EZZSTEEL REPORTS CONSOLIDATED 9M 2019 RESULTS

Cairo, 02 January 2020 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the 9-month period ending 30 September 2019. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	9M 2018	9M 2019	YoY % (+/-)
Net sales	**37,447**	**35,258**	(6)
Gross profit	**4,642**	**529**	(89)
EBITDA*	**4,588**	**246**	(95)
Net profit after tax and minority interest	**(1,005)**	**(3,590)**	
Earnings per share**	(1.85)	(6.61)	

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

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

Comment

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

During the third quarter of 2019, ezzsteel had to face extremely adverse economic circumstances, including:

- the total collapse in prices of finished steel products in both domestic and international markets,
- the excessive spike in iron ore prices and the erratic availability of iron ore direct reduction pellets,
- the unsustainable cost of natural gas and electricity and the harmful level of interest rates in Egypt, and
- the crippling effect of safeguard measures on steel products applied all over the world but not yet implemented in our domestic market.

In combination, these factors translated into a consolidate bottom line loss in the third quarter that was slightly higher than the negative results already generated in each of the preceding quarters of 2019.

Looking forward, we expect a gradual relief from the adverse circumstances which have negatively impacted the financial performance of our company.

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About ezzsteel

ezzsteel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 7 million tonnes of finished steel per annum.

In 2018, the Company produced 3.5 million tonnes of long products (typically used in construction) and 1.4 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales & Production

Consolidated net sales for 9M 2019 were EGP 35.3 billion, representing a decrease of 6 per cent year on year. This can be attributed to a 6 and 11 per cent decrease in realised blended prices (export and local market) for long and flat steel respectively in the first nine months of 2019. Such a challenging price environment, combined with a 17 per cent decrease in sold flat volumes, led to an overall decrease in top line results for the period.

Over the 9-month period 2019, long and flat steel prices were down in both the local and export market. Local sales volumes increased by 6 per cent; however, export markets continued to be more challenging and decreased by 16%.

Sales after elimination ***EGPMn***	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	5,584	14,794	6,408	**26,786**
Flat	-	7,464	553	**8,017**
Others	-	387	68	**455**
Total	**5,584**	**22,645**	**7,029**	**35,258**

Long steel products accounted for EGP 26.8 billion, or 77 per cent of sales in 9M 2019, while flat steel products represented 23 per cent of sales at EGP 8 billion. Long product exports accounted for six per cent of total long sales. Flat product exports accounted for 50 per cent of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**per cent**	**Export**	**per cent**
Long	25,183	94	1,602	6
Flat	4,048	50	3,969	50

Long sales volumes, which contribute about three quarters of the total revenue, were 2.66 million tonnes during 9M 2019, nine per cent higher than the 2.44 million tonnes sold during the same period last year. In the local market, long sales volumes were up 11 per cent. However, the export market showed a relative decline and was down 8 per cent year on year.

Flat sales volumes declined by 17 per cent to 813 thousand tonnes in 9M 2019. The protection measures that have spread worldwide negatively affected international trade volumes as well as price. Exported flat volumes further decreased in 9M 2019. They were down 19 per cent to 409 thousand tonnes compared to the 503 thousand tonnes in 9M 2018.

The group's consolidated sales volumes totalled 3.47 million tonnes in 9M 2019, an increase of two per cent from the 3.42 million tonnes sold in 9M 2018.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the 9M period ending 30 September 2019 were 16 per cent, 64 per cent, and 20 per cent respectively.

Long steel production volumes totalled 2.5 million tonnes during 9M 2019, one per cent up compared to 9M 2018. Flat steel production volumes decreased by 19 per cent to 888 thousand tonnes for the period, compared to 1.1 million tonnes produced in the 9-month period 2018.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2019 represented 99 per cent of sales, which led to a significant decrease in gross profit margin from more than 12 per cent in 9M 2018 to 1.5 per cent in 9M 2019.

EFS's Cost of Goods Sold to Sales ratio was at 113 per cent, compared with 111 per cent in the same period last year. At 95 per cent, EZDK showed a weaker COGS to sales ratio for 9M 2019 compared to the 84 per cent achieved in the 9M 2018 period. At ESR/ERM, the COGS to sales ratio also deteriorated from 93 per cent in 9M 2018 to 99 per cent in 9M 2019.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	8,999	26,472	7,041	35,258
COGS	8.948	25,177	7,976	34,730
COGS/Sales	**99%**	**95%**	**113%**	**99%**

Gross profit

Gross profit of EGP 529 million was recorded for 9M 2019.

EBITDA

EBITDA for 9M 2019 amounted to EGP 246 million.

Tax

During 9M 2019, ezzsteel had deferred tax liabilities of EGP 32.8 million and tax expense of EGP 34.8 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 3.6 billion for 9M 2019 compared to a loss of EGP 1.0 billion during the same period in 2018.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.6 billion and net debt of EGP 28.9 billion.

Outlook

Looking forward, we expect a gradual relief from the adverse circumstances which have negatively impacted the financial performance of our company. In particular, natural gas price and interest rates are contenders for reconsideration by the authorities.

Divisional Overview

Figures before the elimination of inter-company transactions.

EZDK Sales (EGP):	**9M 2018**	**9M 2019**	
Value:	28,196	26,472	Mn
Volume:			
Long:	1,768,978	1,819,411	Tonnes
Flat:	783,400	812,904	Tonnes
Exports as % of Sales:			
Long:	10	9	
Flat:	46	50	
EBITDA:	4,318	1,038	Mn
Production:			
Long Products:	1,495,508	1,404,993	Tonnes
Flat Products:	832,099	853,487	Tonnes
Billets:	1,509,922	1,562,413	Tonnes
ESR/ERM Sales (EGP):			
Value:	10,823	8,999	Mn
Volume:	639,670	547,544	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	550	(191)	Mn
Production:			
Long Products:	645,128	516,588	Tonnes
Billets:	471,266	487,037	Tonnes
DRI:	822,376	1,323,101	Tonnes
EFS Sales (EGP):			
Value:	6,366	7,041	Mn
Volume:			
Long:	390,534	654,119	Tonnes
Flat:	191,283	57,333	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	73	0	
EBITDA:	(377)	(646)	Mn
Production:			
Long Products:	377,802	625,801	Tonnes
Flat Products:	262,691	34,306	Tonnes
Billets:	392,575	616,464	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 9-month period ending 30 September 2019. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2019
And Limited Review Report

Translation from Arabic

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(An Egyptian Joint Stock Company)

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For The Nine Months Ended September 30, 2019
And Limited Review Report

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Translation from Arabic

Limited Review Report on Consolidated Interim Financial Statements

To The Board of Directors of Ezz Steel Company

Introduction

We have performed a limited review on the accompanying consolidated statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of September 30, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the Nine 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 consolidated 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 consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as of September 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the Nine months ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

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

1- As explained in note no. (30-1) of the notes to the consolidated interim financial statements, some of the subsidiaries companies have recognized deferred tax asset amounted to LE 1.55 Billion as of September 30, 2019 for tax carried forward losses amounted to LE 6.9 Billion, According to the restructuring plan of the subsidiaries as explained in note no. (39) and in the context of the future plan, these subsidiaries' management prepared a budget for the years from 2019 to 2023, in addition to, obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward losses, which depends on the realization of the future assumptions which have been used in the preparation of the budget mentioned above.

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

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

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

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

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

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

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

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

KPMG Hazem Hassan
Public Accountants and Consultants
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KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, January 1, 2020

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as of:

	Note No.	30/9/2019 LE (000)	31/12/2018 Restated LE (000)
Non Current Assets			
Fixed assets (Net)	(10-1)	24 565 041	26 661 941
Projects under construction	(11)	550 583	361 503
Investments in associates	(12-1)	115	115
Investments available-for-sale	(12-2)	80	109 880
Deferred tax assets	(30-1)	1 805 245	1 821 596
Long term lending to others	(13)	50 108	51 011
Other assets	(14)	20 447	22 306
Goodwill	(40-9)	315 214	315 214
Total non current assets		**27 306 833**	**29 343 566**
Current Assets			
Inventory	(15)	11 220 772	12 903 759
Trade and notes receivables	(16)	1 372 651	371 877
Debtors and other debit balances	(17)	5 019 458	4 270 405
Suppliers - advance payments		796 071	697 060
Investments in treasury bills	(40-8)	13 646	10 580
Cash and cash equivalents	(19)	1 643 463	2 621 422
Total current assets		**20 066 061**	**20 875 103**
Total Assets		**47 372 894**	**50 218 669**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-3)	1 870 480	1 965 084
Retained losses		(8 657 373)	(5 044 752)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		3 617 698	3 945 964
Interim dividends		–	(98 212)
Total holding company shareholders' equity		**(342 701)**	**3 594 578**
Non-controlling interest		1 654 573	2 661 410
Total Shareholders' equity		**1 311 872**	**6 255 988**
Liabilities			
Non Current Liabilities			
Long-term loans	(27)	11 047 916	11 233 811
Long-term liabilities	(29)	1 411 143	1 383 882
Finance lease liabilities	(28)	374 669	406 659
Deferred tax liabilities	(30-1)	3 790 958	3 899 211
Total non current liabilities		**16 624 686**	**16 923 563**
Current Liabilities			
Banks - overdraft	(19)	108 897	35 918
Credit facilities and loan installments due within one year	(27)	19 367 707	15 431 817
Finance lease liabilities due within one year	(28)	41 572	32 843
Trade and notes payables	(23)	6 573 252	6 607 327
Customers - advance payments		986 165	1 938 125
Creditors and other credit balances	(24)	2 091 754	2 051 857
Income tax liabilities		25 908	703 829
Liability of the supplementary pension scheme	(25)	15 551	13 124
Provisions	(26)	225 530	224 278
Total current liabilities		**29 436 336**	**27 039 118**
Total liabilities		**46 061 022**	**43 962 681**
Total shareholder's equity and liabilities		**47 372 894**	**50 218 669**

