EZZ STEEL REPORTS CONSOLIDATED 1Q22 RESULTS

Cairo, 02 June 2022 – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 March 2022. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	1Q22	1Q21
Net sales	**18,641**	**13,498**
Gross profit	**4,603**	**2,870**
EBITDA*	**4,337**	**2,701**
Net profit before tax**	**1,754**	**1,243**
Net profit	**1,217**	**1,188**
Earnings per share (EPS)***	1.42	1.47

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

** After allowing for an FX loss of EGP 1,133mn.

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 31 March 2022.

For further information:

Ezz Steel

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Comment

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

- Sales amounted to EGP 18,641 million in 1Q22, compared to EGP 13,498 million in 1Q21. Rebars sales constituted 57% of total sales, and sales of hot-rolled flat steel (HRC) 42%.
- Ezz Steel achieved an export sales value of USD 212 million in 1Q22, of which sales of HRC reached USD 184 million and sales of Wire Rods reached USD 28 million. Comparatively, in 1Q21 exports amounted to USD 269 million dollars, of which USD 208 million from HRC sales and USD 61 million from Wire Rods sales. In 1Q22, the Company's domestic sales of HRC rose as local HRC consumption grew. Being the largest supplier of HRC to the local market, the Company continues to balance its export goals with its domestic commitments.
- Net profit before taxes amounted to EGP 1,754 million in 1Q22, compared to EGP 1,243 million in 1Q21. The income tax amounted to EGP 560 million and deferred tax (income) EGP 23 million. Thus, net profit after tax amounted to EGP 1,217 million in 1Q22, an increase of 2.4% compared to that of 1Q21 (EGP 1,188 million).
- Global steel consumption decreased 6.8% in 1Q22 to reach 457 million tonnes, compared to 1Q21 consumption of 490 million tonnes. China continues to enforce strict measures to reduce its environmental emission, consequently, its consumption decreased 10.5%, deeming it the chief reason for the decrease in global consumption.
- Domestic consumption of rebars increased 38% to reach 2.145 million tonnes in 1Q22 compared to 1.555 million tonnes in 1Q21, when the market was suffering from slow building permits procedures, and from the negative effect of COVID-19.
- The Company's rebars sales increased 33% from 595 thousand tonnes 1Q21 to 789 thousand tonnes in 1Q22. National projects continue to maintain demand at relatively high levels. Furthermore, the Company still sees opportunities for growth in its rebars production. The expected market growth coincides with the upcoming operation of EFS's second melt-shop, which has a capacity of 1.6 million tonnes per annum. The melt-shop is scheduled to commence operations in 4Q22.
- The local market is witnessing a significant growth in HRC consumption, increasing 37% to reach 512 thousand tonnes in 1Q22 compared to 373 thousand tonnes in 1Q21. The increase was driven by downstream industries - such as the engineering and cold-rolling industries – increasing local HRC supply (namely, from Ezz Steel) over imported HRC, in addition to increasing their product exports. Ezz Steel continues to support the local industries dependent on HRC as the largest supplier, with a 60% market share. Local HRC sales in 1Q22 amounted to 315 thousand tonnes, compared to 260 thousand tonnes in 1Q21.

- The Central Bank of Egypt adopted the necessary measures to tackle the economic challenges facing emerging markets, including Egypt. First, the interest rate was increased by 1% on 21 March 2022, and then by an additional 2% on 19 May 2022 (after the financial quarter). The impact of this on Ezz Steel is relatively limited given that the majority of Ezz Steel’s local currency loans finance working capital, and therefore, benefit from the Central Bank's preferential 8% interest rate industry-support initiative, which remains unchanged. Second, the Egyptian Pound exchange rate was liberalized on 21 March 2022, consequently, the currency devalued against the US Dollar and other major currencies by c.17%. This economic development strengthens the competitiveness of the Company’s exports in the global markets.
- In January 2022, EZDK acquired 18% of the total equity of Egyptian Steel. EZDK financed EGP 1.25 billion i.e. 50% of the investment value from its cashflow. The agreement between the two parties stipulates that the remaining 50% be paid in two equal instalments: the first in January 2023 and the second in January 2024.
- The Russia-Ukraine conflict has affected - and will continue to affect - the global economy, especially through the increased risk of limited commodity availability and inflation. Such risks led to an increase in the prices of raw materials of most industries, including iron and steel at the outset of the events. Russia and Ukraine are important suppliers of iron ore, billet, scrap, HRC, and rebars to Europe. As a result of the uncertainty, Russia and Ukraine’s trading partners searched for alternative suppliers. Ezz Steel has succeeded in securing raw materials and consumable from other global sources. Additionally, the advanced technical flexibility of all of Ezz Steel’s plants allows it to reduce its consumption of iron (DRI) in favour of scrap and vice versa, giving it greater resilience in managing different variables.

About Ezz Steel

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

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

Operational Review

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

Sales

Consolidated net sales for 1Q22 were EGP 18,641 million compared to EGP 13,498 million in 1Q21, representing a 38% increase.

EGPMn*	**Ezz Steel Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Long	2,995	7,620	**10,615**
Flat	-	7,778	**7,778**
Others	-	248	**248**
Total	**2,995**	**15,646**	**18,641**

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 10.6 billion, or 57% of sales in 1Q22, while flat steel products represented 42% of sales at EGP 7.8 billion. Flat product exports accounted for 39% of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**%**	**Export**	**%**
Long	10,160	96%	455	4%
Flat	4,740	61%	3,038	39%

Long sales volume increased 33% to reach 789 thousand tonnes during 1Q22. Flat sales volume increased 6% to reach 503 thousand tonnes.

The group's consolidated sales volumes totalled 1.29 million tonnes in 1Q22 compared to 1.13 million tonnes in 1Q21, an increase of 14%.

Production

Long steel production volumes totalled 808 thousand tonnes during 1Q22 compared to 715 thousand tonnes in 1Q21, an increase of 13%. Flat steel production volumes decreased 5% to reach 475 thousand tonnes compared to 500 thousand tonnes in 1Q21.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 1Q22 represented 75% of sales compared to 79% in 1Q21. Consequently, gross profit margin reached 25% in 1Q22 compared to 21% in 1Q21.

Ezz Steel Standalone reported a COGS/Sales ratio of 90% for 1Q22.

EGPMn*	**ESR Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Sales	2,995	15,645	18,641
COGS	2,685	11,352	14,037
COGS/Sales	**90%**	**73%**	**75%**

*after the elimination of intercompany transactions

Gross profit

Gross profit of EGP 4.6 billion was recorded for 1Q22 for Ezz Steel consolidated, a 60% increase compared to the EGP 2.9 billion recorded in 1Q21.

EBITDA

Consolidated EBITDA for 1Q22 amounted to EGP 4.3 billion an increase of 61% compared to the EGP 2.7 billion recorded in 1Q21.

Foreign Exchange Loss

The devaluation of the Egyptian Pound by c. 17% on March 21, 2022 resulted in an unrealized foreign exchange loss of EGP 1,133 million.

Tax

During 1Q22, Ezz Steel had an income tax of EGP 560 million and a deferred tax (income) of EGP 23 million.

Net profit

Net profit reached EGP 1.2 billion in 1Q22.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 759 million for 1Q22 compared to EGP 784 million in 1Q21.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 5.7 billion and net debt of EGP 29.5 billion.

