable

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Trade Receivables		4 141 682	2 029 061
Trade Receivables – Related Parties	(32-1)	9 425	9 297
Notes Receivable		1 109 138	4 642 084
		5 260 245	**6 680 442**
Less:			
Impairment Loss On Trade Receivables	(19)	(40 559)	(40 559)
Total Trade & Notes Receivable		**5 219 686**	**6 639 883**

18. Debtors & Other Debit Balances

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Deposits With Others		1 788 137	1 328 660
Tax Authority		2 350 820	1 711 268
Tax Authority – Vat		1 572 431	992 903
Customs Authority		820 841	366 811
Accrued Revenues		938	988
Prepaid Expenses		69 058	29 835
Employees' Loans And Advance Payments Due Within A Year		84 736	67 167
Letters Of Credit Cash Margin		388 707	598 243
Letters Of Guarantee Cash Margin		467	165
Due From Related Parties	(32-2)	439 731	28 498
Advance Payment Under The Account Of Employees' Dividends		61 583	34 099
Other Debit Balances*		1 800 215	1 247 998
		9 377 664	**6 406 635**
Less:			
Impairment Loss On Debtors & Other Debit Balances	(19)	(128 055)	(128 055)
Total Debtors & Other Debit Balances		**9 249 609**	**6 278 580**

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

19. Impairment Loss On Assets

Impairment Loss On:	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Long Term Investments	(13)	4 354	4 354
Trade And Notes Receivable	(17)	40 559	40 559
Debtors And Other Debit Balances	(18)	128 055	128 055
Advance Payments For Suppliers		2 332	2 332
Total Impairment Loss On Assets		**175 300**	**175 300**

20. Cash & Cash Equivalents

	30/6/2023	31/12/2022
	EGP,000	EGP,000
Banks - Time Deposits	177 474	67 155
Banks – Current Accounts	20 853 250	12 858 691
Cheques Under Collection	293 058	234 779
Cash On Hand	279 220	89 301
	21 603 002	**13 249 886**
Less:		
Banks – Overdraft	(4 068 441)	(638 717)
Restricted Time Deposits And Current Accounts Within The Credit Conditions Granted By The Bank For The Group Companies	(4 405 078)	(1 097 208)
Cash & Cash Equivalents In The Statement Of Cash Flows	**13 129 483**	**11 513 961**

21. Capital

21.1 Authorized Capital

The company's authorized capital is LE 8 Billion.

21.2 The Issued & Paid In Capital

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

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

Shareholder Name	No. Of Shares	Par Value 30/6/2023	Shareholding	Shareholding 31/12/2022
		EGP	%	%
- Engineer / Ahmed Abd El Aziz Ezz	356 933 139	1 784 665 695	65.701	65.701
- Al Ezz For Rolling Mills (Subsidiary Company)	9 462 714	47 313 570	1.742	1.742
- Others	176 869 174	884 345 870	32.557	32.557
	543 265 027	**2 716 325 135**	**100**	**100**

22. Reserves

	30/6/2023	31/12/2022
	EGP,000	EGP,000
Legal Reserve*	1 358 163	1 358 163
Other Reserves (Additional Paid In Capital) **	2 620 756	2 620 756
The Difference Resulting From The Acquisition Of Additional Percentage In Subsidiary's Capital	(3 796 829)	(3 796 829)
	182 090	**182 090**

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

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

23. Treasury Stocks

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

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

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

24. Trade & Notes Payable

	30/6/2023 Due Within One Year	30/6/2023 Long term Note No. (30)	30/6/2023 Total	31/12/2022 Total
	EGP,000	EGP,000	EGP,000	EGP,000
Trade Payables	15 243 674	-	15 243 674	14 043 690
Notes Payable	5 394 305	54 860	5 449 165	1 269 849
	20 637 979	**54 860**	**20 692 839**	**15 313 539**

25. Creditors & Other Credit Balances

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Accrued Interest		695 162	415 186
Accrued Expenses		2 793 208	2 097 304
Tax Authority		213 926	467 258
Performance Guarantee Retention		109 820	96 747
Dividends Payable		6 070	1 612
Due To Related Parties	(32-3)	12	56 596
Other Credit Balances*		405 779	406 304
Total Creditors & Other Credit Balances		**4 223 977**	**3 541 007**

26. Liability Of The Supplementary Pension Scheme

The cost of the supplementary pension scheme during The Six Months Ended June 30, 2023 amounted to EGP 17.6 Million charged to the Consolidated Interim financial statement according to the actuary's report issued annually.

