EZZ STEEL REPORTS CONSOLIDATED 9M 2020 RESULTS

Cairo, 08 December 2020 – 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 9-month period ending 30 September 2020. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Paste the following link into your web browser to download a PDF of the full financial statements related to this announcement:
[insert link]

Key highlights
EGPMn

	9M 2019	9M 2020	YoY % (+/-)
Net sales	**35,258**	**26,458**	(25)
Gross profit	**529**	**263**	(50)
EBITDA*	**246**	**(213)**	(187)
Net profit after tax and minority interest	**(3,590)**	**(2,773)**	
Earnings per share**	(6.61)	(5.10)	

*EBITDA = sales – cost of goods sold – selling & marketing expense – G&A expense + depreciation and amortisation
**EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period

For further information:

Ezz Steel

Ahmed Nabil	+20 2 27989844	+20 100 177 7703
Haya Azab	+20 2 27989900	+20 122 998 8739

About Ezz Steel

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

In 2019, the Company produced 3.3 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). 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 successful acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales & Production

Consolidated net sales for 9M 2020 were EGP 26.5 billion, representing a decrease of 25 per cent year on year. Global demand remained low with the continued effects of COVID-19, including a significant drop-in construction activity, contributing to this decrease. Compared to 9M 2019, Flat sales were down 16% and long sales were down 28% respectively. Prices declined in Egypt and international markets for both long and flat steel during 9M 2020.

Sales after elimination
EGPMn

	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	4,628	14,712	**19,340**
Flat	0	6,732	**6,732**
Others	0	385	**385**
Total	**4,628**	**21,829**	**26,457**

Long steel products accounted for EGP 19.3 billion, or 74 per cent of sales in 9M 2020, while flat steel products represented 26 per cent of sales at EGP 6.7 billion. Long product exports accounted for 7 per cent of total long sales. Flat product exports accounted for 44 per cent of total flat sales.

Sales Value ***EGPMn***	Domestic	per cent	Export	per cent
Long	17,922	93%	1,418	7%
Flat	3,776	56%	2,956	44%

Long sales volumes were 2.41 million tonnes during 9M 2020, 5 per cent lower than the 2.55 million tonnes sold in 9M 2019. Over the same period, consolidated flat sales volumes improved by 1 per cent to reach 819 thousand tonnes in 9M 2020. However, third quarter sales volumes increased significantly compared to the previous quarter.

The group's consolidated sales volumes totalled 3.13 million tonnes in 9M 2020, a decrease of 10 per cent from the 3.47 million tonnes in 9M 2019.

Long steel production volumes totalled 2.27 million tonnes during 9M 2020, down 11 per cent compared to 9M 2019. Flat steel production volumes slightly increased by 2 per cent to 902 thousand tonnes for the period, compared to 888 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2020 represented 99 per cent of sales, leading to a in gross profit margin of 1% in 9M 2020. High iron ore price compared to decreased product prices, lower global demand, high utilities cost, and lack of sufficient local market protection continued to be factors that had a significant impact on gross profit.

Ezz Steel Standalone reported a COGS/Sales ratio of 96% for 9M 2020, compared to 98.5% in 9M 2019. At EZDK Consolidated the COGS/Sales ratio stood at 100%.

EGPMn	**ESR Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Sales	4,628	21,839	26,458
COGS	4,440	21,755	26,195
COGS/Sales	**96%**	**100%**	**99%**

Gross profit

Gross profit of 263 million was recorded for 9M 2020, a decline of 50 per cent from the 529 million in 9M 2019.

EBITDA

EBITDA for 9M 2020 amounted to a loss of EGP 213 million, compared to a positive EBITDA contribution of EGP 246 million in 9M 2019.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 189.5 million and income tax of EGP 25.9 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 2.77 billion for 9M 2020, compared to a loss of EGP 3.59 billion during the same period in 2019.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 2.55 billion and net debt of EGP 31.7 billion.

Divisional Overview

EZDK Standalone Sales (EGP):	**9M 2019**	**9M 2020**	
Value:	26,472	24,876	Mn
Volume:			
Long:	1,819	1,559	Tonnes
Flat:	813	743	Tonnes
Exports as % of Sales:			
Long:	9%	12%	
Flat:	50%	44%	
EBITDA:	1,038	687	Mn
Production:			
Long Products:	1,405	1,180	Tonnes
Flat Products:	853	770	Tonnes
Billets:	1,562	1,291	Tonnes
Ezz Steel Standalone Sales (EGP):			
Value:	5,519	4,703	Mn
Volume:	530	551	Tonnes
Exports as % of Sales:			
EBITDA:	(187)	(101)	Mn
Production:			
Long Products:	499	570	Tonnes
Billets:	487	591	Tonnes
EZDK Consolidated* Sales (EGP):			
Value:	29,856	21,829	Mn
Volume:			
Long:	2,129	1,770	Tonnes
Flat:	813	819	Tonnes
Exports as % of Sales:			
Long:	6%	11%	
Flat:	50%	44%	
Production:			
Long Products:	2,048	1,845	Tonnes
Flat Products:	888	902	Tonnes
Billets:	2,179	1,926	Tonnes

*Figures include ERM

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 9-month period ending 30 September 2020. 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
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2020
And Limited Review Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2020
And Limited Review Report

Index

KPMG

Hazem Hassan
Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

Translation from Arabic

Limited Review Report on Consolidated Interim Financial Statements

To The Board of Directors of Ezz Steel Company

Introduction

We have performed a limited review on the accompanying consolidated statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of September 30, 2020 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards, our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as of September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the nine months ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

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

1- As explained in note no. (1-3) of the notes to the consolidated interim financial statements, the company and it's subsidiaries have incurred retained losses amounted to L.E 18.3 Billion as of September 30, 2020 included in company's consolidated statement of financial position, also it's liabilities exceed it's assets (Deficit in Shareholder's Equity) with an amount of L.E 8.2 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- has incurred accumulated retained losses till September 30, 2020 with an amount equivalent to LE 8.55 Billion, which deferred tax asset was recognized for it at that date with an amount equivalent to LE 912 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till September 30, 2020 amounted to LE 4.26 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, the total amount of deferred tax assets is amounted to LE 1.437 Billion stated in deferred tax assets in the consolidated statement of financial position at that date, According to the restructuring plan of the group, a study prepared by an independent specialist to estimate the fair value of the mentioned companies' shares has been approved, the said specialist issued his report on June 27,2019. In accordance with the results of this study, the fair value for each of EFS and ERM shares are amounted to USD 10.09 and LE 23.07 respectively which exceeds the book value of these companies' shares, in addition to, a plan of obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward losses, which depends on the realization of the future assumptions which have been used in the preparation of the study mentioned above.

2- As explained in note no. (38) of the notes to the consolidated interim financial statements, During the first quarter of year 2020 most of the world countries, including Egypt, were exposed to the novel coronavirus (Covid-19) pandemic, which 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 company's consolidated interim financial statements for the current and subsequent periods, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operation, the demand on the company's products, and the available liquidity. According to the mentioned above note, the company's management is currently managing the risk of this impact on its current consolidated interim financial statements and confirms that the values of assets and liabilities stated in the consolidated interim financial statements have been determined based on the best estimate of the most recent data available to them. However, due to instability and uncertainty as a result of current events, the magnitude of the impact of that event depends mainly on the expected time frame, in which this event and its consequences, is expected to be ended, which is difficult to be determined at the meantime.

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

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

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

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

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.