Outlook

- Industry experts, led by the World Steel Association, updated their forecast for 2022 consumption to a marginal growth of c. 0.4% should the Russia-Ukraine conflict continue. Previously, experts forecasted a growth between 2% and 3%. Raw material and finished product prices increased noticeably at the beginning of the conflict, however prices are currently witnessing a downward correction. That said, the healthy margin between raw material and finished product prices- which continues from 3Q20- allows manufacturers to compete while maintaining good returns.
- Egypt has adopted important measures to address the rising inflation and to revitalize the local market. Such measures include stimulating industry and industrial investment, and planning to achieve a higher export benchmark of USD 100 billion. In the context of the State's commitment to this ambitious development program, banks continue to extend working capital facilities to industry at a preferential interest rate of 8% annually, despite the rise in lending and discount rates. Furthermore, the government is taking measures to encourage private sector investment while carrying on with national projects. In this context, domestic consumption of rebars is expected to reach 7.7 million tonnes in 2022, an increase of c. 5% compared to 2021. Similarly, the domestic consumption of flat steel is expected to rise c. 10% over last year’s.
- The Company is in the process of obtaining certification for international sustainability and expects to receive it in 3Q22. Additionally, in response to the global rollout of the carbon tax, the Company is considering obtaining an Environmental Product Declaration (EPD) certificate to capitalize on its low carbon footprint compared to that of competitors.

Divisional Overview

EZDK Standalone Sales (EGP):		**1Q22**	**1Q21**	**4Q21**
Value:	Mn	13,671	8,847	15,375
Volume:				
Long:	000 Tonnes	588	390	610
Flat:	000 Tonnes	265	311	266
Exports as % of Sales:				
Long:		6%	21%	4%
Flat:		44%	41%	52%
EBITDA:	Mn	2,876	1,859	2,228
Production:				
Long Products:	000 Tonnes	481	487	424
Flat Products:	000 Tonnes	278	280	268
Billets:	000 Tonnes	541	500	543
Ezz Steel Standalone Sales (EGP):		**1Q22**	**1Q21**	**4Q21**
Value:	Mn	3,393	2,092	4,187
Volume:	000 Tonnes	231	176	261
Exports as % of Sales:		-	-	-
EBITDA:	Mn	226	213	236
Production:				
Long Products:	000 Tonnes	216	194	194
Billets:	000 Tonnes	194	224	218

EZDK Consolidated Sales (EGP):		1Q22	1Q21	4Q21
Value:	Mn	17,161	11,719	17,384
Volume:				
Long:	000 Tonnes	588	427	619
Flat:	000 Tonnes	503	535	454
Exports as % of Sales:				
Long:		6%	19%	4%
Flat:		39%	52%	52%
EBITDA:	Mn	4,136	2,501	3,390
EBT	Mn	1,734	1,822	2,221
Net Profit	Mn	1,190	1,175	1,840
Production:				
Long Products:	000 Tonnes	592	522	539
Flat Products:	000 Tonnes	475	500	472
Billets:	000 Tonnes	614	532	543
Ezz Steel Consolidated Sales (EGP):		**1Q22**	**1Q21**	**4Q21**
Value:	Mn	18,641	13,498	18,762
Volume:				
Long:	000 Tonnes	789	595	839
Flat:	000 Tonnes	503	535	454
Exports as % of Sales:				
Long:		4%	14%	3%
Flat:		39%	52%	52%
EBITDA:	Mn	4,337	2,701	3,579
EBT	Mn	1,754	1,243	2,306
Net Profit	Mn	1,217	1,188	1,638
Production:				
Long Products:	000 Tonnes	808	715	733
Flat Products:	000 Tonnes	475	500	472
Billets:	000 Tonnes	808	756	761

Disclaimer:

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

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2022
And Limited Review Report

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2022
And Limited Review Report

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MOORE Egypt

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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 "SAE" as of March 31, 2022 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope Of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Emphasis Of Matters

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

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

2- As explained in note no. (1-3) of the notes to the Consolidated Interim Financial Statements, the company and some of its subsidiaries have incurred retained losses amounted to L.E 11.13 Billion as of March 31, 2022 stated in consolidated statement of financial position, also liabilities exceed assets (Deficit in Shareholder's Equity) with an amount of L.E 2.4 Billion at that date, as Al Ezz Flat Steel company (EFS)-subsidiary company- has achieved a net profit of 395 million L.E which led to a decrease in the total accumulated retained losses till March 31, 2022 with an amount of L.E 9.094 Billion, which deferred tax asset was recognized for it at that date with an amount of L.E 438 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till March 31, 2022 amounted to L.E 6.253 Billion, which deferred tax asset was recognized for it at that date with an amount of L.E 509 Million, the total amount of these deferred tax assets is amounted to L.E 947 Billion stated in deferred tax assets in the consolidated statement of financial position at that date, the management of these subsidiaries have prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses. which depends on the realization of the future assumptions which have been used in the preparation of the budget mentioned above.

3- As explained in note no. (35-3-1) of the notes to the Consolidated Interim Financial Statements, the tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to L.E 219 Million according to the forms received from the Tax Authority on February 17, 2011 in addition to delay penalties concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above-mentioned dispute. The paid amounts are L.E 254 Million, including delay interest amounted to L.E 35 Million.

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

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4- As explained in note no. (38) of the notes to the Consolidated Interim Financial Statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary company) and the Sales Tax Authority regarding the amount of the sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, amounting to L.E 127.5 Million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to L.E 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 L.E 127.5 Million which represents the additional tax claimed, along with its right to maintain a reservation on the settlement. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the company's balances at the said banks in favor of the Port Authority.

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

Cairo, Egypt
June 2, 2022

Sherin Noureldin
(RAA 6809)
(EFSA 88)
Moore Egypt

Translation from Arabic

Ezz Steel Company

(S.A.E)

Consolidated Statement of Financial Position as of:

	Note No.	31/12/2021 LE (000)	31/12/2021 LE (000)
Non-Current Assets			
Fixed assets (Net)	(11-1)	21 964 492	22 202 469
Projects under construction	(12)	1 559 858	1 585 312
Long term investments	(13)	2 510 040	5 621
Deferred tax assets	(31-1)	1 263 246	1 258 053
Long term lending to others	(14)	50 211	47 632
Other assets	(15)	29 454	30 735
Goodwill	(40-9)	315 214	315 214
Total non-current assets		**27 692 515**	**25 445 036**
Current Assets			
Inventory	(16)	8 745 488	9 518 954
Trade and notes receivable	(17)	2 873 174	4 795 988
Debtors and other debit balances	(18)	6 143 601	5 849 771
Suppliers - advance payments		863 821	802 659
Investments in treasury bills	(40-8)	190 965	132 261
Cash and cash equivalents	(20)	5 688 642	3 479 155
Total current assets		**24 505 691**	**24 578 788**
Total Assets		**52 198 206**	**50 023 824**
Shareholders' Equity			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	182 090	182 090
Modification surplus of fixed assets	(11-3)	1 308 122	1 335 620
Retained losses		(11 130 253)	(11 901 253)
Treasury stocks	(23)	(82 302)	(82 302)
Deficit in holding company shareholders' equity		**(7 006 018)**	**(7 749 520)**
Non-controlling interest		4 609 313	4 162 472
Deficit in shareholders' equity		**(2 396 705)**	**(3 587 048)**
Liabilities			
Non-Current Liabilities			
Long-term loans	(28)	14 276 372	12 432 596
Long-term liabilities	(30)	3 910 035	3 436 595
Finance lease liabilities	(29)	271 255	291 211
Deferred tax liabilities	(31-1)	3 625 624	3 643 486
Total non-current liabilities		**22 083 286**	**19 803 888**
Current Liabilities			
Banks - overdraft	(20)	358 445	270 398
Credit facilities and loan installments due within one year	(28)	20 539 936	22 132 212
Finance lease liabilities due within one year	(29)	75 663	73 321
Trade and notes payable	(24)	3 991 689	5 301 611
Customers - advance payments		1 456 161	1 708 783
Creditors and other credit balances	(25)	3 745 990	2 686 292
Income tax liabilities		1 489 974	929 489
Liability of the supplementary pension scheme	(26)	25 713	25 101
Provisions	(27)	828 054	679 777
Total current liabilities		**32 511 625**	**33 806 984**
Total liabilities		**54 594 911**	**53 610 872**
Total shareholder's equity and liabilities		**52 198 206**	**50 023 824**