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Balance At The Beginning Of January		**219 790**	**246 343**
Add:			
Present Service Cost		1 156	16 705
Return Cost		16 445	31 715
Amounts Recognized In The Consolidated Statement Of		**17 601**	**48 420**
		237 391	**294 763**
Actuarial Profits From The Defined Benefits Pension Scheme		-	(1 058)
Employees benefits (under reconciliation)		-	(61 933)
Employees Paid Subscriptions During The Period \ year		3 618	7 368
		241 009	**239 140**
Less:			
Paid Pensions During The period \ Year		(11 446)	(19 350)
Total Liabilities Of Supplementary Pension Scheme		**229 563**	**219 790**
Distributed As Follows:			
Included In Current Liabilities		29 384	26 715
Included In Long-Term Liabilities	(30)	200 179	193 075
		229 563	**219 790**

27. Provisions

	1/1/2023	Formed During The Period	Used During The Period	30/6/2023
	EGP,000	EGP,000	EGP,000	EGP,000
Tax And Claims Provision	880 368	21 202	(155)	901 415
Employees Lawsuits Provision	1 955	-	-	1 955
Total Provisions	**882 323**	**21 202**	**(155)**	**903 370**

28. Loans And Credit Facilities

		Short Term	Long Term	Total
		EGP,000	EGP,000	EGP,000
Ezz Steel	Long Term Loans	344 818	181 987	**526 802**
	Credit Facilities	4 583 324	-	**4 583 324**
Al Ezz El Dekheila For Steel - Alexandria (Ezdk)	Long Term Loans	1 749 942	5 371 048	**7 120 990**
	Credit Facilities	15 012 510	7 779 853	**22 792 363**
Al Ezz Flat Steel (Efs)	Long Term Loans	1 179 812	-	**1 179 812**
	Credit Facilities	3 637 737	633 295	**4 271 032**
Al Ezz Rolling Mills Company (Erm)	Long Term Loans	1 175 146	3 339 889	**4 515 035**
	Credit Facilities	20 916	-	**20 916**
Total As Of 30/6/2023		**27 704 205**	**17 306 072**	**45 010 277**
Total As Of 31/12/2022		**16 981 569**	**15 561 212**	**32 42 781**

28.1 Ezz Steel Company (Holding Company)

On January 18, 2015, the company obtained a joint long term loan amounted to EGP 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to some of banks, according to the agreement the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement, with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.

- The company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in December 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and it's appendixes, related to the precautious procedures against the effect of corona virus pandemic.
- During the year 2020 and after the end of the period of postponing payment of the interest according to the Central Bank initiative, the banks which granted the loans have modified the instalments with an amount of EGP 152 479 K according to an appendix of the loan, the amount represents the accrued interest on the loan balance for the period from 3/11/2019 to 31/3/2021` to pay the loan plus interest in 16 quarterly instalments starting from March 31, 2021 to December 31, 2024 , the interest rate was modified to 1.5% above the Corridor rate for the first year and 2% above the Corridor rate starts from second year from the date of activating the loan appendix.

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

The company obtained long term loan amounted to EGP 2602 Million to finance a part of investment cost of the project to build electric furnace in the integrated industrial compound in EL Ain El Sokhna, the loan will be paid on 20 quarterly instalments, the first instalment will start on September 15, 2023 and the last instalment on June 15, 2028.

28.3 Al Ezz Flat Steel (Subsidiary)

- The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated. According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent, The most significant guarantees provided are represented in real-estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory pledge on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favour of the banks.
- The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt.
- The Banks-credit facilities amounting to EGP 4 271 Billion on 30/6/2023 is represented in the amount used from the facilities granted by the local banks in the Egyptian pound against several guarantees, the most significant of which is a pledge on the inventory, and joint guarantee from Al-Ezz El-Dekheila Steel Alexandria, assignment of some export proceeds to the banks and depositing all local sales revenues at banks, as well as concluding insurance policy covering theft and fire of inventory in favour of the banks, as well keeping some financial ratios and indicators, during the facility period based on an interest rate related to Corridor rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.
- During year 2020, the above-mentioned credit facilities were rescheduled to be paid in 24 unequal quarterly installments according to specific percentages of the facility's balance starting from 31/3/2021 and ending on 31/12/2026.