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

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

KPMG

Hazem Hassan

Translation from Arabic

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.

KPMG Hazem Hassan
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants
26

Cairo, December 7, 2020

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as of:

	Note No.	30/9/2020 LE (000)	31/12/2019 Restated LE (000)
Non-Current Assets			
Fixed assets (Net)	(10-1)	23 620 817	24 473 462
Projects under construction	(11)	158 884	334 971
Long term investments	(12)	4 719	4 209
Deferred tax assets	(30-1)	2 039 506	1 898 137
Long term lending to others	(13)	46 849	51 024
Other assets	(14)	17 969	19 828
Goodwill	(40-9)	315 214	315 214
Total non-current assets		**26 203 958**	**27 096 845**
Current Assets			
Inventory	(15)	8 156 417	7 859 098
Trade and notes receivable	(16)	2 502 953	1 859 937
Debtors and other debit balances	(17)	3 696 596	3 489 721
Suppliers - advance payments		419 515	579 192
Investments in treasury bills	(40-8)	181 131	97 053
Cash and cash equivalents	(19)	2 553 584	1 850 553
Total current assets		**17 510 196**	**15 735 554**
Total Assets		**43 714 154**	**42 832 399**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-3)	1 474 642	1 334 264
Retained losses		(18 315 051)	(13 803 846)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		3 232 503	2 778 780
Deficit in holding company shareholders' equity		**(10 781 412)**	**(6 864 308)**
Non-controlling interest share in the capital increase of the subsidiary	(1-3)	-	1 109 514
Non-controlling interest		2 582 525	1 720 904
Deficit in shareholders' equity		**(8 198 887)**	**(4 033 890)**
Liabilities			
Non-Current Liabilities			
Long-term loans	(27)	10 630 826	11 214 198
Long-term liabilities	(29)	1 609 617	1 214 993
Finance lease liabilities	(28)	323 437	362 779
Deferred tax liabilities	(30-1)	3 707 256	3 774 609
Total non-current liabilities		**16 271 136**	**16 566 579**
Current Liabilities			
Banks - overdraft	(19)	194 407	180 005
Credit facilities and loan installments due within one year	(27)	23 423 665	19 964 635
Finance lease liabilities due within one year	(28)	50 995	43 880
Trade and notes payable	(23)	7 032 877	5 865 470
Customers - advance payments		995 970	1 112 001
Creditors and other credit balances	(24)	3 624 070	2 671 035
Income tax liabilities		28 879	219 323
Liability of the supplementary pension scheme	(25)	19 763	16 831
Provisions	(26)	271 279	226 530
Total current liabilities		**35 641 905**	**30 299 710**
Total liabilities		**51 913 041**	**46 866 289**
Total shareholder's equity and liabilities		**43 714 154**	**42 832 399**

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

ezzsteel
حديد عز
شركة حديد عز ش.م.م
EZZ STEEL CO. S.A.E.
القطاع المالى
FINANCIAL DIVISION F1

Managing Director
Hassan Ahmed Nouh

Chairman
Acc./ Mamdouh Fakhr El Dien Hussein El Rouby

Limited review report attached

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Income

	Note No.	For The Nine Months Ended 30 September: 2020 LE (000)	2019 LE (000)	For The Three Months Ended 30 September: 2020 LE (000)	2019 LE (000)
Sales (net)	(40-18)	26 457 517	35 258 251	8 631 532	9 357 395
Less :					
Cost of sales	(3)	(26 194 581)	(34 729 665)	(8 446 319)	(9 638 778)
Gross profit (loss)		**262 936**	**528 586**	**185 213**	**(281 383)**
Add / (Less):					
Other operating revenues	(4)	86 842	110 514	35 048	15 276
Selling and marketing expenses	(5)	(430 187)	(410 028)	(194 250)	(177 275)
Administrative and general expenses	(6)	(1 121 683)	(975 806)	(382 050)	(316 840)
Other operating expenses	(7)	(132 622)	(242 120)	(81 380)	(95 367)
Operating losses		**(1 334 714)**	**(988 854)**	**(437 419)**	**(855 589)**
Add / (Less):					
Finance income	(8)	63 598	96 404	24 167	16 937
Finance cost	(8)	(2 926 430)	(3 579 133)	(911 231)	(1 204 316)
(losses) / Gains of Foreign currency translation	(8)	(76 896)	151 989	(22 138)	84 455
Net finance cost		**(2 939 728)**	**(3 330 740)**	**(909 202)**	**(1 102 924)**
Net loss for the period before tax		**(4 274 442)**	**(4 319 594)**	**(1 346 621)**	**(1 958 513)**
(Less) / Add :					
Income tax		(25 902)	(34 817)	(9 800)	(11 218)
Deferred tax	(30-2)	189 453	32 845	17 109	117 889
Total Income Tax		**163 551**	**(1 972)**	**7 309**	**106 671**
Net loss for the period		**(4 110 891)**	**(4 321 566)**	**(1 339 312)**	**(1 851 842)**
Attributable to:					
Owners of the holding company		(2 772 770)	(3 590 343)	(928 652)	(1 491 596)
Non-controlling interest		(1 338 121)	(731 223)	(410 660)	(360 246)
Net loss for the period		**(4 110 891)**	**(4 321 566)**	**(1 339 312)**	**(1 851 842)**
Basic and diluted loss per share for the period (LE/share)	(9)	**(5.19)**	**(6.73)**	**(1.74)**	**(2.79)**

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

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

	For The Nine Months Ended 30 September:		For The Three Months Ended 30 September:	
	2020	2019	2020	2019
	LE (000)	LE (000)	LE (000)	LE (000)
Net loss for the period	(4 110 891)	(4 321 566)	(1 339 312)	(1 851 842)
Less:				
Other comprehensive income items				
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	(131 240)	(136 515)	(43 532)	(44 868)
Foreign entities translation differences	(43 797)	(461 322)	(56 649)	(104 638)
Total comprehensive income	(4 285 928)	(4 919 403)	(1 439 493)	(2 001 348)
Attributable to:				
Owners of the holding company	(2 877 872)	(4 013 213)	(994 466)	(1 597 551)
Non-controlling interest	(1 408 056)	(906 190)	(445 027)	(403 797)
	(4 285 928)	(4 919 403)	(1 439 493)	(2 001 348)

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Nine Months Ended September 30, 2020