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

Limited Review "attached"

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

شركة حديد عز ش.م.م
EZZ STEEL CO. S.A.E.
القطاع المالي
FINANCIAL DIVISION

Ezz Steel Company

(S.A.E)

Consolidated Statement of Income

For The Three Months Ended March 31, 2022:

	Note No.	31/3/2022 LE (000)	31/3/2021 LE (000)
Sales (net)	(40-18)	18 640 518	13 498 378
Less :			
Cost of sales	(3)	(14 037 102)	(10 628 427)
Gross profit		**4 603 416**	**2 869 951**
Add / (Less):			
Other operating revenues	(4)	31 507	30 983
Selling and marketing expenses	(5)	(235 116)	(213 294)
Administrative and general expenses	(6)	(395 272)	(322 608)
Other operating expenses	(7)	(387 431)	(305 444)
Operating profit		**3 617 104**	**2 059 588**
Add / (Less):			
Finance income	(8)	57 012	21 676
Finance cost	(8)	(786 437)	(869 065)
Foreign currency exchange (losses) gains	(8)	(1 133 279)	31 268
Net finance cost		**(1 862 704)**	**(816 121)**
Net profit for the period before income tax		**1 754 400**	**1 243 467**
(Less)/Add:			
Income tax		(560 485)	(18 223)
Deferred tax	(31-2)	23 055	(37 328)
Total Income Tax		**(537 430)**	**(55 551)**
Net profit for the period		**1 216 970**	**1 187 916**
Attributable to:			
Owners of the holding company		758 854	783 746
Non-controlling interest		458 116	404 170
Net profit for the period		**1 216 970**	**1 187 916**
Basic and diluted profit per share for the period (LE/share)	(9)	**1.42**	**1.47**

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

Ezz Steel Company

(S.A.E)

Consolidated Statement of Comprehensive Income

For The Three Months Ended March 31, 2022:

	31/3/2022 LE (000)	31/3/2021 LE (000)
Net profit for the period	**1 216 970**	**1 187 916**
(Less)/Add:		
Other comprehensive income items		
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	(42 429)	(43 125)
Total comprehensive income	**1 174 541**	**1 144 791**
Attributable to:		
Owners of the holding company	731 356	755 775
Non-controlling interest	443 185	389 016
	1 174 541	**1 144 791**

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

Translation from Arabic

Ezz Steel Company

(S.A.E)

Consolidated Statement of Changes in Equity

For The Three Months Ended March 31, 2022

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Treasury stocks LE (000)	Total / (Deficit in) holding company shareholders equity LE (000)	Non-controlling interest LE (000)	Total / (Deficit in) shareholders' equity LE (000)
Balance as of 1/1/2021	2 716 325	182 090	1 446 615	(15 527 223)	(71 921)	(11 254 114)	2 291 033	(8 963 081)
Comprehensive income								
Net profit for the period	–	–	–	783 746	–	783 746	404 170	1 187 916
Other Comprehensive income								
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)	–	–	(27 971)	–	–	(27 971)	(15 154)	(43 125)
Total comprehensive income	–	–	(27 971)	783 746	–	755 775	389 016	1 144 791
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	–	–	–	27 971	–	27 971	15 154	43 125
Transactions with company's shareholders								
The non-controlling interest share in subsidary company's dividends of period 2020	–	–	–	(5 176)	–	(5 176)	(3 801)	(8 977)
Purchase treasury stocks	–	–	–	–	(10 381)	(10 381)	–	(10 381)
Purchase treasury stocks in subsediary company	–	–	–	(3 093)	–	(3 093)	(1 734)	(4 827)
Total transactions with the company's shareholders	–	–		(8 269)	(10 381)	(18 650)	(5 535)	(24 185)
Balance as of 31/3/2021	2 716 325	182 090	1 418 644	(14 723 775)	(82 302)	(10 489 018)	2 689 668	(7 799 350)
Balance as of 1/1/2022	2 716 325	182 090	1 335 620	(11 901 253)	(82 302)	(7 749 520)	4 162 472	(3 587 048)
Comprehensive income								
Net profit for the period	–	–	–	758 854	–	758 854	458 116	1 216 970
Other comprehensive income items								
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)	–	–	(27 498)	–	–	(27 498)	(14 931)	(42 429)
Total comprehensive income	–	–	(27 498)	758 854	–	731 356	443 185	1 174 541
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)	–	–	–	27 498	–	27 498	14 931	42 429
Transactions with company's shareholders								
The non-controlling interest share in subsidary company's dividends of year 2021	–	–	–	(15 352)	–	(15 352)	(11 275)	(26 627)
Total transactions with the company's shareholders	–	–	–	(15 352)		(15 352)	(11 275)	(26 627)
Balance as of 31/3/2022	2 716 325	182 090	1 308 122	(11 130 253)	(82 302)	(7 006 018)	4 609 313	(2 396 705)

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

Ezz Steel Company

(S.A.E)

Consolidated Statement of Cash flows

For The Three Months Ended March 31, 2022:

	Note No.	31/3/2022 LE(000)	31/3/2022 LE(000)
Cash flows from operating activities			
Net Profit for the period before income tax		1 754 400	1 243 467
Adjustments to reconcile Net Profit to net cash provided by (used in) operating activities			
Depreciation	(11-1)	362 233	365 337
Amortization of other assets	(15)	1 281	1 281
Amortization of accrued interest on treasury bills		(4 121)	(3 641)
Amortization of the difference from the change in the fair value of the long term lending		—	1 968
Impairment loss on assets	(7)	33 018	13 132
Interest & finance costs	(8)	786 437	867 097
Provisions formed during the period	(7)	169 812	45 000
Differences of changing in liability of the supplementary pension scheme	(26)	12 105	7 922
Foreign currency exchange differences		1 335 261	(36 952)
		4 450 426	**2 504 611**
Changes in working capital			
Inventory		773 466	(2 372 752)
Trade receivables, debtors and other debit balances		680 371	461 367
Trade payables, creditors and other credit balances		(15 180)	(280 356)
Change in lending to employees		(2 579)	(2 646)
Liability of the supplementary pension scheme		(2 551)	(1 200)
cash flows provided by operating activities		**5 883 953**	**309 024**
Finance interests paid		(754 119)	(812 319)
Income tax paid		(14 919)	—
Used provisions		(21 535)	—
Net cash flows provided by (used in) operating activities		**5 093 380**	**(503 295)**
Cash flows from investing activities			
(Payments) for purchase of fixed assets and projects under construction		(98 062)	(223 046)
(Payments) for purchase of investments in subsidiaries		(1 254 460)	(450)
(Payments) for purchase treasury stocks		—	(15 208)
(Payments) from retrieval of financial investments (treasury bills)		123 900	80 402
(Payments) for purchase of financial investments (treasury bills)		(167 907)	(74 004)
Net cash flows (used in) investing activities		**(1 396 529)**	**(232 306)**
Cash flows from financing activities			
Proceeds / (Payments) for credit facilities		387 055	(576 427)
(Payments) / Proceeds from loans and other liabilities		(1 944 852)	1 820 170
Finance lease payments		(17 614)	(15 560)
Change in time-deposits and restricted current accounts		(284 882)	18 340
Paid dividends to non-controlling interest		—	(8 977)
Net cash (used in) / provided by financing activities		**(1 860 293)**	**1 237 546**
Change in cash and cash equivalents during the period		**1 836 558**	**501 945**
Cash and cash equivalents at the beginning of the period	(20)	**3 076 698**	**1 926 864**
Cash and cash equivalents at the end of the period	(20)	**4 913 256**	**2 428 809**