28. Loans And Credit Facilities (Continued)

28.1 Al Ezz Rolling Mills (Subsidiary)

- An approval has been made on December 10, 2020 to restructure debts by the banks participating in the long-term loan granted to the company for the purpose of establishing the reduced iron project, the restructuring includes the existing debts arising from A, B,and C sections and the calculated returns until December 31, 2020, with a maximum of 6.5 billion pounds and that the first instalment payment begins on March 31, 2021, with modifying the interest rate to become 1.5% above the corridor rate during the first year from the date of activation, then applying 2% above the corridor rate from the beginning of the second year from the activation date until the final maturity date, (instead of 3.5% above the corridor Lending to both section A, B and 1.75% above corridor lending to section C).
- The loan restructuring were activated on June 16, 2021.
- According to the commercial register of the company, there is a commercial pledge for the guarantee agent its self and on behalf on the borrowing banks on all the material and abstract, equipment, goodwill, and the industrial copyrights of the company.

29. Finance Lease

	Future Lease Payments		Deferred Interest		Present Value Of Lease Payments	
	30/6/2023 EGP,000	31/12/2022 EGP,000	30/6/2023 EGP,000	31/12/2022 EGP,000	30/6/2023 EGP,000	31/12/2022 EGP,000
Due Within One Year	131 275	119 357	42 557	36 055	88 718	83 302
Add						
Long Term Liabilities	215 970	253 025	52 595	43 866	163 375	209 159
Total Finance Lease Liabilities	**347 245**	**372 382**	**95 152**	**79 921**	**252 093**	**292 461**

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

30. Long Term Liabilities

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Notes Payable	(24)	54 860	580 654
Investment creditors (the rest of the investment dues in the Egyptian Steel Company)		-	624 980
Liability Of The Supplementary Pension Scheme	(26)	200 179	193 075
Lending From Others	(30-1)	1 417 556	915 604
Fixed Asset Purchase Creditors	(30-2)	1 394 770	999 876
Present Value For The Long-Term Liabilities		**3 067 365**	**3 314 189**

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to EGP 1.417 Billion from Danieli Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks virtue of the guarantee of SACE, thereof the interests of the loan are calculated based on variable interest rate related to LIBOR.

30 Long Term Liabilities (continue)

30.2 Fixed asset purchase creditors represented in the due to Danieli from the companies Ezz Falt Steel – subsidiary- and Ezz Rolling Mills -subsidiary- , on 27/1/2021 the company agreed with the mentioned supplier to reschedule the payment of the dues and the added interest according to the following:
The liability due to the supplier according to the purchase invoices in addition to the calculated interest on it starting from 1/11/2020 is paid in quarterly installments ends in 2026.
The settlement agreement includes that the supplier will waive the right to due interest which calculated on the liability of supplying machinery and equipment during the prior years for the period from the invoice due date until 31/10/2020, this is in case of the company paying all the quarterly installments based on the settlement agreement.
The company and Al Ezz El Dekheila for Steel- Alexandria signed joint guarantees in favor of the above-mentioned supplier to guarantee that the mentioned subsidiary companies would pay its dues stated in the settlement agreement.

31. Deferred Tax

31.1 Recognized Deferred Tax Assets & Liabilities

	30/6/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities
	EGP,000	EGP,000	EGP,000	EGP,000
Fixed Assets	-	(3 633 837)	-	(3 684 456)
Provisions And Assets Impairment	134 497	-	134 497	-
Finance Lease Liabilities	11 425	-	14 685	-
Tax Losses*	819 412	-	1 054 216	-
Losses From Foreign Currency Translation	3 090 660	-	581 987	-
Tax On Unpaid Dividends	-	(307 411)	-	(258 226)
	4 055 994	**(3 941 248)**	**1 785 385**	**(3 942 682)**
Net Deferred Tax Asset (Liability)	**114 746**			**(2 157 297)**

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

	30/6/2023	30/6/2022
	EGP,000	EGP,000
Net Deferred Tax	114 746	(2 472 192)
Less/ (Add):		
Previously Charged Deferred Tax	(2 157 297)	(2 385 433)
Deferred Tax	**2 272 043**	**(86 759)**