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

Chairman & Managing Director

Paul Philipe Chekaiban

Limited Review Report "attached"

ezzsteel
شركة حديد عز ش.م.م
Ezz Steel Co. S.A.E

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

	Note No.	For The Nine Months Ended 30 September: 2019 LE (000)	2018 Restated LE (000)	For The Three Months Ended 30 September: 2019 LE (000)	2018 Restated LE (000)
Sales (net)	(40-18)	35 258 251	37 446 609	9 357 395	11 953 989
Less :					
Cost of sales	(3)	(34 729 665)	(32 804 580)	(9 638 778)	(10 796 628)
Gross profit		**528 586**	**4 642 029**	**(281 383)**	**1 157 361**
Add / (Less):					
Other operating revenues	(4)	110 514	126 442	15 276	84 545
Selling and marketing expenses	(5)	(410 028)	(232 115)	(177 275)	(92 976)
Administrative and general expenses	(6)	(975 806)	(913 766)	(316 840)	(333 710)
Other operating expenses	(7)	(242 120)	(161 146)	(95 367)	(81 897)
Operating (loss) profit		**(988 854)**	**3 461 444**	**(855 589)**	**733 323**
Add / (Less):					
Finance income	(8)	96 404	342 580	16 937	70 841
Finance cost	(8)	(3 579 133)	(3 089 456)	(1 204 316)	(959 060)
Foreign currency exchange differences	(8)	151 989	(23 100)	84 455	(43 270)
Net finance cost		**(3 330 740)**	**(2 769 976)**	**(1 102 924)**	**(931 489)**
Net (loss) profit for the period before tax		**(4 319 594)**	**691 468**	**(1 958 513)**	**(198 166)**
(Less):					
Income tax		(34 817)	(654 547)	(11 218)	(218 883)
Deferred tax	(30-2)	32 845	(362 977)	117 889	(57 547)
Total Income Tax		**(1 972)**	**(1 017 524)**	**106 671**	**(276 430)**
Net loss for the period		**(4 321 566)**	**(326 056)**	**(1 851 842)**	**(474 596)**
Attributable to:					
Owners of the company		(3 590 343)	(997 666)	(1 491 596)	(613 173)
Non-controlling interest		(731 223)	671 610	(360 246)	138 577
Net loss for the period		**(4 321 566)**	**(326 056)**	**(1 851 842)**	**(474 596)**
Basic and diluted loss per share (LE/share)	(9)	**(6.73)**	**(1.87)**	**(2.79)**	**(1.15)**

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

	For The Nine Months Ended 30 September:		For The Three Months Ended 30 September:	
	2019	2018 Restated	2019	2018 Restated
	LE (000)	LE (000)	LE (000)	LE (000)
Net loss for the period	(4 321 566)	(326 056)	(1 851 842)	(474 596)
(Less):				
Other comprehensive income items				
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	(136 515)	(195 423)	(44 868)	(81 651)
Foreign entities translation differences	(461 322)	68 511	(104 638)	810
Total comprehensive income	(4 919 403)	(452 968)	(2 001 348)	(555 437)
Attributable to:				
Owners of the company	(4 013 213)	(1 067 500)	(1 597 551)	(665 144)
Non-controlling interest	(906 190)	614 532	(403 797)	109 707
	(4 919 403)	(452 968)	(2 001 348)	(555 437)

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Nine Months Ended September 30, 2019

	Note no.	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Interim dividends LE (000)	Total holding company shareholders equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2018 as previously reported		2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	–	5 440 807	3 377 642	8 818 449
Adjustments resulting from adaption of EAS "49"	(38)	–	–	–	(12 880)	–	–	–	(12 880)	–	(12 880)
Balance as of 1/1/2018 - Restated		2 716 325	182 090	2 125 452	(3 394 939)	3 870 920	(71 921)	–	5 427 927	3 377 642	8 805 569
Comprehensive income											
Net loss for the period - Restated		–	–	–	(997 666)	–	–	–	(997 666)	671 610	(326 056)
Other Comprehensive income											
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)		–	–	(134 073)	–	–	–	–	(134 073)	(61 350)	(195 423)
Foreign entites translation differences		–	–	–	–	64 239	–	–	64 239	4 272	68 511
Total comprehensive income - Restated		–	–	(134 073)	(997 666)	64 239	–	–	(1 067 500)	614 532	(452 968)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)		–	–	–	134 073	–	–	–	134 073	61 350	195 423
Transactions with company's shareholders											
Non-controling interest share in subsidary company's dividends of year 2017		–	–	–	–	–	–	–	–	(367 510)	(367 510)
The share of the company and the non controlling interest in the employees and board of directors of the subsidiary companies 2017 dividends		–	–	–	(174 270)	–	–	–	(174 270)	(150 476)	(324 746)
Non-controling interest share in subsidary company's dividends of period distribution		–	–	–	–	–	–	–	–	(485 540)	(485 540)
The share of the company and the non controlling interest in the employees and Board of Directors interim dividends of the subsidiary companies during the period period distribution in subsidiary companies		–	–	–	–	–	–	(65 474)	(65 474)	(61 232)	(126 706)
Total transactions with the company's shareholders		–	–	–	(174 270)	–	–	(65 474)	(239 744)	(1 064 758)	(1 304 502)
Balance as of 30/9/2018 - Restated		2 716 325	182 090	1 991 379	(4 432 802)	3 935 159	(71 921)	(65 474)	4 254 756	2 988 766	7 243 522
Balance as of 1/1/2019 - Restated		2 716 325	182 090	1 965 084	(5 044 752)	3 945 964	(71 921)	(98 212)	3 594 578	2 661 410	6 255 988
Comprehensive income items											
Net loss for the period		–	–	–	(3 590 343)	–	–	–	(3 590 343)	(731 223)	(4 321 566)
Other comprehensive income items											
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)		–	–	(94 604)	–	–	–	–	(94 604)	(41 911)	(136 515)
Foreign entites translation differences		–	–	–	–	(328 266)	–	–	(328 266)	(133 056)	(461 322)
Total comprehensive income		–	–	(94 604)	(3 590 343)	(328 266)	–	–	(4 013 213)	(906 190)	(4 919 403)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)		–	–	–	94 604	–	–	–	94 604	41 911	136 515
Transactions with company's shareholders											
The impact of acquisition of an additional share in Al Ezz Rolling Mills Company (subsidary company)		–	–	–	(154)	–	–	–	(154)	(38)	(192)
Closing interim dividends		–	–	–	(98 212)	–	–	98 212	–	–	–
Non-controling interest share in subsidary company's dividends of year 2018		–	–	–	–	–	–	–	–	(124 971)	(124 971)
The share of the company and the non controlling interest in the employees and Board of Directors dividendes of the subsidiary companies for year 2018		–	–	–	(18 516)	–	–	–	(18 516)	(17 549)	(36 065)
Total transactions with the company's shareholders		–	–	–	(116 882)	–	–	98 212	(18 670)	(142 558)	(161 228)
Balance as of 30/9/2019		2 716 325	182 090	1 870 480	(8 657 373)	3 617 698	(71 921)	–	(342 701)	1 654 573	1 311 872

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flows
For The Nine Months Ended 30 September:

	Note No.	2019 LE(000)	2018 Restated LE(000)
Cash flows from operating activities			
Net (loss) profit for the period before income tax		(4 319 594)	691 468
Adjustments to reconcile net (loss) profit to net cash used in operating activities			
Depreciation	(10-1)	1 099 358	1 119 944
Amortization of other assets	(14)	4 146	4 342
Amortization of accrued interest on treasury bills		(1 596)	(1 089)
Assets impairment reversal		-	(5 791)
Impairment of assets		-	600
Decrease in value of assets available for sale		-	43 547
Provision formed during the period	(7)	2 252	-
Profit from sale of investments		(9 150)	-
Capital loss	(7)	470	178
Interest & finance expenses		3 579 133	3 089 456
Present value difference of long term lending		-	2 061
Differences resulting from the change in liability of the supplementary	(25)	31 675	11 194
Tax adjustments		39 546	-
Used Provision		-	(74 077)
Foreign currency exchange differences		(153 250)	(17 244)
		272 990	**4 864 589**
Changes in working capital			
Inventory		1 504 063	(3 893 033)
Trade receivables, debtors and other debit balances		(2 729 967)	(424 706)
Trade payables, creditors and other credit balances		(251 567)	907 404
Lending to employees		(5 433)	(9 608)
Liability of the supplementary pension scheme		(133)	(417)
Net		**(1 210 047)**	**1 444 229**
Used provisions		(1 000)	(3 437)
Income tax paid		(21 885)	(67 266)
Finance interest paid		(3 362 219)	(3 029 978)
Net cash flows used in operating activities		**(4 595 151)**	**(1 656 452)**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(420 327)	(616 257)
Payments for purchase of investments in subsidiaries		(194)	-
Proceeds from sale of fixed assets		-	40
Payments for purchase of financial investment (treasury bills)		(29 915)	(21 317)
Proceeds from retrieval of financial investment (treasury bills)		28 446	50 725
Net cash flow used in investing activities		**(421 990)**	**(586 809)**
Cash flows from financing activities			
Net proceeds from credit facilities		5 398 397	1 739 031
Payments for long term liabilities		-	(44)
Proceeds from time-deposits and restricted current accounts		10 913	1 018 294
Payments for loans		(570 868)	(565 909)
Finance lease payments		(23 261)	(3 936)
Paid dividends to non-controlling interest		(369 355)	(638 818)
Paid dividends to employees and Board of Directors		(41 111)	(158 572)
Net cash provided by financing activities		**4 404 715**	**1 390 046**
Change in cash and cash equivalents during the period		**(612 426)**	**(853 215)**
Cash and cash equivalents at the beginning of the period	(19)	**1 978 376**	**3 019 728**
Translation differences of financial statement of foreign entities		(84 108)	5 230
Cash and cash equivalents at the ending of the period	(19)	**1 281 842**	**2 171 743**

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2019

1. BACKGROUND

1.1 Basic Data

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on April 2, 1994. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette issue No. 231 of April 1994. The Company is located in Sadat City.
- The term of the company is 25 years from the date of registration of the company in the commercial register. On October 24, 2018, the Company's Extraordinary General Assembly decided to extend the company's term for another 25 years starting from April 2, 2019. The necessary procedures are being taken to amend the Company's Commercial Register in this regard.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebanon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" (Parent Company) which contributed in the Company's capital by 65.55%.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

1.2 Subsidiaries

Al Ezz Rolling Mills Company (ERM) – an Egyptian joint Stock Company - was established in 1986 under Law No. 43 of 1974, which was replaced by Law No. 8 of 1997, which was replaced by Law No. 72 of 2017 by issuance investment law.

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

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

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

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

Misr for Pipes & Casting Industry Company – an Egyptian joint stock company – was established in August 29, 1992 under the provisions of Law No. 159 of 1981.

1.3 The Purpose of the Company & its subsidiaries

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

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

	30/9/2019 Percentage Share %	31/12/2018 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.914 Direct	98.909 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

- During the subsequent period the group has made a restructuring and acquisition for some of non –controlling interests (note no. 39)

1.4 Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on January 1, 2020.

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

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated interim financial statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in (Note no. 40-2).

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	For the Nine months ended 30 September: 2019 LE (000)	2018 LE (000)	For the three months ended 30 September: 2019 LE (000)	2018 LE (000)
Raw Materials		20 060 295	21 885 452	5 304 948	7 855 864
Salaries & wages		1 482 267	1 422 798	506 977	469 440
Fixed assets depreciation	(10-1)	1 063 852	1 088 004	349 456	360 313
Other assets amortization		4 146	4 342	1 342	1 456
Supplementary pension scheme cost		25 077	8 815	16 812	2 939
Manufacturing overhead expenses		11 553 637	10 782 365	3 172 554	4 034 075
Used provisions		-	(74 077)	-	(233)
Manufacturing cost		**34 189 274**	**35 117 699**	**9 352 089**	**12 723 854**
Change in inventory – finished product and work in process		540 391	(2 313 119)	286 689	(1 927 226)
		34 729 665	**32 804 580**	**9 638 778**	**10 796 628**

4. OTHER OPERATING REVENUES

	For the Nine months ended 30 September: 2019 LE (000)	2018 LE(000)	For the three months ended 30 September: 2019 LE(000)	2018 LE(000)
Gain on sale of investment available for sale	9 150	-	-	-
Assets impairment reversal	-	5 791	-	4 841
Other revenues	101 364	120 651	15 276	79 704
	110 514	**126 442**	**15 276**	**84 545**

5. SELLING & MARKETING EXPENSES

	Note No.	For the Nine months ended 30 September: 2019 LE (000)	2018 LE(000)	For the three months ended 30 September: 2019 LE(000)	2018 LE(000)
Salaries & wages		80 043	80 924	28 014	26 571
Advertising		63 253	17 607	50 266	7 374
Fixed assets depreciation	(10-1)	467	3 845	94	1 280
Supplementary pension scheme cost		1 773	623	1 189	207
Other expenses		264 492	129 116	97 712	57 544
		410 028	**232 115**	**177 275**	**92 976**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the Nine months ended 30 September: 2019 LE (000)	2018 Restated LE(000)	For the three months ended 30 September: 2019 LE(000)	2018 Restated LE(000)
Salaries & Wages		571 714	600 435	189 559	197 845
Spare parts and maintenance		2 688	6 930	448	4 089
Fixed assets depreciation *	(10-1)	35 039	28 095	11 285	9 379
Supplementary pension scheme cost		4 825	1 756	4 159	586
Other expenses *		361 540	276 550	112 389	121 811
		975 806	**913 766**	**316 840**	**333 710**

* Restatement was made to same of the comparative figures as shown in note no. (38).

7. OTHER OPERATING EXPENSES

	Note No.	For the Nine months ended 30 September: 2019 LE (000)	2018 LE(000)	For the three months ended 30 September: 2019 LE(000)	2018 LE(000)
Donations		180 323	116 691	92 695	82 056
Impairment loss on assets available for sale	(17)	-	43 547	-	(200)
Impairment of assets		-	600	-	-
Capital loss		470	178	420	27
Formed provisions during the period		2 252	-	2 252	-
Others expenses		59 075	130	-	14
		242 120	**161 146**	**95 367**	**81 897**

8. FINANCE INCOME AND COST

	For the Nine months ended 30 September: 2019 LE (000)	2018 Restated LE(000)	For the three months ended 30 September: 2019 LE(000)	2018 Restated LE(000)
Finance income				
Finance and interest income	96 404	342 580	16 937	70 841
Total finance income	**96 404**	**342 580**	**16 937**	**70 841**
Finance Cost				
Interest & finance cost *	(3 579 133)	(3 089 456)	(1 204 316)	(959 060)
Total finance cost	**(3 579 133)**	**(3 089 456)**	**(1 204 316)**	**(959 092)**
Foreign currency exchange differences gains	**151 989**	**(23 100)**	**84 455**	**(43 270)**
Net finance costs	**(3 330 740)**	**(2 769 976)**	**(1 102 924)**	**(931 489)**

* Restatement was made to same of the comparative figures as shown in note no. (38).

9. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

	For the Nine months ended 30 September: 2019	2018 Restated	For the three months ended 30 September: 2019	2018 Restated
Owners of the company share				
Net loss for the period (LE 000)*	(3 590 343)	(997 666)	(1 491 596)	(613 173)
Weighted average number of outstanding shares during the period (share)**	533 802 313	533 802 313	533 802 313	533 802 313
Basic and diluted loss per share for the period (LE / share)	**(6.73)**	**(1.87)**	**(2.79)**	**(1.15)**

* Restatement was made to same of the comparative figures as shown in note no. (38).
** 9 462 714 shares were eliminated for calculating the weighted average number of outstanding shares during the period which represent treasury stocks (Note no. 22).