	Note No.	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Treasury stocks LE (000)	Foreign entites translation reserve LE (000)	Interim Dividends LE (000)	Total / (Deficit in) holding company shareholders equity LE (000)	Non-controlling interest share in the capital increase of the subsidiary LE (000)	Non-controlling interest LE (000)	Total / (Deficit in) shareholders' equity LE (000)
Balance as of 1/1/2019- Restated		2 716 325	182 090	1 965 084	(6 744 752)	(71 921)	3 945 964	(98 212)	1 894 578	–	2 661 410	4 555 988
Comprehensive income												
Net loss for the period		–	–	–	(3 590 343)	–	–	–	(3 590 343)	–	(731 223)	(4 321 566)
Other Comprehensive income												
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)		–	–	(94 604)	–	–	–	–	(94 604)	–	(41 911)	(136 515)
Foreign entites translation differences		–	–	–	–	–	(328 266)	–	(328 266)	–	(133 056)	(461 322)
Total comprehensive income		–	–	(94 604)	(3 590 343)	–	(328 266)	–	(4 013 213)	–	(906 190)	(4 919 403)
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)		–	–	–	94 604	–	–	–	94 604	–	41 911	136 515
Transactions with company's shareholders												
The impact of acquisition of an additional share in Al Ezz Rolling Mills Company (subsidiary company)		–	–	–	(154)	–	–	–	(154)	–	(38)	(192)
Closing interim dividends distributions		–	–	–	(98 212)	–	–	98 212	–	–	–	–
Non-controling interest share in subsidary company's dividends of year 2018		–	–	–	–	–	–	–	–	–	(124 971)	(124 971)
The share of the company and the minority in the employees and Board of Directors dividendes of the subsidiary companies for year 2018		–	–	–	(18 516)	–	–	–	(18 516)	–	(17 549)	(36 065)
Total transactions with the company's shareholders		–	–	–	(116 882)	–	–	98 212	(18 670)	–	(142 558)	(161 228)
Balance as of 30/9/2019 - Restated		2 716 325	182 090	1 870 480	(10 357 373)	(71 921)	3 617 698	–	(2 042 701)	–	1 654 573	(388 128)
Balance as of 1/1/2020 - Restated		2 716 325	182 090	1 334 264	(13 803 846)	(71 921)	2 778 780	–	(6 864 308)	1 109 514	1 720 904	(4 033 890)
Comprehensive income items												
Net loss for the period		–	–	–	(2 772 770)	–	–	–	(2 772 770)	–	(1 338 121)	(4 110 891)
Other comprehensive income items												
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)		–	–	(81 138)	–	–	–	–	(81 138)	–	(50 102)	(131 240)
Foreign entites translation differences		–	–	–	–	–	(23 964)	–	(23 964)	–	(19 833)	(43 797)
Total comprehensive income		–	–	(81 138)	(2 772 770)	–	(23 964)	–	(2 877 872)	–	(1 408 056)	(4 285 928)
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)		–	–	–	81 138	–	–	–	81 138	–	50 102	131 240
Transactions with company's shareholders												
The non-controlling interest share in subsidary company's dividends of year 2019		–	–	–	–	–	–	–	–	–	(2 745)	(2 745)
The share of the company and the non controlling interest in the employees and Board of Directors dividends of the subsidiary companies for year 2019		–	–	–	(4 275)	–	–	–	(4 275)	–	(3 289)	(7 564)
The non-controlling interest share in increasing the capital of subsidiaries		–	–	–	–	–	–	–	–	(1 109 514)	1 109 514	–
The effect of the change in the percentage of the contribution in the subsidiary companies during the period	(1-3)	–	–	221 516	(1 815 298)	–	477 687	–	(1 116 095)	–	1 116 095	–
Total transactions with the company's shareholders		–	–	221 516	(1 819 573)	–	477 687	–	(1 120 370)	(1 109 514)	2 219 575	(10 309)
Balance as of 30/9/2020		2 716 325	182 090	1 474 642	(18 315 051)	(71 921)	3 232 503	–	(10 781 412)	–	2 582 525	(8 198 887)

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

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

	Note No.	2020 LE(000)	2019 Restated LE(000)
Cash flows from operating activities			
Net loss for the period before income tax		(4 274 442)	(4 319 594)
Adjustments to reconcile Net losses to net cash used in operating activities			
Depreciation	(10-1)	1 071 972	1 099 358
Amortization of other assets	(14)	3 886	4 146
Amortization of accrued interest on treasury bills		(14 985)	(1 596)
Amortization of the difference from the change in the fair value of the long term lending		(2 519)	—
Capital gains / (losses)	(4)	(493)	470
Impairment loss on assets	(7)	700	—
Interest & finance costs	(8)	2 926 430	3 579 133
Provisions formed during the period	(7)	47 841	2 252
Differences of changing in liability of the supplementary pension scheme	(25)	21 433	31 675
Gain on sale of investments		—	(9 150)
Tax assesment differences		—	39 546
Foreign currency exchange differences		51 287	(153 250)
		(168 890)	**272 990**
Changes in working capital			
Inventory		(339 027)	1 504 063
Trade receivables, debtors and other debit balances		(6 105 267)	(2 723 112)
Trade payables, creditors and other credit balances		7 967 889	(258 422)
Change in lending to employees		5 442	(5 433)
Liability of the supplementary pension scheme		(2 253)	(133)
Net		**1 357 894**	**(1 210 047)**
Finance interest paid		(2 125 726)	(3 362 219)
Income tax paid		(65 065)	(21 885)
Used impairment of assets	(18)	(1 659)	—
Used provisions	(26)	(3 092)	(1 000)
Net cash flows used in operating activities		**(837 648)**	**(4 595 151)**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(267 857)	(420 327)
Payments for purchase of investments in subsidiaries		(600)	(194)
Proceeds from retrieval of financial investment (treasury bills)		376 500	28 446
Payments for purchase of financial investment (treasury bills)		(445 758)	(29 915)
Net cash flows used in investing activities		**(337 715)**	**(421 990)**
Cash flows from financing activities			
Net proceeds from credit facilities		3 025 868	5 398 397
Payments for loans		(1 019 618)	(570 868)
Proceeds from loans		(121 389)	—
Finance lease payments		(32 227)	(23 261)
Change in time-deposits and restricted current accounts		12 404	10 913
Paid dividends to non-controlling interest		(2 745)	(369 355)
Paid dividends to employees and Board of Directors		(7 565)	(41 111)
Net cash provided by financing activities		**1 854 728**	**4 404 715**
Change in cash and cash equivalents during the period		**679 365**	**(612 426)**
Cash and cash equivalents at the beginning of the period	(19)	**1 567 109**	**1 978 376**
Translation differences of financial statement of foreign entities		(3 140)	(84 108)
Cash and cash equivalents at the ending of the period	(19)	**2 243 334**	**1 281 842**

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2020

1. BACKGROUND

1.1 Basic Information

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on April 2, 1994. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette issue No. 231 of April 1994. The Company is located in Sadat City.
- The term of the company is 25 years from the date of registration of the company in the commercial register. On October 24, 2018, the Company's Extraordinary General Assembly decided to extend the company's term for another 25 years starting from April 2, 2019. The necessary procedures are being taken to amend the Company's Commercial Register in this regard.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebanon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- The Company is a subsidiary company of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" -parent company- which participated (direct and indirect) in the company's capital by 38.83% as at 30 September 2020, in addition to the main shareholder of the parent company (Engineer/ Ahmed Abd El-Aziz Ezz) owns 27.3 % of company's capital and based on the management of the parent company's estimates their control over "Ezz Steel" is still outstanding with continuation of considering the company as a subsidiary to the parent company.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company and its subsidiaries

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

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

	30/9/2020 Percentage Share %	31/12/2019 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	64.06 (Direct and Indirect) through Al Ezz El Dekheila	54.58 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	54.59 (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	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	55.735 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

The main financial indicators for the company and it's subsidiaries:

- The company and it's subsidiaries have incurred retained losses amounted to L.E 18.3 Billion as of September 30, 2020 included in company's consolidated statement of financial position, also it's liabilities exceed it's assets (Deficit in Shareholder's Equity) with an amount of L.E 8.2 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- has incurred accumulated retained losses till September 30,2020 with an amount equivalent to LE 8.55 Billion, which deferred tax asset was recognized for it at that date with an amount equivalent to LE 912 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till September 30,2020 amounted to LE 4.26 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, the total amount of deferred tax assets is amounted to LE 1.437 Billion stated in deferred tax assets in the consolidated statement of financial position at that date, According to the restructuring plan of the group, a study prepared by an independent specialist to estimate the fair value of the mentioned companies' shares has been approved, the said specialist issued his report on June 27,2019. In accordance with the results of this study, the fair value for each of EFS and ERM shares are amounted to USD 10.09 and LE 23.07 respectively which exceeds the book value of these companies' shares, in addition to, a plan of obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward losses.