31.3 Unrecognized Deferred Tax Assets

	30/6/2023	31/12/2022
	EGP,000	EGP,000
Impairment Loss On Receivables And Debtors	11 337	11 337
Provisions	127 629	132 341
Tax Losses	500 622	481 120
	639 588	**624 798**

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

32. Related Parties Transactions

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

	Nature Of Transaction	Transaction Volume During The Period	Balance As Of 30/6/2023 Debit/(Credit)	Balance As Of 31/12/2022 Debit/(Credit)
		EGP,000	EGP,000	EGP,000
32.1 Items Included In Trade And Notes Receivable				
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)			9 425	9 297
			9 425	**9 297**
32.2 Items Included In Debtors And Other Debit Balances				
- Gulf Of Suez Development Company (Affiliated Company)		-	37	11
- Al Ezz Group Holding Company For Industry & Investment			407 317	-
- Al Ezz For Ceramics And Porcelain (GEMMA) (Affiliated Company)	Rent	510	32 377	28 487
	Sales	935		
	Purchases	249		
			437 731	**28 498**
32.3 Items Included In Creditors And Other Credit Balances				
- Al Ezz Group Holding Company For Industry & Investment			-	(56 584)
- Al Ezz For Trading And Distributing Building Materials (Affiliated Company)			(12)	(12)
			(53 895)	**(56 596)**

33. Contingent Liabilities

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

	30/6/2023 Equivalent EGP,000	31/12/2022 Equivalent EGP,000
Letters Of Guarantee	114 008	343 769
Letters Of Credit	9 149 808	6 416 049

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on June 30, 2023 amounted to EGP 389 174 K (against EGP 165 K as of December 31, 2022 fully covered) (Note no.18).

33.2 The settlement agreement with one of the foreign suppliers (Note no.30-2) includes the supplier claims Al Ezz Flat Steel (subsidiary company) for interest that will be calculated in agreement with the company on the liability of supplying spare parts during previous years amounted to 15 483 K Euro which is stated in the suppliers balance as of 30/6/2023 from the invoice due date until 31/10/2020, this is in case of the company does not pay all the liabilities stated in the settlement agreement in the due dates.

34. Capital Commitments

- The capital Commitments of El Ezz El Dekhaila as of June 30, 2023 amounted to EGP 71 Million, (whereas the amount as of December 31, 2022 is EGP 72.78 Million).

35. Tax Position

35.1 Ezz Steel Company

35.1.1 Corporate Tax

- The Company enjoyed tax exemption according to article No. (24) from Law No. (59) for 1979 related to development of the new urban communities, the Company was granted a tax exemption for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2017 and there are no outstanding dues or tax disputes.
  - The company submitted tax returns for the years 2018:2019 under Law No. 91 of 2005 on the due legal dates, currently the tax inspection is being inspected for those years.
  - The company submitted the tax return for the years 2020-2022.

35. Tax Position (continue)

35.1.1 Sales Tax & VAT

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

35.1.2 Salary Tax

- The tax inspection was done till 2018 and there are no outstanding due.
- The tax inspection was done for years 2019/2020 and the settlement and payment in progress.
- The company deducts and submits its tax.

35.1.3 Stamp Tax

- The tax inspection was done till 2018 and there are no outstanding due.
- The tax inspection was done for years 2019/2020 and the settlement and payment in progress.

35.1.4 Property Tax

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

35.2 Al Ezz Rolling Mills Company

35.2.1 Corporate Tax

- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company, the tax inspection has resulted in approved tax losses amounting to EGP 73 862 K in 2016 and EGP 1 321 347 K in 2017
- The tax return was submitted on its legal date for years 2018 till 2021 according to the income tax law No. 91 for 2005 and its amendments.

35.2.2 Sales Tax & VAT

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

35.2.3 Salary Tax

- The Company's books have been inspected until year 2019 and the taxes due were paid and there are no outstanding dues on the company.
- The year 2020 have been inspected, and the final payment and settlement are in progress.
- The company deducts and submits its tax in the legal due dates.

35.2.4 Stamp Tax

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

35.2.5 Property Tax

- The tax assessment issued and paid up to 31/12/2022.