10. FIXED ASSETS (NET)

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

	Note No.	Land * LE (000)	Buildings * LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leasehold improvments LE (000)	Total LE (000)
Cost:									
As of January 1, 2018 As previously reported		805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
Effect of applying EAS "49" - Lease Contracts	(38)	-	145 000	-	-	-	-	-	145 000
As of January 1, 2018 - Restated		805 614	10 519 423	36 000 923	297 990	286 167	164 934	3 902	48 078 953
Additions during the period		-	37 099	909 257	10 675	31 388	49 829	-	1 038 248
Disposals during the period		-	(4 106)	(252 322)	(157)	(285)		-	(256 870)
Translation differences of foreign entities		2 255	59 998	136 670	15	423	1 293	-	200 654
As of September 30, 2018 - Restated		807 869	10 612 414	36 794 528	308 523	317 693	216 056	3 902	49 060 985
As of January 1, 2019 - Restated		808 134	10 644 548	36 874 656	308 853	441 163	218 030	3 902	49 299 286
Additions during the period		-	10 397	158 314	6 691	29 268	19 389	-	224 059
Disposals during the period		-	-	(35 115)	-	(721)	(628)	-	(36 464)
Translation differences of foreign entities		(21 530)	(572 805)	(1 306 485)	(148)	(4 362)	(14 127)	-	(1 919 457)
As of September 30, 2019		786 604	10 082 140	35 691 370	315 396	465 348	222 664	3 902	47 567 424
Accumulated depreciation:									
As of January 1, 2018 As previously reported		-	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
Effect of applying EAS "49" - Lease Contracts	(38)	-	6 045	-	-	-	-	-	6 045
As of January 1, 2018 - Restated		-	2 570 336	18 205 640	247 741	166 543	120 346	3 902	21 314 508
Depreciation for the period		-	182 739	877 261	23 225	24 676	12 043	-	1 119 944
Accumulated depreciation of disposals during the period		-	(4 106)	(181 052)	(130)	(276)	-	-	(185 564)
Translation differences of foreign entities		-	14 072	53 793	15	372	782	-	69 034
As of September 30, 2018 - Restated		-	2 763 041	18 955 642	270 851	191 315	133 171	3 902	22 317 922
As of January 1, 2019 - Restated		-	2 826 769	19 189 599	277 294	202 838	136 943	3 902	22 637 345
Depreciation for the period		-	181 529	855 522	11 700	36 247	14 360	-	1 099 358
Accumulated depreciation of disposals during the period		-	-	(34 661)	-	(704)	(628)	-	(35 993)
Translation differences of foreign entities		-	(143 568)	(542 759)	(144)	(3 685)	(8 171)	-	(698 327)
As of September 30, 2019		-	2 864 730	19 467 701	288 850	234 696	142 504	3 902	23 002 383
Carrying amount:									
As of September 30, 2018 - Restated		807 869	7 849 373	17 838 886	37 672	126 378	82 885	-	26 743 063
As of December 31, 2018 - Restated		808 134	7 817 779	17 685 057	31 559	238 325	81 087	-	26 661 941
As of September 30, 2019		786 604	7 217 410	16 223 669	26 546	230 652	80 160	-	24 565 041
Fixed assets fully depreciated and still in use as of September 30, 2019		-	155 089	2 208 119	257 513	101 083	84 040	3 902	2 809 746

- Restatement was made to some of the comparative figures as shown in note no. (38).

- The land item includes a piece of land with a total area of 928 KM^2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

- Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.

- Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 Million.

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

	Note No.	For The Nine Months Ended September 30: 2019 LE(000)	2018 Restated LE(000)
Cost of sales	(3)	1 063 852	1 088 004
Selling and marketing expenses	(5)	467	3 845
Administrative & General expenses	(6)	35 039	28 095
		1 099 358	1 119 944

10.2 **Leased fixed assets:**

Fixed assets are included on September 30, 2019 leased assets as follows:

	Cost at 2019/9/30 LE (000)	Accumulated depreciation at 2019/9/30 LE (000)	Net at 2019/9/30 LE (000)	Net at 31/12/2018 LE (000)
Land *	70 000	-	70 000	-
Building **	145 000	12 385	132 615	135 333
	215 000	**12 385**	**202 615**	**135 333**

* During 2018, the company signed a contract of sale and lease back for 7 years ending 2025 for a plot of land owned by the company, Land cost amounted to L.E. 70 Million, as shown in note no. (28), 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 financial lease contracts for a two floors in Nile Plaza building for 8 years ending 2024 as shown in note no. (28).

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

	LE (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, 2018	(514 651)
Net modification surplus of fixed assets at December 31, 2018	**2 596 040**
Recognized portion during the financial period ended September 30, 2019	(136 563)
Net modification surplus of fixed assets at September 30, 2019	**2 459 477**
Attribute to:	
Owners of the Company	1 870 480
Non-controlling interest	588 997
	2 459 477

11. PROJECTS UNDER CONSTRUCTION

	30/9/2019 LE (000)	31/12/2018 LE (000)
Constructions expansion	83 705	62 547
Machinery under installation	397 436	256 880
Advance payments for purchase of fixed assets	69 442	42 076
	550 583	**361 503**

12. INVESTMENTS

12-1 Investments in associates

	Participation Percentage %	Investments cost 30/9/2019 LE (000)	Investments cost 31/12/2018 LE (000)
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – (Note no. 37-1)	50	-	-
		115	**115**

12-2 Investments available-for-sale

	Note No.	Investments cost 30/9/2019 LE (000)	31/12/2018 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		-	109 800
		17 806	**127 606**
(Less):			
Impairment loss on Arab Company for Special Steel	(18)	(17 726)	(17 726)
		80	**109 880**

* This item is represented in the participation of Ezz Rolling Mills Company- a subsidiary company- in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries group" (parent company) by 6 100 000 shares that constitutes a participation percentage of 3.813% , During the period these shares have been sold to the parent company by amount of LE 118 950 k.

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	30/9/2019 LE (000)	31/12/2018 LE (000)
Employees' advance payments		79 775	65 713
Employees' loans present value		40 354	45 056
		120 129	110 769
(Less):			
Employees' loans and advances due within a year	(17)	(55 941)	(44 968)
Long term employees' loans and advances		64 188	65 801
(Less):			
Differences resulted from change in long term employees' loans fair value		(14 080)	(14 790)
		50 108	**51 011**

14. OTHER ASSETS

The amount is represented in the paid up amount by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority which amounted to USD 3 248 K equivalent to LE 22 306 K for the approval of expanding the steel rebar production.

	LE (000)
Cost at January 1, 2019	22 306
(Less) / Add:	
Used during the period	(4 146)
Currency translation differences	2 287
Net at September 30, 2019	**20 447**

15. INVENTORY

	30/9/2019 LE (000)	31/12/2018 LE (000)
Raw materials and supplies	3 896 447	4 352 997
Work in process	477 512	364 991
Finished products	4 420 832	5 073 742
Spare parts and supplies	2 231 266	2 100 640
Goods in transit	189 122	1 009 803
Letter of credit	4 886	1 586
Consignment inventory	707	-
	11 220 772	**12 903 759**

16. TRADE AND NOTES RECEIVABLE

	Note No.	30/9/2019 LE (000)	31/12/2018 LE (000)
Trade receivables		940 258	286 002
Trade receivables – Related parties	(31-1)	7 174	7 032
Notes receivable		454 876	108 500
		1 402 308	**401 534**
(Less):			
Impairment loss on trade receivables	(18)	(29 657)	(29 657)
		1 372 651	**371 877**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2019 LE (000)	31/12/2018 Restated LE (000)
Deposits with others		1 116 578	948 262
Tax Authority	(17-1)	1 019 947	998 194
Tax Authority – usufruct	(17-2)	127 477	127 477
Tax Authority – VAT		757 880	590 270
Customs Authority		92 501	89 083
Accrued revenues		-	159
Prepaid expenses *		90 841	51 768
Alexandria Port Authority		17 634	19 719
Employees' loans and advance payments due within a year	(13)	55 941	44 968
Letters of credit cash margin		1 443	70 397
Letters of guarantee cash margin	(32)	1 085	885
Due from related parties	(31-2)	1 374 124	1 117 636
Advance payment under the account of employees' dividends		34 842	37 929
The Cairo Economic Court	(17-3)	35 060	35 060
Other debit balances	(17-4)	327 101	171 594
		5 052 454	**4 303 401**
(Less):			
Impairment loss on debtors and other debit balances	(18)	(32 996)	(32 996)
		5 019 458	**4 270 405**

* Restatement was made to same of the comparative figures as shown in note no. (38).

17-1 The Tax Authority balances includes an amount of LE 254.2 Million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (34-3-1) in addition to an amount of LE 219 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008.

17-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 Million – (Note no. 37-2).

17-3 The Cairo Economic Court balance represent the due to company in the previous paid amounts after deducting the penalties that judged in the misdemeanor No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.

17-4 The other debit balances item includes an amount of LE 49.5 Million represented 15% of the license related to 2nd which Ezz Rolling Mills Company- a subsidiary company- production line which paid on February 2012.