The following are the details of the restructuring plan of subsidiaries:

- On August 4, 2019 the Board of Directors of Al Ezz El Dekheila agreed to buy 42 million share from El Ezz for flat steel (a subsidiary company) with a percentage of contribution representing 56% which is the rest of 100% of company's shares, and that after deducting the share of Al Ezz El Dekheila with a percentage of 44% and number of shares of 89.8 Million share with a percentage of 100% from the shares of El Ezz for Rolling Mills Company according to the fair value of the shares.
- The board of directors approved the studies of the financial consultant of the fair value, and it represents an amount of LE 1 176.85 per share, the fair value of El Ezz Flat Steel share representing USD 10.09 per share and the fair value of for El Ezz For Rolling Mills share representing LE 23.07 per share.

- Also, the increase of Al Ezz El Dekheila For Steel authorized share capital was approved amounting to LE 1.5 Billion to be LE 4 Billion, also the increase of authorized share capital by 13 Million share with a 1 176.85 fair value per share, representing 100 par value plus 1 076.85 shares premium, and the old shareholders were invited to buy 12 175 202 shares from the new issued shares in cash or by using the credit balances resulted from the acquisition by EZZ El Dekheila For Steel of their shares in el Ezz for Flat Steel and El Ezz For Rolling Mills according to the percentage of their contribution, and allocating the rest of shares representing 824 798 share for the rest shareholders in El Ezz for Flat Steel (EFS) and El Ezz for Rolling Mills (ERM) for their credit balances resulting from the acquisition.
- On September 22, 2019 the unordinary general assembly of El Ezz El Dekhelia approved the previously mentioned transaction.
- On October 3, 2019 the BOD of Ezz steel approved the acquisition transaction by Al Ezz El Dekheila of all the shares owned by El Ezz steel in El Ezz for flat steel and El Ezz for Rolling Mills according to the previously mentioned acquisition transaction
- Within the fourth quarter in 2019, the ownership of 88 921 050 share and 35 289 000 shares of EL Ezz For Rolling Mills and El Ezz For Flat Steel was transferred with an amount equals LE 7 809 993 calculated according to the price for the shares mentioned above of Ezz El Dekhelia For Steel.
- During May 2020 the increase in El Ezz Dekhelia's capital was completed and this was confirmed in the commercial register for the company on May 17, 2020 and the company bought 5 204 842 share from the shares related to the increase in capital for LE 6 125 318 calculated according to the share price mentioned above by using a portion of the credit balance resulted from the mentioned above ownership transfer transaction.
- The effect of the above-mentioned transactions between the group's subsidiaries were eliminated when preparing the consolidated interim financial statements.

1.4 Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on December 7, 2020.

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 year in which the estimate is revised if these differences affect the year of the revision and future periods then these differences are recognized in the year of the revision and future periods.

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

- The consolidated interim financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the Holding Company, the Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the investee.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of 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.	For the nine months ended 30 September: 2020 LE (000)	2019 LE (000)	For the three months ended 30 September: 2020 LE (000)	2019 LE (000)
Raw Materials		15 924 821	20 060 295	3 802 550	5 304 948
Salaries & Wages		1 526 124	1 482 267	499 328	506 977
Fixed assets depreciation	(10-1)	1 037 962	1 063 852	345 309	349 456
Other assets amortization		3 886	4 146	1 294	1 342
Supplementary pension scheme cost		16 831	25 077	5 610	16 812
Manufacturing overhead expenses		8 535 680	11 553 637	2 375 606	3 172 554
Manufacturing cost		**27 045 304**	**34 189 274**	**7 029 697**	**9 352 089**
Change in inventory – finished product and work in process		(850 723)	540 391	1 416 622	286 689
		26 194 581	**34 729 665**	**8 446 319**	**9 638 778**

4. OTHER OPERATING REVENUES

	For the nine months ended 30 September: 2020 LE (000)	2019 LE(000)	For the three months ended 30 September: 2020 LE(000)	2019 LE(000)
Profit from sale of investments	-	9 150	-	-
Capital gains	493	-	-	-
Other revenues	86 349	101 364	35 048	15 276
	86 842	**110 514**	**35 048**	**15 276**

5. SELLING & MARKETING EXPENSES

	Note No.	For the nine months ended 30 September: 2020 LE (000)	2019 LE (000)	For the three months ended 30 September: 2020 LE (000)	2019 LE (000)
Salaries & Wages		75 612	80 043	23 219	28 014
Advertising		95 095	63 253	64 011	50 266
Fixed assets depreciation	(10-1)	449	467	229	94
Supplementary pension scheme cost		1 190	1 773	397	1 189
Other expenses		257 841	264 492	106 394	97 712
		430 187	**410 028**	**194 250**	**177 275**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the nine months ended 30 September: 2020 LE (000)	2019 LE(000)	For the three months ended 30 September: 2020 LE(000)	2019 LE(000)
Salaries & Wages		715 163	571 714	212 935	189 559
Spare parts and maintenance		6 701	2 688	2 001	448
Fixed assets depreciation	(10-1)	33 561	35 039	10 839	11 285
Supplementary pension scheme cost		3 412	4 825	1 138	3 159
Other expenses		362 846	361 540	155 137	112 389
		1 121 683	**975 806**	**382 050**	**316 840**

7. OTHER OPERATING EXPENSES

	Note No.	For the nine months ended 30 September: 2020 LE (000)	2019 LE(000)	For the three months ended 30 September: 2020 LE(000)	2019 LE(000)
Donations		58 559	180 323	47 413	92 695
Provisions formed during the period	(26)	47 841	2 252	46 212	2 252
Impairment loss on assets	(18)	700	-	228	-
Capital loss		-	470	-	420
Other expenses		25 522	59 075	(12 473)	-
		132 622	**242 120**	**81 380**	**95 367**

8. FINANCE INCOME AND COST

	For the nine months ended 30 September: 2020 LE (000)	2019 LE (000)	For the three months ended 30 September: 2020 LE (000)	2019 LE (000)
Finance income				
Finance and interest income	63 598	96 404	24 167	16 937
Total finance income	**63 598**	**96 404**	**24 167**	**16 937**
Finance Cost				
Interest & finance cost	(2 926 430)	(3 579 133)	(911 231)	(1 204 316)
Total finance cost	**(2 926 430)**	**(3 579 133)**	**(911 231)**	**(1 204 316)**
(Losses) / Gains of foreign currency translation	(76 896)	151 989	(22 138)	84 455
Net finance costs	(2 939 728)	(3 330 740)	(909 202)	(1 102 924)

9. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

	For the nine months ended 30 September: 2020	2019	For the three months ended 30 September: 2020	2019
Owners of the company share				
Net loss for the period (LE 000)	(2 772 770)	(3 590 343)	(928 652)	(1 491 596)
Weighted average number of outstanding shares during the period (share)*	533 802 313	533 802 313	533 802 313	533 802 313
Basic and diluted loss per share for the period (LE / share)	**(5.19)**	**(6.73)**	**(1.74)**	**(2.79)**

* 9 462 714 shares were eliminated for calculating the weighted average number of outstanding shares during the nine months ended September 30, 2020 which represent treasury stocks (Note no. 22).