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

Ezz Steel Company
(S.A.E)
Notes to the Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2022

1. BACKGROUND

1.1 Basic Information

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

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company and its subsidiaries

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

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

	31/3/2022 Percentage Share %	31/12/2021 Percentage Share %
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
Al Ezz Rolling Mills Company (ERM)	64.061 (Direct and Indirect) through Al Ezz El Dekheila	64.061 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	64.06 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	57.657 (Indirect) Through Al Ezz El Dekheila	57.657 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	55.16 (Indirect) Through Al Ezz El Dekheila	55.16 (Indirect) Through Al Ezz El Dekheila

The main financial indicators for the company and some of its subsidiaries:

- The subsidiaries company have incurred retained losses amounted to L.E 11.13 Billion as of March 31, 2022 included in company's consolidated statement of financial position, also its liabilities exceed its assets (Deficit in Shareholder's Equity) with an amount of L.E 2.397 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- has incurred accumulated retained losses till March 31, 2022 with an amount of LE 9.094 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 438 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till March 31, 2022 amounted to LE 6.253 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 508.6 Million, hence the total amount of these deferred tax assets is amounted to LE 948 Million stated in deferred tax assets in the consolidated statement of financial position at that date. The company`s management has prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

1.4 Issuance of Consolidated interim financial statements

- These Consolidated interim financial statements were approved by the company's BOD for issuance on June 2, 2022.

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

2.1 Statement of compliance

These Consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards and in light of Egyptian laws and regulations related to.

2.2 Basis of measurement

These Consolidated interim financial statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.
During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in (Note no. 40-2).

2.3 Functional and presentation currency

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

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

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

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

2.5 Fair value measurement

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants would act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by making the asset's best and best use or selling it to another participant who will use the asset in its best and best use.

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

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

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	31/3/2022 LE (000)	31/3/2021 LE (000)
Raw Materials		8 886 517	8 087 892
Salaries & wages		666 268	526 049
Fixed assets depreciation	(11-1)	351 804	354 417
Other assets amortization	(15)	1 281	1 281
Supplementary pension scheme cost		9 514	6 216
Manufacturing overhead expenses		3 863 684	2 964 185
Manufacturing cost		**13 779 068**	**11 940 040**
Change in inventory–finished products and work in process		258 034	(1 311 613)
		14 037 102	**10 628 427**

4. OTHER OPERATING REVENUES

	31/3/2022 LE (000)	31/3/2021 LE (000)
Other Revenues	31 507	30 983
Other Operating Revenues	**31 507**	**30 983**

5. SELLING & MARKETING EXPENSES

	Note No.	31/3/2022 LE (000)	31/3/2021 LE (000)
Salaries & wages		34 097	28 627
Advertising expenses		24 819	26 715
Fixed assets depreciation	(11-1)	156	205
Supplementary pension scheme cost		673	439
Other expenses		175 371	157 308
		235 116	**213 294**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	31/3/2022 LE (000)	31/3/2021 LE (000)
Salaries & Wages		236 026	195 936
Spare parts and maintenance expenses		1 809	1 024
Fixed assets depreciation	(11-1)	10 273	10 715
Supplementary pension scheme cost		1 745	1 140
Other expenses		145 419	113 793
		395 272	**322 608**

7. OTHER OPERATING EXPENSES

	Note No.	31/3/2022 LE (000)	31/3/2021 LE (000)
Donations		116 737	67 380
Impairment of assets	(19)	33 018	13 132
Formed provisions during the period	(27)	169 812	45 000
Other expenses		67 864	179 932
		387 431	**305 444**

8. FINANCE INCOME AND COST

	31/3/2022 LE (000)	31/3/2021 LE (000)
Finance and interest income	57 012	21 676
Interest & finance cost	(786 437)	(869 065)
Foreign currency exchange differences (losses) gains	(1 133 279)	31 268
Net finance costs	**(1 862 704)**	**(816 121)**

9. BASIC AND DILUTED PROFIT PER SHARE FOR THE PERIOD

	31/3/2022	31/3/2021
Owners of the company share		
Net Profit for the period (LE 000)	758 854	783 746
Weighted average number of outstanding shares during the period (share)*	532 891 832	532 891 832
Basic and diluted Profit per share for the period (LE / share)	**1.42**	**1.47**

*There's discount for 10 373 195 shares were eliminated for calculating the weighted average number of outstanding shares during the three months ended March 31, 2022 which represent treasury stocks (comparing to 10 373 195 shares on December 31, 2021) (Note no. 23).

10. EMPLOYEE BENEFITS

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 1/1/2000 in addition to the annual salary increase.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies for the three months ended March 31, 2022 amounted to L.E 8 204 K has been included in salaries and wages in the statement of income (against L.E 7 343 K for the same period from year 2021).

11. FIXED ASSETS (NET)

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

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost:								
As of January 1, 2021	779 274	9 993 755	35 832 239	313 084	478 244	244 961	3 902	47 645 459
Additions during the period	4 215	17 673	43 471	-	1 865	2 329	-	69 553
Disposals during the period	-	-	(1 640)	-	-	-	-	(1 640)
As of March 31, 2021	783 489	10 011 428	35 874 070	313 084	480 109	247 290	3 902	47 713 372
As of January 1, 2022	782 141	10 021 982	36 079 210	308 903	494 192	275 049	3 902	47 965 379
Additions during the period		2 163	107 399		6 376	8 318	-	124 256
Disposals during the period			(927)		(13)		-	(940)
As of March 31, 2022	782 141	10 024 145	36 185 682	308 903	500 555	283 367	3 902	48 088 695
Accumulated depreciation:								
As of January 1, 2020	-	3 103 506	20 498 065	297 968	286 901	163 314	3 902	24 353 656
Depreciation for the period	-	58 306	288 788	1 709	11 357	5 177	-	365 337
Accumulated depreciation of disposals during the period	-	-	(1 640)	-	-	-	-	(1 640)
As of March 31, 2021	-	3 161 812	20 785 213	299 677	298 258	168 491	3 902	24 717 353
As of January 1, 2022	-	3 332 358	21 615 149	299 750	328 786	182 965	3 902	25 762 910
Depreciation for the period	-	57 259	286 811	1 523	10 466	6 174	-	362 233
Accumulated depreciation of disposals during the period	-		(927)		(13)		-	(940)
As of March 31, 2022	-	3 389 617	21 901 033	301 273	339 239	189 139	3 902	26 124 203
Carrying amount:								
As of March 31, 2021	783 489	6 849 616	15 088 857	13 407	181 851	78 799	-	22 996 019
As of December 31, 2021	782 141	6 689 624	14 464 061	9 153	165 406	92 084	-	22 202 469
As of March 31, 2022	782 141	6 634 528	14 284 649	7 630	161 316	94 228	-	21 964 492
Fixed assets fully depreciated and still in use as of March 31, 2022	-	556 345	2 202 623	278 005	181 269	125 248	3 902	3 347 392

- The land item includes a piece of land with a total area of 928 M² purchased by Ezz flat steel from Gulf of Suez Development Company with a total value LE 28 Million including the Suez governorate fees amounting to LE 5 Million for the j of establishing an industrial project the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.
- Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.
- Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 Million.
- Depreciation for the period charged to the statement of income is as follows:

	Note No.	For the three months ended: 31/3/2022 LE(000)	31/3/2021 LE(000)
Cost of sales	(3)	351 804	354 417
Selling and marketing expenses	(5)	156	205
Administrative & General expenses	(6)	10 273	10 715
		362 233	365 337

11.2 Leased fixed assets:

Fixed assets include leased assets as of March 31, 2022 as follows:

	Cost at 31/3/2022 LE (000)	Accumulated depreciation at 31/3/2022 LE (000)	Net at 31/3/2022 LE (000)	Net at 2021/12/31 LE (000)
Land *	70 000	-	70 000	70 000
Building **	145 000	21 448	123 552	124 458
	215 000	**21 448**	**193 552**	**194 458**

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

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

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

	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, 2021**	(1 040 995)
Net modification surplus of fixed assets at March 31, 2022	**2 069 696**
Recognized portion during the three months ended March 31, 2022	(42 429)
Net modification surplus of fixed assets at March 31, 2022	**2 027 267**
Attributable to:	
Owners of the holding Company	1 308 122
Non-controlling interest	719 145
	2 027 267

12. PROJECTS UNDER CONSTRUCTION

	31/3/2022 LE (000)	31/12/2021 LE (000)
Constructions expansion	7 109	4 820
Machinery under installation	1 540 536	1 565 720
Advance payments for purchase of fixed assets	12 213	14 772
	1 559 858	1 585 312

13. LONG TERM INVESTMENTS

	31/3/2022 LE (000)	31/12/2021 LE (000)
13-1 Investments in subsidiaries		
(Not included in the Consolidated interim financial statements)		
- Al Ezz for medical industries (30% owned by Ezz Steel company and 30% by Al Ezz El Dekheila for Steel – Egypt (EZDK) The subsidiary company was established on August 11, 2020, the company did not practice any activities yet to date, and the company hasn't prepared any financial statements yet.	6 000	1 500
13-2 Investments in associates		
- Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	90	90
- Al Ezz El Dekheila for Steel – Egypt (EZDK) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	25	25
- EZDK Steel UK LTD – (Note no. 38-1) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	1	1
13-3 Investments available-for-sale		
- Egyptian Steel (18% by Al Ezz El Dekheila for Steel – Egypt (EZDK)	2 499 919	-
- Arab Company for Special Steel (SAE) (1% owned by Ezz El Dekheila for Steel – Alexandria).	4 263	4 263
- The Egyptian Company for Cleaning and Security Services (30.80% owned by Al Ezz Steel Company)	80	80
- Atlantic Pacific Transport Ltd. (5% owned by Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)).	4 016	4 016
	2 514 394	**9 975**
Less:		
- Impairment loss in Arab Company for Special Steel	4 263	4 263
- Impairment loss in EZDK Steel UK LTD	1	1
- Impairment loss in Egyptian German Co. for Flat Steel Marketing (Franco) L.L.C (under liquidation)	90	90
Impairment loss in long term investments (Note no.19)	**4 354**	**4 354**
	2 510 040	**5 621**

14. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Employees' advance payments		88 462	77 172
Employees' loans present value		26 575	28 469
		115 037	105 641
Less:			
Employees' loans and advances due within the year	(18)	(55 355)	(48 538)
Long term employees' loans and advances		59 682	57 103
Less:			
Differences resulted from change in the fair value of long-term employees' loans		(9 471)	(9 471)
		50 211	**47 632**

15. OTHER ASSETS

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

	LE (000)
Cost at January 1, 2022	**30 735**
(Less):	
Amortization for the period	(1 281)
Net at March 31, 2022	**29 454**

16. INVENTORY

	31/3/2022 LE (000)	31/12/2021 LE (000)
Raw materials and supplies	3 946 400	4 524 310
Work in process	799 197	704 873
Finished products	1 868 956	2 221 314
Spare parts and supplies	1 813 636	1 835 844
Goods in transit	190 723	160 923
Letters of credit	126 576	71 690
	8 745 488	**9 518 954**

17. TRADE AND NOTES RECEIVABLE

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Trade receivables		1 492 602	2 771 711
Trade receivables – Related parties	(32-1)	9 096	9 048
Notes receivable		1 412 035	2 055 788
		2 913 733	**4 836 547**
Less:			
Impairment loss on trade receivables	(19)	(40 559)	(40 559)
		2 873 174	**4 795 988**

18. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Deposits with others		1 273 995	1 272 913
Tax Authority	(18-1)	2 012 847	1 892 355
Tax Authority – usufruct	(18-2)	127 477	127 477
Tax Authority – VAT		1 058 422	1 227 071
Customs Authority		255 964	182 728
Accrued revenues		743	761
Prepaid expenses		62 006	68 648
Alexandria Port Authority		19 570	19 570
Employees' loans and advance payments due within a year	(14)	55 355	48 538
Letters of credit cash margin		4 191	7 212
Letters of guarantee cash margin	(33-1)	165	1 315
Due from related parties	(32-2)	38 423	34 849
Advance payment under the account of employees' dividends		44 812	53 522
The Cairo Economic Court	(18-3)	35 060	35 060
Other debit balances	(18-4)	1 280 480	970 643
		6 269 510	**5 942 662**
Less:			
Impairment loss on debtors and other debit balances	(19)	(125 909)	(92 891)
		6 143 601	**5 849 771**

18-1 The Tax Authority balances include an amount of LE 254 Million represents an 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. (35-3-1) in addition to an amount of LE 215 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. and amount of LE 25 Million paid under the income tax account from 2014 to 2017.

18-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax for the 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. 38s).

18-3 The Cairo Economic Court balance represents the amount due to the company in the previously paid amounts after deducting the penalties that judged in the misdemeanour 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.

18-4 The other debit balances item includes an amount of LE 49.5 Million represents 15% of the license related to the second production line which Ezz Rolling Mills Company- a subsidiary company- paid on February 2012.

19. IMPAIRMENT LOSS ON ASSETS

Impairment loss on:	Note No.	1/1/2022 LE (000)	Formed during the period LE (000)	31/3/2022 LE (000)
Long term investments	(13)	4 354	-	4 354
Trade and notes receivable	(17)	40 559	-	40 559
Debtors and other debit balances	(18)	92 891	33 018	125 909
Advance payments for suppliers		2 332	-	2 332
		140 136	**33 018**	**173 154**

20. CASH AND CASH EQUIVALENTS

	31/3/2022 LE (000)	31/12/2021 LE (000)
Banks - time deposits	433 150	243 960
Banks – current accounts	5 111 280	3 069 795
Cheques under collection	73 492	115 492
Cash on hand	70 720	49 908
	5 688 642	**3 479 155**
Less:		
Banks – overdraft	(358 445)	(270 398)
Restricted time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(416 941)	(132 059)
Cash and cash equivalents in the statement of cash flows	**4 913 256**	**3 076 698**

21. CAPITAL

21.1 Authorized capital

The company's authorized capital is LE 8 Billion.

21.2 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 share 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.

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

Shareholder	31/3/2022 Number of Shares	31/3/2022 Par Value L.E	31/3/2022 Contribution %	31/12/2021 Contribution %
- Engineer / Ahmed Abd El Aziz Ezz	356 933 139	1 784 665 695	65.701	65.701
- Al Ezz for Rolling mills (subsidiary company)	9 462 714	47 313 570	1.742	1.742
- Others	176 869 174	884 345 870	32.557	32.557
	543 265 027	**2 716 325 135**	**100**	**100**

22. RESERVES

	31/3/2022 LE (000)	31/12/2021 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.