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	30/9/2019 LE (000)	31/12/2018 LE (000)
Impairment loss on trade and notes receivables	(16)	29 657	29 657
Impairment loss on debtors and other debit balances	(17)	32 996	32 996
Impairment loss on advances to suppliers		2 332	2 332
Impairment loss on investments available for sale	(12-2)	17 726	17 726
		82 711	**82 711**

19. CASH AND CASH EQUIVALENTS

	30/9/2019 LE (000)	31/12/2018 LE (000)
Banks - time deposits	251 722	297 448
Banks – current accounts	893 673	2 254 767
Cheques under collection	335 617	55 789
Cash on hand	162 451	13 418
	1 643 463	**2 621 422**
(Less):		
Banks – overdraft	(108 897)	(35 918)
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(252 724)	(607 128)
Cash and cash equivalents in the statement of cash flows	**1 281 842**	**1 978 376**

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

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

21. RESERVES

	30/9/2019 LE (000)	31/12/2018 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

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

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

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

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

22. TREASURY STOCKS

- Treasury stocks as of September 30, 2019 represents the value of 9 462 714 shares of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. TRADE AND NOTES PAYABLE

	30/9/2019 LE (000)	31/12/2018 LE (000)
Trade payables	5 677 775	5 752 408
Notes payable	1 128 355	1 034 594
	6 806 130	**6 787 002**
Unamortized portion of the current value of notes payable	(232 878)	(179 675)
Net current value of trade and notes payable	**6 573 252**	**6 607 327**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2019 LE (000)	31/12/2018 Restated LE (000)
Fixed assets – creditors		205 079	231 470
Accrued interest		694 435	500 518
Accrued expenses		592 966	643 682
Tax Authority		302 877	179 444
Performance guarantee retention		35 903	30 892
Sales tax instalments		96 483	96 483
Dividends payable		1 602	262 915
Due to related parties	(31-3)	19	23
Deferred revenues for grants	(29-2)	880	1 011
Other credit balances		161 510	105 419
		2 091 754	**2 051 857**

* Restatement was made to same of the comparative figures as shown in note no. (38).

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

	Not No.	30/9/2019 LE (000)	31/12/2018 LE (000)
Balance at the beginning of January		**132 532**	**120 535**
Add:			
Present service cost		15 927	8
Return cost		15 748	15 022
Previous return cost		-	732
Amounts recognized in the consolidated statement of income		**31 675**	**15 762**
		164 207	**136 297**
Employees paid subscriptions		6 584	7 903
		170 791	**144 200**
(Less):			
Paid pensions during the period / year		(6 718)	(7 362)
Actuarial gains from the defined benefits scheme for pensions		-	(4 306)
Total liabilities of supplementary pension scheme		**164 073**	**132 532**
Distributed as follows:			
Included in current liabilities		15 551	13 124
Included in long-term liabilities	(29)	148 522	119 408
		164 073	**132 532**

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

Average assumptions to determine the liabilities of the benefits	**30/9/2019**	**31/12/2018**
A- Average discount rate	18 %	18 %
B- Average inflation rate	16 %	16 %
Average assumptions to determine the net cost of the benefits	**30/9/2019**	**31/12/2018**
A- Average discount rate	18 %	15.5 %
B- Average inflation rate	16 %	14 %

Sensitivity Analysis of the system:

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

	Discount rate 17.5% LE (000)	Discount rate 18% LE (000)
Liability current cost	136 125	126 381
Service cost (current and return)	21 304	20 195

26. PROVISIONS

	1/1/2019 LE (000)	Formed during the period LE (000)	Used during the period LE (000)	30/9/2019 LE (000)
Tax provision and claims	222 323	2 252	(1 000)	223 575
Employees Lawsuits	1 955	–	–	1 955
	224 278	**2 252**	**(1 000)**	**225 530**

27- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	300 000	575 750	875 750	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the loan.
Banks - credit facilities			Average 17.9 % for the Egyptian Pound, and 6.8 % for the US Dollar			4 453 708	-	4 453 708	Without guarantees within a limit of LE 4.4 Billion.
27-2 Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-3 years	8 524	3 346 142	3 354 666	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	478 802	3 017 503	3 496 305	
Banks - credit facilities	To finance working capital and letter of credit.		Average lending and discount rate puplished from the Centeral Bank on withdrown amount of egyptian pound and based on Libor rate on withdrown amounts of US Dollar			10 080 419	-	10 080 419	
27-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Centeral Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	54 665	-	54 665	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledgeand possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
Loans - foreign currency			Related variable interest to Libor price.			1 319 463	-	1 319 463	
Banks - credit facilities			Based on an varaiable interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 510 088	-	1 510 088	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 860 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4 Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 working days beginning from every interest period (3 month for the first and second section) and (monthly for the Third section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the third section	1-10 years	792 103	4 108 521	4 900 624	Within a limit of LE 3.05 Billion gruanted by group of real estate mortgages and commercial mortgage.
Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			369 935	-	369 935	
Balance as of September 30, 2019						**19 367 707**	**11 047 916**	**30 415 623**	
Balance as of December 31, 2018						**15 431 817**	**11 233 811**	**26 665 628**	

27.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly instalments, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company get the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till September 30, 2019 deducted from the loan balance.
- The instalments paid until September 30, 2019 amounted to LE 820 Million (against LE 595 Million on December 31, 2018).

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted 800 Million LE for 3 years ending in October 17, 2021 and the balance as of September 30, 2019 is LE 690.6 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted LE 1.5 Billion or its equivalent in foreign currencies. It`s balance amounted to LE 1 252.34 Million as at September 30, 2019 whose due date is September 2020.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2020, amounted LE 600 Million or its equivalent in foreign currency. It`s balance amounted to LE 363.08 Million as at September 30, 2019 and a portion in the foreign currency whose balance amounted to LE 38.23 Million equivalent to USD 2.34 Million.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2020 with a total amount of USD 158 Million or its equivalent in local currency. It`s balance amounted to LE 997.2 Million as at September 30, 2019 and a part in foreign currency amounted to USD 24.67 Million equivalent to LE 402.94 Million.
- The company Transferred part of the existing debt to a medium – term loan from Qatar national bank (as a part of the company's financial restructuring plan) with the amount of USD 69.5 Million and the lone is to be paid in twenty-six quarter annual instalments ending at February 28, 2025. The balance as at September 30, 2019 amounted to USD 58.7 Million equivalent to LE 958.98 Million.
- The company Transferred part of the existing debt to a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with the amount of USD 61.5 Million and the lone is to be paid in twenty eight quarter annual instalments ending at May 28, 2025. The balance as at September 30, 2019 amounted to USD 50.6 Million equivalent to LE 826.65 Million.

- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalments ending at July 15, 2025. The balance as at September 30, 2019 is amounted to USD 45.6 Million equivalent to LE 744. 97 Million.
- The company obtained a medium-term loan from HSBC to finance the development and construction of the second direct reduction plant at an amount of EURO 12.5 Million and LE 80 Million. the loan is to be paid in 12 Semi-annual instalment ending on July 15, 2025, The balance as at September 30, 2019 is amounted to LE 51.14 Million and a portion of foreign currency amounted to USD 12.11 Million equivalent to LE 197.71 Million.
- The company obtained a medium-term loan from NBK for the purpose of restructuring part of the outstanding debt by USD 20 Million. The loan is to be paid in 26 quarter annual instalments ending at February 28, 2026. The balance as at September 30, 2019 is amounted to USD 20 Million equivalent to LE 326.74 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

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

According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent. The most significant guarantees provided are represented in real estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory lien on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in 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 company reached an agreement with the lenders to reschedule the loan instalments in September 2004. The Company started paying the rescheduled instalments regularly as of August 2004 until August 2010, and the Company is in process of reaching an agreement with the banks to reschedule loans instalments again.

The balance of the loan instalments due within a year according to the loans agreements amount to USD 84.11 Million equivalent to LE 1 374 Million representing the instalments due since the payment cessation date until September 30, 2019.

28. Finance lease

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	30/9/2019	31/12/2018 Restated	30/9/2019	31/12/2018 Restated	30/9/2019	31/12/2018 Restated
	L.E	L.E	L.E	L.E	L.E	L.E
Due within one year	123 945	120 591	82 373	87 748	41 572	32 843
Due within one year	**123 945**	**120 591**	**82 373**	**87 748**	**41 572**	**32 843**
Due from 1:2 years	124 480	248 650	73 248	150 965	51 232	97 685
Due from 3:5 years	363 756	354 074	142 843	131 679	220 913	222 395
Due more than 5 years	122 466	101 028	19 942	14 449	102 524	86 579
Long term liabilities	**610 702**	**703 752**	**236 033**	**297 093**	**374 669**	**406 659**
Total	**734 647**	**824 343**	**318 406**	**384 841**	**416 241**	**439 502**

* Restatement was made to some of the comparative figures as shown in note no. (38).