10. FIXED ASSETS (NET)

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

	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, 2019	808 134	10 644 548	36 874 656	308 853	441 163	218 030	3 902	49 299 286
Additions during the period	-	10 397	158 314	6 691	29 268	19 389	-	224 059
Disposals during the period	-	-	(35 115)	-	(721)	(628)	-	(36 464)
Translation differences of foreign entities	(21 530)	(572 805)	(1 306 485)	(148)	(4 362)	(14 127)	-	(1 919 457)
As of September 30, 2019	786 604	10 082 140	35 691 370	315 396	465 348	222 664	3 902	47 567 424
As of January 1, 2020	783 733	10 031 991	35 792 987	316 474	466 361	227 554	3 902	47 623 002
Additions during the period	-	79 455	331 764	1 955	10 605	17 491	-	441 270
Disposals during the period	-	(79)	(63 918)	(3 994)	(1 509)	(428)	-	(69 928)
Translation differences of foreign entities	(4 057)	(107 931)	(246 286)	(28)	(863)	(2 824)	-	(361 989)
As of September 30, 2020	779 676	10 003 436	35 814 547	314 407	474 594	241 793	3 902	47 632 355
Accumulated depreciation:								
As of January 1, 2019	-	2 826 769	19 189 599	277 294	202 838	136 943	3 902	22 637 346
Depreciation for the period	-	181 529	855 522	11 700	36 247	14 360	-	1 099 358
Accumulated depreciation of disposals during the period	-	-	(34 661)	-	(704)	(628)	-	(35 993)
Translation differences of foreign entities	-	(143 568)	(542 759)	(144)	(3 685)	(8 171)	-	(698 327)
As of September 30, 2019	-	2 864 730	19 467 701	288 850	234 696	142 504	3 902	23 002 384
As of January 1, 2020	-	2 902 465	19 562 871	291 701	242 652	145 949	3 902	23 149 540
Depreciation for the period	-	175 592	838 561	8 112	35 354	14 353	-	1 071 972
Accumulated depreciation of disposals during the period	-	(79)	(62 709)	(3 994)	(1 501)	(428)	-	(68 711)
Translation differences of foreign entities	-	(29 320)	(109 444)	(27)	(736)	(1 736)	-	(141 263)
As of September 30, 2020	-	3 048 658	20 229 279	295 792	275 769	158 138	3 902	24 011 538
Carrying amount:								
As of September 30, 2019	786 604	7 217 410	16 223 669	26 546	230 652	80 160	-	24 565 040
As of December 31, 2019	783 733	7 129 526	16 230 116	24 773	223 709	81 605	-	24 473 462
As of September 30, 2020	779 676	6 954 778	15 585 268	18 615	198 825	83 655	-	23 620 817
Fixed assets fully depreciated and still in use as of September 30, 2020	-	361 378	2 115 439	262 147	125 707	98 019	3 902	2 966 592

* The land item includes a piece of land with a total area of 928 KM² purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

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

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

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

	Note No.	For The Nine Months Ended 30 September: 2020 LE(000)	2019 LE(000)
Cost of sales	(3)	1 037 962	1 063 852
Selling and marketing expenses	(5)	449	467
Administrative & General expenses	(6)	33 561	35 039
		1 071 972	1 099 358

10.2 **Leased fixed assets:**

Fixed assets are included leased assets as of September 30, 2020 as follows:

	Cost at 30/9/2020 LE (000)	Accumulated depreciation at 30/9/2020 LE (000)	Net at 30/9/2020 LE (000)	Net at 31/12/2019 LE (000)
Land *	70 000	-	70 000	70 000
Building **	145 000	16 010	128 990	131 708
	215 000	**16 010**	**198 990**	**201 708**

* During 2018, the company signed a contract of sale and lease back for 7 years ending 2025 for a plot of land owned by the company, Land cost amounted to L.E. 70 Million, as shown in note no. (28), the company issued an official power of attorney cannot be canceled or revoked in favor of HD Lease in the signing of the initial and final purchase and sale contracts and the final transfer of ownership to it or to other in front of the Real Estate Authority for the above-mentioned plot of land.

** During 2016, the company concluded a financial lease contracts for two floors in Nile Plaza building for 8 years ending 2024 as shown in note no. (28).

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

	LE (000)
Modification surplus of fixed assets at floating foreign exchange rate date (November 3, 2016)	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till December 31, 2019	(695 344)
Net modification surplus of fixed assets at December 31, 2019	**2 415 347**
Recognized portion during the period ended September 30, 2020	(131 240)
Net modification surplus of fixed assets at September 30, 2020	**2 284 107**
Attributable to:	
Owners of the Company	1 474 642
Non-controlling interest	809 465
	2 284 107

11. PROJECTS UNDER CONSTRUCTION

	30/9/2020 LE (000)	31/12/2019 LE (000)
Constructions expansion	18 272	78 769
Machinery under installation	80 578	168 268
Advance payments for purchase of fixed assets	60 034	87 934
	158 884	**334 971**

12. INVESTMENTS

	30/9/2020 LE (000)	31/12/2019 LE (000)
12-1 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)	600	-
The subsidiary company was established on August 11, 2020, 10% of the capital was paid and the company didn't prepared any financial statements yet		
12-2 Investments in associates		
- Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	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. 37-1) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	1	1
12-3 Investments available-for-sale		
- Arab Company for Special Steel (SAE) (5% owned by Ezz El Dekheila for Steel – Alexandria).	17 726	17 726
- The Egyptian Company for Cleaning and Security Services (5% owned by Ezz El Dekheila for Steel – Alexandria).	80	80
- Atlantic Pacific Transport Ltd. (5% owned by Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)).	4 014	4 014
	22 536	**21 936**
Less:		
Impairment loss in Arab Company for Special Steel	17 726	17 726
Impairment loss in EZDK Steel UK LTD	1	1
Impairment loss in Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C)	90	-
Impairment loss in long term investments (Note no.18)	**17 817**	**17 727**
	4 719	**4 209**

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Not No.	30/9/2020 LE (000)	31/12/2019 LE (000)
Employees' advance payments		84 548	85 000
Employees' loans present value		32 862	39 239
		117 410	124 239
Less:			
Employees' loans and advances due within the period /	(17)	(60 375)	(60 510)
Long term employees' loans and advances		57 035	63 729
Less:			
Differences resulted from change in the fair value of long-term employees' loans		(10 186)	(12 705)
		46 849	**51 024**

14. OTHER ASSETS

The amount is represented in the paid-up amount by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority which amounted to USD 3 248 K equivalent to LE 17 969 K for the approval of expanding the steel rebar production license.