23. TREASURY STOCKS

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

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

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

24. TRADE AND NOTES PAYABLE

	31/3/2022			31/12/2021
	Due within one year LE (000)	**Long term Note No. (30) LE (000)**	**Total LE (000)**	**Total LE (000)**
Trade payables	2 480 913	–	2 480 913	3 743 039
Notes payable	1 647 800	2 048 097	3 695 897	3 759 563
	4 128 713	**2 048 097**	**6 176 810**	**7 502 602**
Deferred interest	(137 024)	(223 534)	(360 558)	(389 308)
	3 991 689	**1 823 563**	**5 816 252**	**7 113 294**

As of March 31, 2022, trade and notes payable include an amount of installments due to the Electricity and natural gas supplying Companies, the company and its subsidiaries made an agreement with the mentioned companies to reschedule the payment of dues which amounted to L.E 2 955.9 Million to be paid on maximum of 48 monthly installment beginning from the date of the agreement, in addition to an annual interest stated on the rescheduling agreement mentioned above.

25. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	**31/3/2022 LE (000)**	**31/12/2021 LE (000)**
Accrued interest		294 475	259 026
Accrued expenses		1 896 680	1 720 718
Tax Authority		333 532	223 923
Performance guarantee retention		95 203	90 217
Sales tax instalments		96 483	96 483
Dividends payable		1 609	1 609
Due to related parties	(32-3)	70 674	71 324
Deferred revenue for grants		750	750
Other credit balances		956 584	222 242
		3 745 990	**2 686 292**

26. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

The cost of the supplementary pension scheme during the three months ended March 31, 2022 amounted to L.E 12.1 Million charged to the consolidated financial statement according to the actuary's report issued annually.

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Balance at the beginning of January		**246 343**	**217 500**
Add:			
Present service cost		4 176	2 841
Return cost		7 929	28 866
Amounts recognized in the consolidated statement of income		**12 105**	**31 691**
		258 448	**249 191**
Actuarial (profits) losses from the defined benefits pension scheme		-	4 077
Employees paid subscriptions during the period		1 898	8 486
		260 346	**261 754**
Less:			
Paid pensions during the period		(4 449)	(15 411)
Total liabilities of supplementary pension scheme		**255 897**	**246 343**
Distributed as follows:			
Included in current liabilities		25 713	25 101
Included in long-term liabilities	(30)	230 184	221 242
		255 897	**246 343**

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

	31/3/2022	31/12/2021
Average assumptions to determine the liabilities of the benefits		
A- Average discount rate	14.7 %	14.7 %
B- Average inflation rate	6.3 %	6.3 %
Average assumptions to determine the net cost of the benefits		
A- Average discount rate	14.6 %	14.6 %
B- Average inflation rate	4.5 %	4.5 %

27. PROVISIONS

	1/1/2022 LE (000)	Formed during the period LE (000)	Used during the period LE (000)	31/3/2022 LE (000)
Tax and claims provision	677 822	169 812	(21 535)	826 099
Employees Lawsuits provision	1 955	-	-	1 955
	679 777	**169 812**	**(21 535)**	**828 054**

28. LOANS

	Short term portion LE (000)	Long term portion LE (000)	Total LE (000)
Loans - local currency	1 040 432	6 654 131	7 694 563
Loans - foreign currency	1 344 450	890 719	2 235 169
Banks - credit facilities	18 155 054	6 731 522	24 886 576
Balance as of March 31, 2022	**20 539 936**	**14 276 372**	**34 816 308**
Balance as of December 31, 2021	**22 132 212**	**12 432 596**	**34 564 808**

28.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to 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 period of the agreement. It will be paid on 26 non-equal quarterly instalment, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015 with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.

- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company got the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till March 31, 2022 deducted from the loan balance.
- The instalments paid until March 31, 2022 amounted to LE 1.017 Billion (against LE 988 Million December 31, 2021).
- The company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and it's appendixes, related to the precautious procedures against the effect of corona virus pandemic.
- During the year 2020 and after the end of the period of postponing payment of the interest according to the Central Bank initiative, the banks which granted the loans have modified the instalments with an amount of L.E 152 479 K according to an appendix of the loan, the amount represents the accrued interest on the loan balance for the period from 3/11/2019 to 31/12/2020` to pay the loan plus interest in 16 quarterly instalments starting from March 31, 2021 to December 31, 2024 , the interest rate was modified to 1.5% above the Corridor rate for the first year and 2% above the Corridor rate starts from second year from the date of activating the loan appendix.

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million for 3 years ending in October 17, 2021 and the balance as of March 31, 2022 is LE 706.45 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted to LE 1.5 Billion or its equivalent in foreign currencies. Its balance amounted to LE 1488.82 Million as at March 31, 2022 whose due date is January 2022.
- 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 2022, amounted to LE 600 Million or its equivalent in foreign currency, renew on April 2025. Its balance amounted to LE 381.36 Million as at March 31, 2022 and a portion of foreign currency amounted to LE 240.42 Million equivalent to USD 13.12 Million as of March 31 2022.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2023 with a total amount of USD 158 Million or its equivalent in local currency, renew on July 2023. Its balance amounted to LE 1367.69 Million as of March 31, 2022 and a part in foreign currency amounted to L.E 469.78 Million equivalent to USD 25.62 Million as of March 31, 2022.
- The company obtained a revolving medium term credit facility from Bank of Cairo amounted to LE 880 Million (for three years) renew on December 2024, the balance as of March 31, 2022 amounted to LE 45.02 Million.
- The Company obtained from a revolving medium term credit facility from Bank Misr and National Bank of Egypt to finance the working capital of Al Ezz Rolling Mills Company and Al Ezz Flat Steel Company (subsidiaries companies), that Bank Misr is the security agent and National Bank of Egypt as the revenue calculation bank (Indirect contributor through Alahly Capital company for investments) whose due date is 13/2/2022 renewable annually, its balance amounted to L.E 2 833.41 Million as of March 31, 2022.
- The company obtained a medium-term loan from Qatar National Bank – Al Ahly for the purpose of restructuring part of the outstanding debt by USD 69.5 Million. The loan is to be paid in 26 quarter annual instalment ending at Aug 31, 2025. The balance as of March 31, 2022 is amounted to USD 38.19 Million equivalent to LE 700.02 Million
- The company obtained a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with an amount of USD 61.5 Million and the loan is to be paid in twenty-eight quarter annual instalment ending at November 28, 2025. The balance as of March 31, 2022 amounted to USD 33 Million equivalent to LE 604.87 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 instalment ending at January 15, 2026. The balance as of March 31, 2022 is amounted to USD 31.41 Million equivalent to LE 575.8 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 instalments ending on January 15, 2026, the balance as of March 31, 2022 is amounted to LE 34.09 Million and a portion of foreign currency amounted to USD 8.07 Million equivalent to LE 147.94 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 instalment ending at August 28, 2026. The balance as of March 31, 2022 is amounted to USD 13.86 Million equivalent to LE 254.04 Million.
- The company obtained a long-term loan from National Bank of Egypt amounted to LE 2.131 Billion to finance part of investment cost for an electric furnace project in the integrated industrial complex in El Ain El Sokhna, The loan is to be paid in 20 quarter annual instalment starting from September 15, 2023 and the last instalment at June 15, 2028. The balance as of March 31, 2022 is amounted to LE 795.78 Million.
- The company obtained a long-term loan from the bank of Cairo for the purpose of restructuring of the outstanding debt amounted to LE 500 Million, The loan is to be paid in 28 quarter annual instalment ending at December 31, 2028. the balance as of March 31, 2022 is amounted to LE 329.4 Million and a portion of foreign currency amounted to USD 8.5 Million equivalent to LE 155.89 Million.