- 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 period. On July 18, 2017, the company signed appendixes to these contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending July 2025. On September 20, 2018, the company signed an appendix to these contracts to increase the finance related to the leased asset in a form of revaluation of that asset and modify the capital lease contracts, the repayment of the extra finance will be on 32 quarterly equally installment starts from December 20, 2018 till September 20, 2026, The cost of acquiring these two floors has been included in the buildings item in the fixed assets of the company in accordance with the Egyptian Accounting Standard No. (49) Leasing contracts, as shown in note no. (38).
- 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 is 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, as shown in note no. (38).
- The details of mentioned contracts as follow:

Description	Contract number	Contract starting date	Contract period	Total Value of contract LE (000)	Instalments Quarterly	Payments till 30/9/2019 LE (000)	Capital lease liability as at 30/9/2019 LE (000)
Corplease	4537 & 4538	2016	8 years	528 493	32	153 207	375 286
Corplease	4675	2016	8 years	21 101	32	5 841	15 260
HD For Capital Lease	1	2018	7 years	407 852	28	63 751	344 101
				957 446		**222 799**	**734 647**

- The company has issued postpaid cheques in favor of the leasing companies for all capital lease liabilities till September 2026.

29. LONG TERM LIABILITIES

	Note No.	30/9/2019 LE (000)	31/12/2018 Restated LE (000)
Notes payable		872 092	869 469
Liability of the supplementary pension scheme	(25)	148 522	119 408
lending from others	(29-1)	605 351	665 490
Deferred revenues for grants	(29-2)	1 536	2 809
		1 627 501	**1 657 176**
Unamortized portion of present value of notes payable		(216 358)	(273 294)
Present value for long term liabilities		**1 411 143**	**1 383 882**

* Restatement was made to some of the comparative figures as shown in note no. (38).

29.1 Al Ezz Flat Steel Company – a subsidiary company - borrowed USD 37 Million equivalent to LE 620 Million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

29.2 Deferred revenues represents the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K. Deferred revenues within one year is amounted to LE 880 K (Note no. 24).

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	30/9/2019		31/12/2018	
	Assets	Liabilities	Assets Restated	Liabilities Restated
	LE (000)	LE (000)	LE (000)	LE (000)
Fixed assets *	-	(3 697 532)	-	(3 850 191)
Unpaid dividends in subsidiary companies	-	(9 685)	-	(36 290)
Provisions	25 974	-	25 974	-
Impairment loss on debtors	6 674	-	6 674	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	1 489	-	1 489	-
Financial lease liabilities *	40 588	-	43 250	-
Tax carried forward loss **	1 521 166	-	1 618 420	-
Foreign currency exchange differences loss	205 366	-	121 801	-
Foreign currency exchange differences gain	-	(83 741)	-	(12 730)
	1 805 245	**(3 790 958)**	**1 821 596**	**(3 899 211)**
Net deferred tax (liability)		**(1 985 713)**		**(2 077 615)**

* Restatement was made to some of the comparative figures as shown in note no. (38).

** This item included deferred tax assets recognized for the tax carried forward loss of Al Ezz Flat Steel company and Al Ezz Rolling Mills Company (subsidiaries companies) which amounted to LE 6.9 Billion.

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

	For the Nine months ended 30 September:	
	2019	2018 Restated
	LE (000)	LE (000)
Net deferred tax	(1 985 713)	(2 108 063)
Less:		
Translation difference	99 181	(8 219)
Tax liabilities adjustments	(40 124)	-
Previously charged deferred tax	(2 077 615)	(1 736 867)
Deferred tax	**32 845**	**(362 977)**

30.3 Unrecognized deferred tax assets

	30/9/2019	31/12/2018
	LE (000)	LE (000)
Impairment loss on Receivables and debtors	7 954	7 954
Provisions	23 364	23 364
Tax losses	629 448	329 003
	660 766	**360 321**

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

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 2.125 Million and LE 350 K respectively in addition to rent amounted to LE 1 260 K The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 30/9/2019 Debit/(credit) LE (000)	Balance as of 31/12/2018 Debit/(credit) LE (000)
31.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	Sales	2 125	7 174	7 032
			7 174	**7 032**
31.2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (parent company)	Gain form sale of Financial investments available for sale	118 950	1 350 321	1 099 233
- Gulf of Suez Development Company (Affiliated company)			76	45
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	Purchases	350	23 727	18 358
	Rent	1 260		
			1 374 124	**1 117 636**
31.3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(19)	(23)
			(19)	**(23)**

32. CONTINGENT LIABILITIES

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

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 5 669 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between the it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 1 050 Million	Bailing the subsidiary in the short term finance which is given to it by the National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 400 Million.
Al Ezz Flat Steel Company	LE 860 Million	Guarantees unconditional and irrevocable solidarity of the amount of the credit facilities granted by the National Bank of Egypt to the subsidiary and its interest, commissions and any other burdens until payment is complete.

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

	30/9/2019 Equivalent LE (000)	31/12/2018 Equivalent LE (000)
Letters of guarantee		
Egyptian Pound	6 150	6 529
US Dollar	17 971	19 745
Letters of credit		
US Dollar	836 487	837 094
Euro	192 427	38 091

- The amount of letters of guarantee fully covered issued by the banks of the Company and its subsidiaries in favour of others on September 30, 2019 amounted to LE 1 085 K (against LE 885 K as of December 31, 2018 fully covered) (Note no.17).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as of September 30, 2019 are represented in the amount of LE 40.4 Million (against LE 112.7 Million as of December 31, 2018).

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 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, 2014 and there are no outstanding dues or tax disputes. Tax assessment issued and paid.
- The Company submitted tax returns until year 2018 under Law No. 91 for 2005 on the due legal dates.

34.1.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until year 2014 and the company paid the tax differences in full.
- Tax returns were submitted according to Value Added Tax law on the due legal dates.

34.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2012 and there are no outstanding dues.
- The Tax inspection for years 2013 and 2014 was completed and the dispute was transferred to appeal committee.
- The Tax inspection is currently finalised for the years 2015 & 2016.

34.1.4 Stamp tax

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

34.1.5 Property tax

- The tax assessment issued and paid up to 31/12/2018.

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books and a settlement was made until 2015 and the taxes due were paid and there are no any due amounts on the company for this period.

34.2.2 Sales tax and VAT

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

34.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid.

34.2.4 Stamp tax

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

34.2.5 Property tax

- The tax assessment issued and paid up to 31/12/2018.

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment and free zone "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000 / 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Court ruling issued on July 16, 2005. The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee. And on June 12, 2010, the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004.
- The due tax was paid in full and form No. (9) Paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.
- The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3),(4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 Million in additional to delay penalty. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same year. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.
- On February 17, 2011, the Tax Authority has held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219.3 Million according to the tax

assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 Million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 Million on 24 installments the first installment amounting to LE 8.3 Million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 Million each, in addition to the delay interest on the amount paid on installments by amount of LE 34.9 Million. The paid amounts is LE 254.2 Million, including delay interest amounting to LE 35 Million. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and the session was postponed to February 3, 2020 for judgment.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 95 Million in addition to delay interests, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee. The company filed the lawsuit No. 245 - Alexandria Court for the purpose of plea to the nullification of the Appeal Committee's decision issued on December 14, 2011,The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1 698) for the year 72 J which directed to commissioners committee which in turn assigned an expert to report , The session was postponed to December 30, 2019
- The Appeal Committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally cancelled, hence the company filed the lawsuit No. 245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1698) for the year 72 J and a session is set to be consider on December 30, 2019 for report.
- The Tax Authority demanded that the company pays an amount of LE 120.6 Million as a delay penalty based on the article No. 111 of the Law No. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax additional taxes in addition to delay penalty during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.
- The company ensures the validity of its position and the strength of its defence since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a Lawsuit No. 269 for the year 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 Million in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted

LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.

- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a decision of not approving the donations as it is considered to a normal persons and a law suit no.(1138) of 73 J has been filed appealing on the committee decision and the session was set to be held on January 8, 2020 to check the commissioners report.
- The tax authority inspected the years 2011/2013 and the company has been notified with tax form No. (19), the tax differences amounted to LE 163 Million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 Million.
- The final settlement is made with the tax authority (rather than the previously mentioned current lawsuits) for years from 2007 till 2013 to get advantage of the benefits of Law No. 174 of year 2018 about exemption from delay penalties.
- The tax inspection for years from 2014 till 2017 has inspected, and the company were not notified with any tax form till that date, yet.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The tax inspection of the company for the years 2008/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of LE 7.3 Million.
- The tax inspection for the years 2013/2016 was completed and the company was notified by form no. 37 salaries with accrued tax of LE 887 K which have been paid in full.
- Tax inspection for the years 2017/2018 has not been made yet.