	LE (000)
Cost at January 1, 2020	19 828
(Less) / Add:	
Amortization for the period	(3 886)
Translation differences	2 027
Net at September 30, 2020	**17 969**

15. INVENTORY

	30/9/2020 LE (000)	31/12/2019 LE (000)
Raw materials and supplies	1 960 295	2 515 915
Work in process	592 720	766 950
Finished products	3 281 968	2 257 015
Spare parts and supplies	2 101 908	2 111 687
Goods in transit	13 850	193 719
Letters of credit	205 676	13 812
	8 156 417	**7 859 098**

16. TRADE AND NOTES RECEIVABLE

	Note No.	30/9/2020 LE (000)	31/12/2019 LE (000)
Trade receivables		1 628 086	1 147 976
Trade receivables – Related parties	(31-1)	8 167	7 596
Notes receivable		896 757	734 022
		2 533 010	**1 889 594**
Less:			
Impairment loss on trade receivables	(18)	(30 057)	(29 657)
		2 502 953	**1 859 937**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2020 LE (000)	31/12/2019 Restated LE (000)
Deposits with others		1 145 805	1 219 902
Tax Authority	(17-1)	1 193 538	1 080 530
Tax Authority – usufruct	(17-2)	127 477	127 477
Tax Authority – VAT		377 979	463 005
Customs Authority		101 097	76 844
Accrued revenues		527	97
Prepaid expenses		102 586	65 606
Alexandria Port Authority		19 570	17 337
Employees' loans and advance payments due within a year	(13)	60 375	60 510
Letters of credit cash margin		3 772	2 520
Letters of guarantee cash margin	(32)	1 085	1 085
Due from related parties *	(31-2)	23 226	20 218
Advance payment under the account of employees' dividends		34 842	36 573
The Cairo Economic Court	(17-3)	35 060	35 060
Other debit balances	(17-4)	518 095	332 844
		3 745 034	**3 539 608**
Less:			
Impairment loss on debtors and other debit balances	(18)	(48 438)	(49 887)
		3 696 596	**3 489 721**

* Restatement was made to some of the comparative figures as shown in note no. (39).

17-1 The Tax Authority balances include an amount of LE 254.2 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. (34-3-1) in addition to an amount of LE 219 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008.

17-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax 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. 37-2).

17-3 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.

17-4 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- production line which paid on February 2012.

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	1/1/2020 LE (000)	Formed during the Period LE (000)	Used during the Period LE (000)	30/9/2020 LE (000)
Impairment loss on long term investments	(12)	17 727	90	-	17 817
Impairment loss on trade and notes receivable	(16)	29 657	400	-	30 057
Impairment loss on debtors and other debit balances	(17)	49 887	210	(1 659)	48 438
Impairment loss on advance payments for suppliers		2 332	–	–	2 332
		99 603	**700**	**(1 659)**	**98 644**

19. CASH AND CASH EQUIVALENTS

	30/9/2020 LE (000)	31/12/2019 LE (000)
Banks - time deposits	232 545	37 128
Banks – current accounts	2 161 493	1 294 497
Cheques under collection	64 559	503 665
Cash on hand	94 987	15 263
	2 553 584	**1 850 553**
Less:		
Banks – overdraft	(194 407)	(180 005)
Restricted time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(115 843)	(103 439)
Cash and cash equivalents in the statement of cash flows	**2 243 334**	**1 567 109**

20. CAPITAL

20.1 Authorized capital

The company's authorized capital is LE 8 Billion.

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 K (Two Billion, Seven Hundred and Sixteen Million, Three Hundred and Twenty-Five Thousand Egyptian Pound) distributed over 543 265 027 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.

21. RESERVES

	30/9/2020 LE (000)	31/12/2019 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.

22. TREASURY STOCKS

- Treasury stocks as of September 30, 2020 represent the value of 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and they are classified as treasury stocks for the consolidation purposes.

23. TRADE AND NOTES PAYABLE

	30/9/2020 LE (000)	31/12/2019 LE (000)
Trade payables	6 065 584	4 861 856
Notes payable	1 137 477	1 147 689
	7 203 061	**6 009 545**
Unamortized portion of the present value of notes payable	(170 184)	(144 075)
Net present value of trade and notes payable	**7 032 877**	**5 865 470**

* Trade payables balance as of September 30, 2020 includes an amount of L.E 451.77 Million represents in the due balance for The Egyptian Electricity Transmission Company, On October 1, 2020 the company agreed with the mentioned company to reschedule the payment of due balance till July 2020 balance amounted to L.E 426.56 Million to be paid on 44 monthly instalments with total amount of L.E 481.11 Million starting from October 15 , 2020 till July 15, 2024 with annual interest rate 8.75% .

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2020 LE (000)	31/12/2019 Restated LE (000)
Fixed assets – creditors		129 460	128 820
Accrued interest**		1 574 191	779 936
Accrued expenses		1 065 076	850 727
Tax Authority		418 971	321 968
Performance guarantee retention		42 538	36 813
Sales tax instalments		96 483	96 483
Dividends payable		5 634	1 602
Due to related parties *	(31-3)	128 090	348 208
Deferred revenue for grants	(29-2)	817	897
Other credit balances		162 810	105 581
		3 624 070	2 671 035

* Restatement was made to some of the comparative figures as shown in note no. (39).

** During the period the accrued interest of the joint loan guaranteed to Ezz Steel company amounted to L.E 115 423 k was added to the balance of long term loan as shown note no.(27-1).

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

As of the first of January 2013, according to decision of the Board of Directors of Al Ezz El Dekheila for Steel - Alexandria dated December 27, 2012, the Company resolved to grant the employees of the company the benefit of supplementary pension scheme as well as Contra Steel company, for the benefit of any case of retirement at the age of sixty, death or occupational disability of any employee as the company grants all the employees a fixed monthly pension at the age of sixty for ten years and the pension amount is determined based on the year of disbursement and the subscription is collected from the employees of the company based on their age categories while the company bears the remaining cost. The cost of the supplementary pension scheme during period of the nine months ended September 30, 2020 amounted to L.E 14 Million charged to the consolidated financial statement according to the actuary's report issued annually .

	Note No.	30/9/2020 LE (000)	31/12/2019 LE (000)
Balance at the beginning of January		**196 732**	**132 532**
Add:			
Present service cost		2 103	32 470
Return cost		19 330	20 998
Amounts recognized in the consolidated statement of income		**21 433**	**53 468**
		218 165	**186 000**
Actuarial losses from the defined benefits scheme for pensions		-	11 709
Employees paid subscriptions during the period / year		6 298	8 318
		224 463	**206 027**
Less:			
Paid pensions during the period / year		(8 550)	(9 295)
Total liabilities of supplementary pension scheme		**215 913**	**196 732**
Distributed as follows:			
Included in current liabilities		19 763	16 831
Included in long-term liabilities	(29)	196 150	179 901
		215 913	**196 732**

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

Average assumptions to determine the liabilities of the benefits	**30/9/2020**	**31/12/2019**
A- Average discount rate	14 %	14 %
B- Average inflation rate	3.63 %	3.63 %
Average assumptions to determine the net cost of the benefits	**30/9/2020**	**31/12/2019**
A- Average discount rate	18 %	18 %
B- Average inflation rate	16 %	16 %

Sensitivity Analysis of the system:

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

	Discount rate 17.5% LE (000)	Discount rate 18.5% LE (000)
Liability current cost	137 342	127 531
Service cost (current and return)	21 956	20 781

26. PROVISIONS

	1/1/2020 LE (000)	Formed during the period LE (000)	Used during the period LE (000)	30/9/2020 LE (000)
Tax provision and claims	224 575	47 841	(3 092)	269 324
Employees Lawsuits provision	1 955	-	-	1 955
	226 530	**47 841**	**(3 092)**	**271 279**