28.3 Al Ezz Flat Steel (Subsidiary)

- The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated. According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent, The most significant guarantees provided are represented in real-estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory pledge on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favour of the banks.
- The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt.
- The balance of loan installments due in the course of on year on loan agreements is LE 734 Million consisting of instalments due from the stoppage date to March 31, 2022
- The Banks-credit facilities amounting to LE 1.316 Billion on 31/3/2022 is represented in the amount used from the facilities granted by the local banks in the Egyptian pound against several guarantees, the most significant of which is a pledge on the inventory, and joint guarantee from Al-Ezz El-Dekheila Steel Alexandria, assignment of all export proceeds to the banks and depositing all local sales revenues at banks, as well as concluding insurance policy covering theft and fire of inventory in favour of the banks, as well keeping some financial ratios and indicators, during the facility period based on an interest rate related to Corridor rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.
- During year 2020, the above-mentioned credit facilities were rescheduled to be paid in 24 unequal quarterly installments according to specific percentages of the facility's balance starting from 31/3/2021 and ending on 31/12/2026.

28.4 Al Ezz Rolling Mills (Subsidiary)

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

29. Finance lease

	Future lease payments		Deferred Interest		Present value of lease payments	
	31/3/2022 LE (000)	31/12/2021 LE (000)	31/3/2022 LE (000)	31/12/2021 LE (000)	31/3/2022 LE (000)	31/12/2021 LE (000)
Due within one year	115 347	115 347	39 684	42 026	75 663	73 321
Add						
Long term liabilities	328 258	357 095	57 003	65 884	271 255	291 211
Total Finance lease Liabilities	**443 605**	**472 442**	**96 687**	**107 910**	**346 918**	**364 532**

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

30. LONG TERM LIABILITIES

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Notes payable	(24)	2 048 097	20 75 696
Due to EFG Hermes		624 980	-
Liability of the supplementary pension scheme	(26)	230 184	221 242
lending from others	(30-1)	679 571	583 230
Fixed asset purchase creditors	(30-2)	550 737	820 440
		4 133 569	**3 700 608**
Unamortized portion of present value of the notes payable		(223 534)	(264 013)
Present value for the long-term liabilities		**3 910 035**	**3 436 595**

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to LE 679 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 virtue of the guarantee of SACE, thereof the interests of the loan are calculated based on variable interest rate related to LIBOR.

30.2 Fixed asset purchase creditors represented in the due to Danilli, on 27/1/2021 the company agreed with the mentioned supplier to reschedule the payment of the dues and the added interest according to the following:
The liability due to the supplier according to the purchase invoices in addition to the calculated interest on it starting from 1/11/2020 is paid in quarterly installments ends in 2026.
The settlement agreement includes that the supplier will waive the right to due interest which calculated on the liability of supplying machinery and equipment during the prior years for the period from the invoice due date until 31/10/2020, this is in case of the company paying all the quarterly installments based on the settlement agreement.
The company and Al Ezz El Dekheila for Steel- Alexandria signed joint guarantees in favor of the above-mentioned supplier to guarantee that the mentioned subsidiary companies would pay its dues stated in the settlement agreement.
According to the settlement agreement, the part due to be paid during the year 2022 will be equivalent to the amount of LE 132 Million.

31. DEFERRED TAX

31.1 Recognized deferred tax assets and liabilities

	31/3/2022		31/12/2021	
	Assets LE (000)	**Liabilities LE (000)**	**Assets LE (000)**	**Liabilities LE (000)**
Fixed assets	–	(3 508 199)	–	(3 536 054)
Provisions and assets impairment	147 997	–	107 722	–
Finance lease liabilities	19 109	–	20 487	–
Tax losses	946 708	–	1 095 701	–
Losses from foreign currency translation	149 432	–	34 143	–
Tax On Unpaid dividends	–	(117 425)	–	(66 426)
Gains from foreign currency translation	–	–	–	(41 006)
	1 263 246	**(3 625 624)**	**1 258 053**	**(3 643 486)**
Net deferred tax (liability)		**(2 362 378)**		**(2 385 433)**

31.2 Recognized deferred tax charged to the consolidated statement of income:

	31/3/2022 LE (000)	**31/3/2021 LE (000)**
Net deferred tax	(2 362 378)	(1 578 575)
Less/ (Add):		
Previously charged deferred tax	(2 385 433)	(1 541 247)
Deferred tax	**23 055**	**(37 328)**

31.3 Unrecognized deferred tax assets

	31/3/2022 LE (000)	**31/12/2021 LE (000)**
Impairment loss on Receivables and debtors	10 266	10 850
Provisions	120 904	101 084
Tax losses	1 041 231	1 017 681
	1 172 401	**1 129 615**

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

32. RELATED PARTIES TRANSACTIONS

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

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 31/3/2022 Debit/(credit) LE (000)	Balance as of 31/3/2022 Debit/(credit) LE (000)
32.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	Sales	437	9 096	9 048
			9 096	**9 048**
32.2 Items included in debtors and other debit balances				
- Gulf of Suez Development Company (Affiliated company)			104	91
- Al Ezz for Ceramics and Porcelain (GEMMA) (affiliated company)	Rent	241	26 253	24 175
	Sales	681		
- Al Ezz for medical industries (subsidiary)			12 066	10 583
			38 423	**34 849**
32.3 Items included in creditors and other credit balances				
- Al Ezz Group Holding Company for Industry & Investment			(70 662)	(71 294)
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(12)	(30)
			(70 674)	**(71 324)**

33. CONTINGENT LIABILITIES

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

	31/3/2022 Equivalent LE (000)	31/12/2021 Equivalent LE (000)
Letters of guarantee		
Egyptian Pound	156 736	7 825
US Dollar	133 805	17 347
Letters of credit		
US Dollar	3 734 824	2 621 632
Euro	82 909	69 762

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on March 31, 2022 amounted to LE 165 K (against LE 1 315 K as of December 31, 2021 fully covered) (Note no.18).

33.2 The settlement agreement with one of the foreign suppliers (Note no.30-2) includes the supplier claims Al Ezz Flat Steel (subsidiary company) for interest that will be calculated in agreement with the company on the liability of supplying spare parts during previous years amounted to 15 483 K Euro which is stated in the suppliers balance as of 30/12/2021 from the invoice due date until 31/10/2020, this is in case of the company does not pay all the liabilities stated in the settlement agreement in the due dates.

34. CAPITAL COMMITMENTS

- The capital Commitments of El Ezz El Dekhaila as of March 31, 2022 amounted to LE 24 Million, (whereas the amount as of December 31, 2021 is LE 33 Million).

35. TAX POSITION

35.1 Ezz Steel Company

35.1.1 Corporate tax

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

35.1.2 Sales tax and VAT

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

35.1.3 Salary tax

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

35.1.4 Stamp tax

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

35.1.5 Property tax

- The tax assessment issued and paid up to 31/12/2020.

35.2 Al Ezz Rolling Mills Company

35.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company, the tax inspection has resulted in approved tax losses amounting to LE 73 862 K in 2016 and LE 1 321 347 K in 2017
- The tax return was submitted on its legal date for years 2018 till 2020 according to the income tax law No. 91 for 2005 and its amendments,

35.2.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until 2018 and the taxes due were paid.
- The monthly tax returns are summited on their legal due dates.

35.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no outstanding dues on the company.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and disputes are being resolved by the Internal Committee.
- The company deducts and submits its tax for year 2019 and 2021.