34.3.3 Sales Tax and VAT

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

  However, the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling. On August 29, 2013, the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and recorded with No.10229 for the year 68 J, the lawsuit was postponed to March 4, 2020 session for getting the expert's report.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 Million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the Large Taxpayer Center, points of contention have

been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 Million and the dispute is represented in the amount of LE 7 Million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company made the litigation No. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67 J Administrative Judiciary. The company paid an amount of LE 4.5 Million, and the remaining portion with the amount of LE 2.5 Million is represented in sales tax imposed on the lent billet which was regained. a session was set on December 25, 2019 for the judge and it was postpone for one week to January 1, 2020 for getting the judge.

- The company was inspected for the year 2011 and the company has been notified with form No. (15), the differences amounted to LE 1.5 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- The tax authority notified the company with an additional tax amounted LE 5.1 Million from the date of wrong admission instead of the committee decision date and filing a lawsuit No. 8967 for the year 72 J Alexandria Administrative Judiciary and the session was set on October 9, 2019 for documents submission. On November 23, 2019 a session set by the state Administrative court issued a ruling dismissing the case and now reviewing the reasons for the dismissal to appeal.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.3 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by LE 6.5 Million and it was fully paid and the cancellation of LE 17 Million, and it has been notified with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed No.15083 for the year 72 J Alexandria Administrative Judiciary and a session was set on December 25, 2019 for the judge and it was postpone for one week to January 1, 2020 for getting the judge.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) with tax differences amounted to LE 35 Million and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of LE 24 Million and the difference of LE 11 Million and was paid in full.
- The company's tax examination for the years 2016/2018 has not been completed to date.

34.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 2 Billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.

  Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.
- Although, the company filed Lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by No. 14721 for the year 69 J Alexandria Administrative Judgment to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the

claim, on June 25, 2018 a session set by the state Administrative court ruled to assign an expert in the lawsuit and it was determined on February 12, 2020 for submitting expert.

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

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed Lawsuit No. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority restricted with No. 36522 of year 69J and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials during the period from February 2003 till December 2013 and The Administrative Court of Alexandria has appointed an expert in the case to examine the company's requests and the expert did not proceed until now and the lawsuit was postponed to February 26, 2020 for getting the expert's report.

- Although the company filed Lawsuit No. 89741 for year 72J - Administrative Court Alexandria – to refund L.E 3 471 K value of what has been collected for sales tax on license for period from January 2014 to September 2016 , the lawsuit was postponed to February 26, 2020 for getting the expert's report.

34.3.6 Real Estate Tax

- The real estate tax was paid up to June 30, 2013 in accordance with the provisions of Law No. 56 of 1954.

- The Real Estate Tax Authority notified the Company of form (3) of the rental value and annual real estate tax as of September 30, 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on May 4, 2016. The company notified with the decision of appeal committee no. 371/372 for the year 2015 stating that a real estate tax of LE 17 Million has been approved annually. The tax due for the period from July 1, 2013 to September 30, 2019, according to the decision of the appeal committee, is 102 Million Egyptian pounds. In front of the Administrative Court No. 2636 for the year 7 J and the session will be on January 8, 2020 the company and pay your monthly payments in order to avoid delay in exchange for calculation.

- The Customs and Real Estate Taxation Authority has ordered the company to pay a tax of LE 4.5 Million for the properties used in the port of Dekheila. A lawsuit was filed with the No. 14629 for the year 71 BC not to qualify for a tax and payment of 6.3 Million pounds as payment until a judicial ruling was issued.
- The Real Estate Tax Authority - the Custom – claimed the company a tax amounted to L.E 4.5 Million for the real estate used inside El Dekheila port , the lawsuit was filed No. 14629 for year 71J with no tax due and paid L.E 6.3 Million as payments until issuance of judgment.

34.3.7 Service Charges related to imported equipment for production use

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

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

that the company announced on 22/1/2013 that is filed the appeal No.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company.
On November 6, 2012, the appeal ruling was issued in favor of the company supporting the first degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

34.3.8 Withholding Tax

- A committee from the Central Administration in Cairo and Burj Al Arab inspected the company for the discount and addition tax for the years 2011 through 2015, and the examination resulted in a tax benefit of LE 1.3 Million, which was paid in full.
- The tax Authority inspected the company for years from 2016 / 2018 and the company has not received any tax forms, yet.

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license 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 31/12/2014 and resulted in tax losses.
- The company summited the tax return in the legal dates for 2015 till 2017 and preparation is set for inspection for this years.
- The company submits the tax return in the legal dates.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 31/12/2011 and finalize all the disputes and there is no any due amounts on the Company.
- The tax Authority inspected the company for years from 2012 till 2014 and the company has not received the results, yet.
- The company submit its tax return on legal due dates and the tax inspection was not requested yet.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2015 tax assessment issued and paid up to legal date.
- The tax inspections were not made for the years 2016 to 2018.
- The company submit its tax return on legal due dates.

34.4.4 Stamp tax

- Tax inspection was made till 2016, there is no claims on the Company.
- The tax inspection is currently preparing for the years 2017 and 2018.

34.4.5 Real Estate Tax

- The company received real estate tax claims and part of these claims were repaid. The company appealed on the estimates of the rental value estimated by the counting committees and the estimate in the legal dates. The decision of the committee of appeal against the rental value was issued mainly for calculating the real estate tax by accepting the appeal in form.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 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.

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities and finance lease liabilities which amounted to LE 31 759 872 K as of September 30, 2019 (LE 28 161 078 K as of December 31, 2018). Financing interest and expenses related to these balances amounted to LE 3 579 133 K during the period (LE 3 089 456 K during the same period of the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 504 446 K as of September 30, 2019 (LE 904 576 K as of December 31, 2018), interest income related to these balances amounted to LE 96 404 K during the period (LE 342 580 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 which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	30/9/2019 LE (000)	31/12/2018 Restated LE (000)
Long term lending to others	(13)	50 108	51 011
Trade and notes receivables	(16)	1 372 651	371 877
Debtors and other debit balances *	(17)	5 019 458	4 270 405
Suppliers - advance payments		796 071	697 060
Investments in treasury bills		13 646	10 580
Cash and cash equivalents	(19)	1 481 012	2 608 004

* Restatement was made to same of the comparative figures as shown in note no. (38).

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 710 916 K and LE 15 867 365 K respectively, as of the financial position date.

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

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(800 557)
Euro	(58 679)
Swiss Frank	13
Sterling Pound	(285)
Japanese Yen	(166 427)
AED	4

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

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

	Closing rate		Average closing rate For the Nine Months Ended September 30:	
	30/9/2019	31/12/2018	2019	2018
US Dollars	16.33	17.88	17.0800	17.92667
Euro	17.8765	20.5012	19.2414	20.64887
Swiss Frank	16.4866	18.1911	17.3203	18.18353
Sterling Pound	20.1349	22.8882	21.7841	23.64867
AED	4.446	4.8682	4.6512	17.92667

36. THE LITIGATION STATUS

36.1 Workers Lawsuits Regarding Profits Differences:

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

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

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

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

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

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

- Some individuals and companies trespassed a part of the company's lands with an area of approximately 17 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated December 13, 1998 issued by virtue of Decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. The trespass was erased at September 12,2017 and the company received the land in accordance with the delivery report from the state property protection authority and ElAgami district after erasing trespass from main road and legal actions are in process to finalize the land register.
- As stated on the contract which was dated on February 3, 1999 between the company as the buyer and Dr. Waheed Rafaat as a seller, the Company purchased a plot of land with total area of approximately 29 feddans on the Ezbat Elbarbary next to Om Zeghio – Dekhaila with a total value of L.E 14 007 K ,The company paid L.E 9 404 K and the remaining will be paid when the seller obtains the property after a final judgment confirmation.

The seller filed the lawsuit No. 1646 for the year of 1991 in Alexandria civil court, and the court refused it. The appeal No. 6511 of 59 J was made before the Alexandria Court of Appeals, and on April 9, a session, was judged by confirming the ownership of the land plot to the seller,the state appealed on the jurisdiction cassation No. 12142 for the year 89 J, and no decision nor session has been determined until this date.

On 25/10/2019, the seller filed a lawsuit No. 1631 of 2019 civil before the West Alexandria initial court requesting of falling and rejecting the company's right of requesting the transferring of the land's ownership to remain in his right of disposal and ownership, and removing the effect of the initial contract between him and the company, and evacuating and dismissing the company of it, and the the lawsuit has been replied, and it was set on January 2, 2020 for consideration and claimant's response.

On September 17, 2019 the company submitted a request No. 596 for 2019 for registering the enforceability of the selling contract against the seller, and it was referred to relevant office who conducted the necessary inspection for the land plot on the ground after the company paid all the survey costs incurred for extracting the survey statement and follow the procedures.

37. OTHER TOPICS

37.1 EZDK Steel UK limited Company

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

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

37.2 Alexandria Port Authority

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

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

  On October 3, 2012, the company paid the principal tax amounting to LE 104 Million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks. The sales tax authority is of the opinion the necessity of payment the additional tax in order to cease the mentioned procedures.
  The company's management paid an amount of LE 127.5 Million under the account of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favour of the Port Authority.