27- LOANS & CREDIT FACILITIES

	Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1	Ezz Steel									
	Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	512 198	405 797	917 995	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the loan.
	Banks - credit facilities			Average 12.15 % for the Egyptian Pound, and 5.2 % for the US Dollar			3 840 549	-	3 840 549	Without guarantees within a limit of LE 4.305 Billion.
27-2	Al Ezz El Dekheila for Steel - Alexandria									
	Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	installment due date	2-3 years	8 524	4 565 743	4 574 267	
	Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	installment due date	2-7 years	516 810	2 230 053	2 746 863	
	Banks - credit facilities	To finance working capital and letters of credit.		Average lending and discount rate published from the Central Bank on withdrawn amounts of the Egyptian pound and based on Libor rate on withdrawn amounts of the US Dollar			13 846 050	-	13 846 050	
27-3	Al Ezz Flat Steel									
	Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Central Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	55 163	-	55 163	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge and possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
	Loans - foreign currency			variable interest related to the Libor price.			1 156 019	-	1 156 019	
	Banks - credit facilities			Based on an varaiable interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 546 713	-	1 546 713	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 860 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4	Ezz Rolling Mills									
	Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 work days beginning from every interest period (3 months for the first and second section) and (monthly for the Third section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the third section	1-10 years	1 567 384	3 429 233	4 996 617	Within a limit of LE 3.05 Billion guaranteed by a group of realestate mortgages and commercial mortgage.
	Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			374 255	-	374 255	
	Balance as of September 30, 2020						**23 423 665**	**10 630 826**	**34 054 491**	
	Balance as of December 31, 2019						**19 964 635**	**11 214 198**	**31 178 833**	

- The group Companies had benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and its appendices, related to the precautious procedures against the effect of corona virus pandemic, also benefited from the central bank initiative related to the modification of the interest rate, to be 8% for the credit facilities that the companies obtained after the date of the initiative

27.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly 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 September 30, 2020 deducted from the loan balance.

- The instalments paid until September 30, 2020 amounted to LE 895 Million (against LE 895 Million December 31, 2019).

- 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 September 2020 The National Bank of Egypt has modified the instalments with an amount of L.E 115 423 k represent the accrued interest on the loan balance during the period from 3/11/2019 to 15/9/2020 – Ending date of the initiative of the Central Bank of Egypt – to pay the loan plus interest on 7 quarterly installments ending February 2, 2022.

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million for 3 years ending in October 17, 2021 and the balance as of September 30, 2020 is LE 818.11 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 1 285.07 Million as at September 30, 2020 whose due date is January 2021.

- 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. Its balance amounted to LE 632.78 Million as at September 30, 2020

- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2020 with a total amount of USD 158 Million or its equivalent in local currency. It`s balance amounted to LE 1 791.04 Million as of September 30, 2020 and a part in foreign currency amounted to L.E 1.14 Million equivalent to USD 0.07 Million.

- The Company obtained from a joint 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 July 19 , 2021 renewable annually after the agreement of all included banks with total amount of L.E 3 Billion or it's equivalent in USD , it's balance amounted to L.E 1.03 Billion as of September 30, 2020

- The company Transferred part of the existing debt to a medium – term loan from Qatar National Bank Al Ahly (as a part of the company's financial restructure plan) with an amount of USD 69.5 Million and the loan is to be paid in twenty-six quarter annual instalment ending at August 31, 2025. The balance as of September 30, 2020 amounted to USD 54.55 Million equivalent to LE 863.26 Million.

- The company Transferred part of the existing debt to a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with 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 September 30, 2020 amounted to USD 46.2 Million equivalent to LE 730.99 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 September 30, 2020 is amounted to USD 43.19 Million equivalent to LE 683.43 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, 2025, The balance as of September 30, 2020 is amounted to LE 46.88 Million and a portion of foreign currency amounted to USD 11.09 Million equivalent to LE 175.59 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 September 30, 2020 is amounted to USD 18.48 Million equivalent to LE 292.39 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

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

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

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

- The balance of the loan instalments due within a year according to the loan's agreements amount to USD 76.656 Million representing the instalments due since the payment cessation date until September 30, 2020.

28. Finance lease

	Future minimum lease		Interest		Present value of minimum	
	30/9/2020 LE (000)	31/12/2019 LE (000)	30/9/2020 LE (000)	31/12/2019 LE (000)	30/9/2020 LE (000)	31/12/2019 LE (000)
Due within one year	123 826	124 170	72 831	80 290	50 995	43 880
Due within one year	**123 826**	**124 170**	**72 831**	**80 290**	**50 995**	**43 880**
Due from 1:2 years	124 480	124 480	62 136	70 675	62 344	53 805
Due from 3:5 years	322 829	354 074	97 398	131 679	225 431	222 395
Due more than 5 years	38 913	101 028	3 251	14 449	35 662	86 579
Long term liabilities	**486 222**	**579 582**	**162 785**	**216 803**	**323 437**	**362 779**
Total	**610 048**	**703 752**	**235 616**	**297 093**	**374 432**	**406 659**

- 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.
- The company has issued post-paid cheques in favour of the leasing companies for all capital lease liabilities till September 2026.
- The details of mentioned contracts as follow:

Description	**Contract number**	**Contract starting date**	**Contract period**	**Total Value of contract LE (000)**	**Instalments Quarterly**	**Payments till 30/9/2020 LE (000)**	**Capital lease liability as at 30/9/2020 LE (000)**
Corplease	4537 & 4538	2016	8 years	528 493	32	219 941	308 552
Corplease	4675	2016	8 years	21 101	32	8 649	12 452
HD For Capital Lease	1	2018	7 years	407 499	28	118 455	289 044
				957 093		**347 045**	**610 048**

- 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 checks has been issued till March 2027 after recalculating deferred interests based on the new interest rates.

29. LONG TERM LIABILITIES

	Note No.	30/9/2020 LE (000)	31/12/2019 LE (000)
Notes payable	(29-3)	1 125 434	746 792
Liability of the supplementary pension scheme	(25)	196 150	179 901
lending from others	(29-1)	585 464	596 795
Deferred revenue for grants	(29-2)	750	1 567
		1 907 798	**1 525 055**
Unamortized portion of present value of the notes payable		(298 181)	(310 062)
Present value for long term liabilities		**1 609 617**	**1 214 993**

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

29.2 Deferred revenues represent the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K, deferred revenues within one year is amounted to LE 817 K (Note no. 24). and the consolidated income statement for the nine months ended September 30, 2020 was charged with an amount of LE 897 K (against LE 887 K for the same period last year).

29.3 Ezz Dekheila Steel Company - Alexandria (subsidiary company) has concluded an agreement to reschedule the Petrotrade company's debts related to the mentioned company's dues regarding the supply of natural gas to the subsidiary company in accordance with the contract dated July 21, 2020, as well as the contract appendix dated September 27, 2020. Which includes scheduling the arrears in addition to the interest at a rate of 7% annually over a period of four years, the portion to be paid within one year amounted to L.E 639.67 Million and the long-term portion amounted to L.E 556.32 Million, excluding the interests of rescheduling.

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	30/9/2020		31/12/2019	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Fixed assets	-	(3 612 624)	-	(3 690 196)
Provisions and assets impairment	42 169	-	84 357	-
Financial lease liabilities	23 175	-	26 184	-
Tax loss carried forward *	1 938 112	-	1 732 964	-
Losses from foreign currency exchange differences translation	36 050	-	54 632	-
Gains from foreign currency exchange differences translation	-	(94 632)	-	(84 413)
	2 039 506	**(3 707 256)**	**1 898 137**	**(3 774 609)**
Net deferred tax (liability)		**(1 667 750)**		**(1 876 472)**

* This item includes LE 1.437 Billion deferred tax assets recognized for the retained losses of Al Ezz Flat Steel company and Al Ezz Rolling Mills Company (subsidiaries companies) which amounted to LE 12.8 Billion.