35.2.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues.
- The tax inspection years 2019 and 2020 currently in progress.

35.2.5 Property tax

- The tax assessment issued and paid up to 31/12/2020.

35.3 Al Ezz El Dekheila for Steel – Alexandria Company

35.3.1 Corporate Tax

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

35.3.2 Salary Tax

- The tax inspection for the years until 2016 were done and there are no outstanding.
- Tax inspection for the years 2017 till 2020 are in progress.

35.3.3 Sales Tax and VAT

- The Tax Authority inspected the Company's books until year 2015 and all disputes were settled and there are no outstanding dues.
- Years from 2016/2020 were examined, the company notified with form 15 and the tax due was fully paid.
- **The situation of tax disputes:**

  2008-2012: The additional tax on the accrual of the sales tax retroactively on iron oxide ore as the tax is refundable in the amount of LE 108 million, and the judgment was issued in favour of the company rejecting the sub-lawsuit filed by the Ministry of Finance and the debt department of the major financiers center canceled the claim.
- The inspection were finished and the company notified with form 15 the tax was fully paid.

35.3.4 Stamp Tax

- The Tax Authority inspected the Company's books until year 2016 and all disputes were settled and there are no outstanding dues.
- Tax inspection is not performed yet for the years 2017 to 2020.

35.3.5 Property tax

- The decision of the committee of tax dispute settlement approved by the Minister of Finance was issued to reduce the annual real estate tax from LE 17 million to LE 10.7 million, and a settlement was made with the real estate taxes Agami, and the tax paid until December 31, 2021.

35.4 Al Ezz Flat Steel Company

35.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 2018 and resulted in tax losses.

35.4.2 Salary Tax

- The tax inspection was made and there are no tax claims on the company since the beginning of the business till 2016.
- The tax inspection for years from 2017 to 2019 were done and dispute currently resolved in the internal committee.

35.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2018, tax assessment issued and paid up at legal date and there are no dues.
- The company submits the monthly tax return on the legal due dates and the inspection for year 2019 and 2020 hasn't been requested by the tax authority yet.

35.4.4 Stamp tax

- Tax inspection was issued and made until 2020 and there are no claims on the Company.

35.4.5 Real Estate Tax

- The tax assessment issued and paid up to 31/12/2020.

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

36.1 Financial instruments

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

36.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities, finance lease liabilities which amounted to LE 35 939 483 K as of March 31, 2022 (LE 35 620 632 K as of December 31, 2021). Financing interest and expenses related to these balances amounted to LE 786 437 K during the period (LE 869 065 K during the same period from the previous year). Restricted time-deposits and current accounts amounted to LE 850 091 K as of March 31, 2022 (LE 514 358 K as of December 31, 2021), interest income related to these time-deposits and current accounts amounted to LE 57 012 K during the current period (LE 21 676 K during the same period from the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

36.3 Credit risk

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

	Note No.	31/3/2022 LE (000)	31/12/2021 LE (000)
Long term lending to others	(14)	50 211	47 632
Trade and notes receivables	(17)	2 873 174	4 795 988
Debtors and other debit balances	(18)	6 143 601	5 849 771
Suppliers - advance payments		863 821	802 659
Cash and cash equivalents	(20)	5 617 922	3 429 247

36.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 851 357 K and LE 9 751 976 K respectively on March 31, 2022.

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

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(390 970)
Euro	(65 685)
Swiss Frank	13
Sterling Pound	(76)
Japanese Yen	(40 647)
AED	3

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 are as follows:

	Closing rates as of:	
	31/3/2022	31/12/2021
US Dollars	18.3400	15.7400
Euro	20.5115	17.8791
Swiss Frank	19.8829	17.2285
Sterling Pound	24.1134	21.2742
AED	4.9922	4.2854

37. THE LITIGATION STATUS

Workers Lawsuits Regarding Profits

Some of the employee's terminal employees filed lawsuits to claim of a calculation profits and social insurance allowances for previous years, in which the rejection and fall were judged except one lawsuit.

The company's management and its legal advisor believe that the company has adhered to the correct law in disbursing the profits of its employees and social allowances in accordance with its legal system and without prejudice to the rights of any of its employees.

38. OTHER TOPICS

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 to ensure what may be decided against the port of Alexandria regarding the tax assessment amounts for the sales tax, the company filed a lawsuit No. 1409 for the year 2011 in implementation of the request to lift the reservation in the session of 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 and the report has not been filled yet.
- The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 Million in addition to tax amounting to LE 127.5 Million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El Dekheila Port.

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

  The company's management paid an amount of LE 127.5 Million under the account of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in 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 filled lawsuit No.1609 for year 2014 civil which numbered 36522 for year 69 J Alexandria Administrative Judiciary against both of the Port Authority and the Tax Authority requesting refund of what was collected from company under the name of sales tax for the period beginning from February 15, 2003 till December 31, 2013 in an amount of L.E 249.525 Million , On November 28, 2018 session the court appointed an expert in the lawsuit, He submitted a report in which he concluded the amounts paid by the company or not to the court because it is a legal issue and the case is postponed to the session of May 19, 2021. The company also filed a lawsuit No. 8971 for the year 72 J Administrative Judiciary - Alexandria requesting a refund of 34. 7 K Egyptian pounds, the value of what was collected under the name of sales tax on the license fee for the period from January 2014 until September 2016, the end of the general sales tax law. Based on the fact that the license fee for usufruct is not subject to the general tax on sales, and the lawsuit was referred to the State Commissioners Authority that deposited an opinion report in which it ended with the assignment of an expert in the case to examine the company's requests, the expert proceeded and deposited a report in which he concluded that the amounts paid by the company were counted, and the lawsuit was postponed to the session of May 25, 2022 for documentation.

39. SIGNIFICANT EVENTS

During the first quarter of year 2020 most of the world countries, including Egypt, were exposed to the novel coronavirus (Covid-19) pandemic which its effect still exists, and caused disturbances in the majority of commercial and economic activities in general. So, it is possible to have a material impact on the elements of assets, liabilities and its recoverable value thereof, and the results of operations in the group's Consolidated interim financial statements for the current period and the subsequent periods, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operations, the demand on the group's products, and the available liquidity. Currently, the group is assessing and determining the size of this impact on its current Consolidated interim financial statements, the management doesn't expect in the meantime, based on the latest available information, any significant impact on the current Consolidated interim financial statements and its going concern, due to instability and uncertainty as a result of the current events, the magnitude of that event depends mainly on the expected time frame, in which these events and their consequences, are expected to be ended, which is difficult to determine in the meantime.

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following accounting policies have been applied consistently by the group's companies during all presented periods in these Consolidated interim financial statements.

40.1 Foreign currency translation

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

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

40.2 *Fixed assets 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)
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 period.

40.10 Inventory

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

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

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

40.13 Trade 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 period.

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) Revenue Recognition.

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

Egyptian Accounting Standard No. (48) - Revenue from contracts with Trade Receivables

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

The potential impact on the financial statements

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

b) Dividends

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

c) Interest income

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

40.19 lease contracts

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

40.22 Grants related to assets

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

40.23 Employee benefits

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

40.24 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.24.1 Credit risk

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

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

- ***Trade receivable & other debtors***

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

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

- ***Cash and cash equivalents***

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

40.24.2 Liquidity risk

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

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

40.24.3 Market risk

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

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

- ***Currency risk***

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

  The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

  The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.
- ***Other market prices risk***

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

40.24.4 Capital management

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

41 Egyptian Accounting Standard No. (47) Financial Instruments

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

A- Classification & Measurement Of Financial Assets & Financial Liabilities

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

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

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

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

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

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

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

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

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

D- Impairment

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