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

The company has also established Case No. 1609 of year 2014 civil with No. 36522 for the year 69 J against both the Port Authority and the Tax Authority requesting the recovery the collected amount from the company under the name of the sales tax for the period from February 15, 2003 till December 31, 2013 in the amount of LE 249 525 k, On November 28, 2018, the court appointed an expert in the lawsuit and deferred to the hearing of February 26, 2020 for the filing of the expert report, and the company filed a lawsuit No. 8971 for the year 72 J Administrative District - Alexandria request the refund of the amount of LE 34 711 k value collected under the name of sales tax on License to use the period from January 2014 to September 2016 The court has appointed an expert in the case, which is deferred to February 26, 2020 for the report.

38. COMPARATIVE FIGURES

During the period, the company's management has applied the Egyptian Accounting Standard No. (49) "Leasing Contracts" to the outstanding finance leases contracts up to the date of the issuance of this standard , as the accounting policies related to finance lease contract has been modified in according with this standard , according to the transitional guidelines mentioned in that standard the new accounting policy has been implemented on the outstanding finance lease contracts retroactively with recognition of the cumulative effect of the initial adoption of the standard at the primary adoption date as an adjustment to opening balance of retained losses in the initial adoption date (started January 2018) as follows:

First : Impact on the Consolidated Statement of Financial Position:

Description	31/12/2018 As previously reported Debit/(Credit) LE (000)	Restatement Debit/(Credit) LE (000)	31/12/2018 Restated Debit/(Credit) LE (000)
Fixed assets (net)	26 456 608	205 333	26 661 941
Deferred tax assets	1 778 346	43 250	1 821 596
Debtors and other debit balances	4 293 285	(22 880)	4 270 405
Retained earnings *	5 037 010	7 742	5 044 752
Long term credit balance	(1 601 397)	217 515	(1 383 882)
Finance lease liabilities	-	(406 659)	(406 659)
Deferred tax liabilities	(3 853 011)	(46 200)	(3 899 211)
Finance lease liabilities due within one year	-	(32 843)	(32 843)
Creditors and other credit balances	(2 086 599)	34 742	(2 051 857)

Second : Impact on the Consolidated Statement of Income:

Description	For the 9 months ended 30/9/2018 As previously Reported LE (000)	Restatement Debit/(Credit) LE (000)	For the 9 months ended 30/9/2018 Restated LE (000)
Administrative and general expenses	943 540	(29 774)	913 766
Finance cost	3 066 925	22 531	3 089 456
Deferred tax	362 731	246	362 977
Basic and diluted earnings per share (LE/share)	(1.88)	0.01	(1.87)

Description	For the 3 months ended 30/9/2018 As previously Reported LE (000)	Restatement Debit/(Credit) LE (000)	For the 3 months ended 30/9/2018 Restated LE (000)
Administrative and general expenses	343 318	(9 608)	333 710
Finance cost	951 858	7 202	959 060
Deferred tax	57 300	247	57 547

Third : Impact on the Consolidated Statement of Cash Flow:

Description	For the 9 months ended 30/9/2018 As previously reported	Restatement	For the 9 months ended 30/9/2018 Restated
	LE (000)	LE (000)	LE (000)
Net profit for the period before income tax	684 225	7 243	691 468
Interest and finance expenses	3 066 925	22 531	3 089 456
Fixed assets depreciation	1 117 225	2 719	1 119 944
Finance lease expense for the period	32 493	(32 493)	-
Finance interest paid	(3 007 447)	(22 531)	(3 029 978)
Payments for finance lease	(26 467)	22 531	(3 936)

* Restatement of retained losses at December 31, 2018 represented in reducing the retained losses in January 1, 2018 with an amount of L.E 12 880 k and increasing the net loss of year 2018 with an amount of L.E 5 138 k.

39. SUBSEQUENT EVENTS

On August 4, 2019, the Board of Directors of Ezz El Dekheila for Steel - Alexandria (subsidiary company) approved the acquisition of 42 Million shares of Ezz Flat Steel Company (subsidiary company) by 56% to complemented 100%, this is after the elimination of the current share of Ezz El Dekheila for Steel - Alexandria by 44%, and 89.8 Million shares represent 100% of the shares of Ezz Rolling Mills Company (subsidiary company) based on the fair value of the shares.

As the Board of Directors of the said company approved the study of the independent financial advisor for the fair value amounted to L.E 1 176.85 per share, the fair value of Ezz Flat Steel Company amounted to USD 10.09 per share and the fair value of Ezz Rolling Mills Company amounted to L.E 23.07 per share.

As it also approved the increase of the authorized capital of Ezz El Dekheila for Steel - Alexandria by an amount of L.E 1.5 Billion to be L.E 4 Billion, as well as increase the issued capital by 13 Million shares at fair value amounted to 1 176.85 per share with a par value of L.E 100 per share in addition to L.E 1 076.85 as an issuance premium per share, as well as an invitation to the current shareholders to subscribe in 12 175 202 share of the increased shares each for it's contribution in capital either by cash or by credit balances resulted from the acquisition of Ezz El Dekheila for Steel on their shares in both Ezz Flat Steel Company & Ezz Rolling Mills Company, and allocating the remaining shares of the increased shares amounted to 824 798 to the remaining shareholders of both Ezz Flat Steel Company and Ezz Rolling Mills Company against their credit balances resulted from the acquisition.

On September 22, 2019 The Extraordinary General Assembly of Ezz El Dekheila for Steel - Alexandria approved the transactions mentioned above, the legal procedures are currently being taken to complete those transactions.

During the subsequent period on October 3, 2019, the Board of Directors of Ezz Steel company approved that Ezz El Dekheila for Steel – Alexandria company will acquire all owned shares by Ezz Steel company in each of Ezz Flat Steel Company and Ezz Rolling Mills Company, which is in accordance with the above mentioned acquisition process.

During the subsequent period, the ownership of 88 921 050 shares and 35 289 000 shares of Ezz Rolling Mills company and Ezz Flat Steel company, respectively were transferred to Ezz El Dekhaila for Steel – Alexandria and the value of these shares has been charged to the current account of Ezz El Dekhaila for Steel – Alexandria, which implementation of the above mentioned acquisition process .

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following accounting policies have been applied consistently by the group's companies which is coincided with applied policies in all presented periods in this consolidated interim financial statements, taking into consideration restatement was made to the comparative figures in consolidated interim financial statements as shown in note no. (38) regarding the accounting policy related to the finance lease contracts.

40.1 *Foreign currency translation*

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

Financial statements of Al Ezz Flat Steel (EFS)

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

40.2 *Fixed assets and depreciation*

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

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

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

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

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

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

40.3 *Cost subsequent to acquisition*

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

40.4 *Projects under construction*

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

40.5 *Other assets*

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

40.6 *Investments in associates*

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

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

40.7 *Investments available-for-sale*

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

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

40.8 *Investments in treasury bills*

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

40.9 *Goodwill*

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

40.10 *Inventory*

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

- <u>Raw materials</u>: is valued at its cost up to bringing them to warehouses, and the outgoing is evaluated using the first in first out method.

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

40.11 Trade and notes receivables and debtors

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

40.12 Cash and cash equivalents

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

40.13 Trade and notes payable and creditors

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

40.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

40.15 Interest-bearing borrowings

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

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

40.16 Provisions

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

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) **Sales revenues**

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

b) **Dividends**

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

c) **Interest income**

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

40.19 lease contracts

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

40.22 Grants related to assets

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

40.23 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.23.1 Credit risk

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

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

40.23.1.1 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.

40.23.1.2 Cash and cash equivalents

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

40.23.2 Liquidity risk

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

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

40.23.3 Market risk

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

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

40.23.3.1 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.

40.23.3.2 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.

40.23.3.3 Other market prices risk

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

40.23.4 Capital management

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

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event 4. Pursuant to the requirements of this standard, the following criteria have been amended: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date. These amendments shall be effective from the date of application of the standard 47.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
New Egyptian Accounting Standard (49) "Leases"	1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease. 3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease. 4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a	The management of the Company has applied the accounting treatment stated in the Egyptian Accounting Standard No. (49) Leases Contracts for up to the date of issuance of the standard as shown in note no. (38). The Company's management is currently assessing the potential impact on the financial statements when the standard is applied to the remaining lease contracts in which the company is a party.	Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	due amounts equal to the net investment in the lease contract. 5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.		lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. (17) "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) " Disclosure of Interests in Other Entities "	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (42) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", and amended 2019.
Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"	This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. .., etc. This interpretation gives the option of	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.		
Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (34) Investment Property	- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair value model on subsequent measurement of all its real estate assets. Based on this amendment, both: - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019