35.3 Al Ezz El Dekheila For Steel – Alexandria Company

35.3.1 Corporate Tax

- The Company's books have been inspected until year 2017 and there are no outstanding dues on the company.
- The tax inspection for years 2018 and 2020 is in progress.
- **The situation of tax disputes:**
- The period 2000-2004: for the exemption of flat steel project amounted to EGP 254 Million, The ruling of the Court of Appeal in Case No. 268 of 74 BC was issued in favour of the company, invalidating the "corporate tax forms 3 , 4 issued with numbers 1380-1381-1382-1383, on 17/2/2011, and follow-up is underway with the Center for major taxpayer to implement the ruling.
- The period 2005-2006: for the exemption of flat steel project (5th year) amounted to EGP 215 Million, the dispute is currently submitted to administrative court.

35.3.2 Salary Tax

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

  - From 2017 Till 2019 :
- The inspection has been done, the company was informed by the form no. 38 payroll on 20/05/2022, The company submitted a request to benefit from Law 153 of 2022 to write off 65% of the delay fee and the tax differences has been paid.

35. Tax Position (continue)

35.1.1 Sales Tax & VAT

1- Years From The Inception Date Till 2020:

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

2- The Situation Of Tax Disputes:

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

35.1.2 Stamp Tax

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

From 2017 Till 2020:

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

35.1.3 Property Tax

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

35.2 Al Ezz Flat Steel Company

35.2.1 Corporate Tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 2018 and resulted in tax losses.
- Years 2019 to 2022 The tax return was submitted on the legal time, in accordance with the provisions of the Income Tax Law No. 91 of 2005 and its amendments.

35.2.2 Salary Tax

- The tax inspection was made and there are no tax claims on the company since the beginning of the business till 2019.
- The tax inspection for year 2020 has been done and the dispute is being considered by the internal committee.
- The company deducts and submits the tax, and the Tax authority has not carried out the tax examination to date.

35.2.3 Sales Tax & VAT

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

35.2.4 Stamp Tax

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

35.2.5 Real Estate Tax

- Tax assessment issued and paid until December 31, 2022.

36. Financial Instruments & Risk Management

36.1 Financial instruments

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

36.2 Interest Rate Risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities, finance lease liabilities which amounted to EGP 46 775 078 K as of June 30, 2023 (EGP 33 830 765 K as of December 31, 2022). Financing interest and expenses related to these balances amounted to EGP 2 617 413 K during the current period (EGP 1 641 982 K during the same period of the previous year). Restricted time deposits and current accounts amounted to LE 4 582 552 K as of June 30, 2023 (EGP 1 164 324 EGP as of December 31, 2022), interest income related to these time deposits and current accounts amounted to EGP 797 986 K during the current period (EGP 125 691 K during the same period of the previous year).
The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically that reduces the interest rate risk.

36.3 Credit Risk

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

	Note No.	30/6/2023 EGP,000	31/12/2022 EGP,000
Trade & Notes Receivables	(17)	5 219 686	6 639 883
Debtors & Other Debit Balances	(18)	9 249 609	6 278 580
Suppliers - Advance Payments		1 51 8 508	581 266
Investments In Treasury Bills		645 272	518 189
Cash & Cash Equivalents	(20)	21 323 782	13 160 585

36.4 Foreign Currency Risk

Foreign currency risk is represented by the change in foreign exchange rates, which affects payments and receipts in foreign currencies, as well as the translation of assets and liabilities of a monetary nature in foreign currencies. The net value of obligations of a monetary nature in foreign currencies at the date of the financial position amounted to the equivalent of EGP 39.971 Billion.

Due to the current economic conditions, the company's management faces market risks represented by the difficulty of procuring cash in foreign currencies at the official declared prices, as a result of the shortage in the supply of cash in foreign currencies in the banking markets. The company's management, within the framework of implementing exceptional policies to manage market and operational risks, has resorted to managing some of its cash needs in foreign currencies at exceptional exchange rates. The exchange rate used in these transactions has been used as the best estimate of the prevailing rate in translating the net value of obligations of a monetary nature in foreign currencies. At the date of the financial position,

The following is the value of the difference in the translation of net liabilities between the applied price and the prices announced in the banking markets:

Foreign Currency	(Deficit)/Surplus as of financial position date In Thousands	equivalent to Egyptian pound as of financial position date According to bank rate EGP 000	According to used rate EGP 000
US Dollars	(1 316 410)	(30 338 527)	(37 622 232)
Euro	(64 827)	(1 812 336)	(2 247 444)
Sterling Pound	(402)	(12 738)	(15 795)
Japanese Yen	(389 591)	(83 889)	(85 518)

37. The Litigation Status

Workers Lawsuits Regarding Profits

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

38. Significant Events

38-1 The world was hardly recovering from the negative effects of the Corona virus, Covid 19, to enter into a wave of negative effects, which led to the slowdown of many major economies in the past period, which led to a combination of high global prices for basic commodities, supply chain disruptions and high shipping costs, in addition to fluctuations in the global economy. Financial markets in emerging countries, which led to inflationary pressures that affected the economies of many countries, including the economy of the Arab Republic of Egypt. The war between Russia and Ukraine led to a decrease in foreign exchange flows from tourism as well as from foreign direct investment, which resulted in a rise in prices in general.

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

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

38-2 On August 5, 2023, the Extraordinary General Assembly of Ezz El Dekhaila Steel Company—Alexandria, a subsidiary, voted to approve the resolution issued by the Board of Directors on July 10, 2023, and to authorise the company's voluntary delisting process from the EGX and acquire the shares of objectors and those who do not want to continue being shareholders after the delisting decision; this is allowed as long as the purchase of the shares is primarily funded by securing long-term joint financing in foreign currency from multiple banks operating outside the country of Egypt. Additionally consent to the acquisition of objectors' shareholders' shares at a price of EGP 1250 per share following the decision to voluntarily delist.

39. Significant Accounting Policies For The Consolidated Interim Financial Statements

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

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 financial position date are translated at the foreign exchange rates prevailing, at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at that date of the transaction. Foreign currency differences arising on the translation are recognized in the consolidated statement of income at the financial position date in consolidated statement of income.

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

39.2 Fixed Assets & Depreciation

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

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

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

39. Significant Accounting Policies For The Consolidated Interim Financial Statements (continue)

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

Asset	Estimated Useful Life Years
Buildings	
– Buildings	25 – 50
– Other Buildings	8
Machinery & Equipment	
– Machinery And Equipment	5 – 25
– Rolling Rings (Machinery And Equipment)	According to actual use (ERM 5-6)
Vehicles	2 – 5
Furniture & Office Equipment	
– Furniture And Office Equipment	3 – 10
– Central Air Conditioning And Fixtures	8
Tools & Appliances	4 – 5
Improvements On Leased Buildings	The lower of lease term or assets' useful lives

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

39.1 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.

39.2 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.

39.3 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.

39.4 Investments Available-For-Sale

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

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

39.5 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.

39.6 Goodwill

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

39.7 Inventory

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

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

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

39.8 Trade & Notes Receivables & Debtors

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

39.9 Cash & Cash Equivalents

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

39.10 Trade & Notes Payable & Creditors

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

39.11 Impairment Loss On Assets

A. Non-Derivative Financial Assets

Financial Instruments & Assets Arising From The Contract

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

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

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

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

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

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

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

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

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

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

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

Measuring Expected Credit Losses

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

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

Credit Impaired Financial Assets

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

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

Evidence that financial assets are credit impaired includes observable data.

Significant financial difficulty for the lender or issuer and

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

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

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

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

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

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

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

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

Execution of Debt

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

39.12 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.

39.13 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.

39.14 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.

39.15 Revenues

a)Sales Revenue Recognition.

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

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

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

b) Dividends

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

c)Interest Income

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

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

39.16 Lease Contracts

Finance Lease Contracts

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

Finance Lease Contracts (Sell And Lease Back)

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

Operating Lease Contracts

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

39.17 Earnings Per Share

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

39.18 Income Tax

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

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

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

39.19 Grants Related To Assets

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

39.20 Employee Benefits

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

39.21 Financial Risk Management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

39.23.1 Credit Risk

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

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

- **Trade Receivable & Other Debtors**

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

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

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

- **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.

39.23.2 Liquidity Risk

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

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

39.23.3 Market Risk

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

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

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

- **Interest Rate Risk**
  The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
  The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

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

39.23.4 Capital Management

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