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

	For the nine months ended 30 September:	
	2020 LE (000)	2019 LE (000)
Net deferred tax	(1 667 750)	(1 985 713)
Add/(Less):		
Translation differences	19 269	99 181
Tax liabilities reconciliations	-	(40 124)
Previously charged deferred tax	(1 876 472)	(2 077 615)
Deferred tax	**189 453**	**32 845**

30.3 Unrecognized deferred tax assets

	30/9/2020	31/12/2019
	LE (000)	LE (000)
Impairment loss on Receivables and debtors	8 021	6 091
Provisions	23 970	23 364
Tax losses	932 476	-
	964 467	**29 455**

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

31. RELATED PARTIES TRANSACTIONS

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

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 30/9/2020 Debit/(credit) LE (000)	Balance as of 31/12/2019 Restated Debit/(credit) LE (000)
31.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	Sales	321	8 167	7 596
			8 167	**7 596**
31.2 Items included in debtors and other debit balances				
- Gulf of Suez Development Company (Affiliated company) .	–	–	40	8
- Al Ezz for Ceramics and Porcelain (GEMMA) (affiliate company)	Rent	1 323	23 186	20 210
			23 226	**20 218**
31.3 Items included in creditors and other credit balances				
- Al Ezz Group Holding Company for Industry & Investment (parent company)*	Trade receivables balances settlement**	210 000	(128 071)	(348 189)
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	-	–	(19)	(19)
			(128 090)	**(348 208)**

* Restatement was made to some of the comparative figures as shown in note no. (39).
** This transaction was eliminated when preparing the separate statement of cash flows.

32. CONTINGENT LIABILITIES

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

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

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

	30/9/2020 Equivalent LE (000)	31/12/2019 Equivalent LE (000)
Letters of guarantee		
Egyptian Pound	18 503	65 273
US Dollar	18 253	17 717
Letters of credit		
US Dollar	1 207 908	1 241 587
Euro	70 335	239 260
Egyptian Pound	1 945	1 845

- The amount of letters of guarantee fully covered issued by the banks of the Company and its subsidiaries in favour of others on September 30, 2020 amounted to LE 1 085 K (against LE 1 085 K as of December 31, 2019 fully covered) (Note no.17).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz Steel Company as of September 30, 2020 are represented in the unexecuted portion of the commitments related to the purchase of machines and equipment amounted to LE 6 362 K (against LE 5 544 K as of December 31, 2019)
- The capital Commitments of El Ezz El Dekhaila as of September 30, 2020 amounted to LE 85 Million, (whereas the amount as of December 31, 2019 is LE 91 Million).

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company enjoyed tax exemption according to article No. (24) from Law No. (59) for 1979 related to development of the new urban communities, the Company was granted a tax exemption for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2014 and there are no outstanding dues or tax disputes. Tax assessment issued and paid.
- The tax inspection is currently performed for the years 2015 until 2019.
- The company has made an agreement with the tax Authority, to pay 25% of the due tax when submitting the tax return for the year 2019 and the remaining to be paid on payments ending on September 30, 2020. therefore, after settling an amount of LE 150 Million representing the "Tax authority- withholding tax balance" on 31/12/2019, this transaction was eliminated when preparing the consolidated statement of cash flows.
- The Company submitted tax returns until year 2019 under Law No. 91 for 2005 on the due legal dates.

34.1.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until year 2015 and the company paid the tax differences in full.
- Tax returns were submitted according to Value Added Tax law on the due legal dates.

34.1.3 Salary tax

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

34.1.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues.

34.1.5 Property tax

- The tax assessment issued and paid up to 31/12/2019.

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company for this period.
- The tax return was summited on it's legal date for years 2018 and 2019 according to the income tax law No. 91 for 2005 and it's amendments .

34.2.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until 2015 and the taxes due were paid.
- The tax inspection is currently performed for the years 2018 and 2019.

34.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no any outstanding dues on the company.
- The tax inspection is currently prepared for the years 2016 to 2018.
- The company submits it's tax on legal dates for 2019 .

34.2.4 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 wasn't requested for 2019 yet.

34.2.5 Property tax

- The tax assessment issued and paid up to 31/12/2019.

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment and free zone "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000 / 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Court ruling issued on July 16, 2005. The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee. And on June 12, 2010, the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004.
- The due tax was paid in full and form No. (9) Paid attachment was obtained; accordingly, the dispute was amicably settled and became final and decisive according to the provisions of law.
- The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3),(4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 Million in additional to delay penalty. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same

year. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company, and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

- The Tax Authority has held the accounts of the company kept at banks according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 Million during September and October 2011, and settle the remaining tax claims amounting to LE 169 Million on 24 instalment the first instalment amounting to LE 8 Million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 Million each, in addition to the delay interest on the amount paid on instalments by amount of LE 35 Million. The paid amounts is LE 254 Million, including delay interest. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favour of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and the session was postponed to December 10, 2020 for submitting documents.
- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 95 Million in addition to delay interests, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee. The company filed the lawsuit No. 245 - Alexandria Court for the purpose of plea to the nullification of the Appeal Committee's decision issued on December 14, 2011,The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1698) for the year 72 J which directed to commissioners committee which in turn assigned an expert to report, and it was assigned to another court and it's sessions was set at December 13, 2020.
- The Tax Authority demanded that the company pays an amount of LE 120.6 Million as a delay penalty based on the article No. 111 of the Law No. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax additional taxes in addition to delay penalty during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favour.
- The company ensures the validity of its position and the strength of its defence since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedures will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a Lawsuit No. 269 for the year 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 Million in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.

- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a decision of not approving the donations as it is considered to a normal persons and a law suit no.(1138) of 73 J has been filed appealing on the committee decision and session was set at December 30, 2020.
- The tax authority inspected the years 2011/2013 and the company has been notified with tax form No. (19), the tax differences amounted to LE 163 Million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 Million.
- The final settlement is made with the tax authority (rather than the previously mentioned current lawsuits) for years from 2007 till 2013 to get advantage of the benefits of Law No. 174 of year 2018 about exemption from delay penalties.
- The tax inspection for years from 2014 till 2017 has inspected, and the company notified with tax form No.(19), the tax differences amounted to LE 21 Million and it is fully covered and paid.
- Tax inspection is not performed yet for the years 2018/2019.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The tax inspection for the years 2004/2008 was completed and the company was notified with accrued tax of LE 604 563 K which have been paid in full.
- The tax inspection of the company for the years 2009/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of LE 7.3 Million.
- The tax inspection for the years 2013/2016 was completed and the company was notified by form no. 37 salaries with accrued tax of LE 887 K which have been paid in full.
- Tax inspection for the years 2017 till 2019 has been made but not notified yet.

34.3.3 Sales Tax and VAT

- The company submits its monthly tax returns regularly on the specified legal due dates.
- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified the Company of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.7 Million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to Law No. 9/2005 and the ministerial decrees No. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit and recorded with no. (10229) for the year 68 J Alexandria administrative court against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company and the case postponed to January 20, 2021 session for submitting report.
- The tax examination was performed for the years starting from May 1,2009 till December 31, 2010, the company was notified with the form no.(15), the tax differences was amounted to LE 77.3 Million and the company appealed on it and it was presented to the reconciliation committee off tax center for major financiers, the points of dispute has been presented to the head of the tax authority who agreed in deducting the previous payments which the company paid which amounted to LE 70 Million to limit the dispute to the amount of LE 7 Million and the dispute was presented on grievances committee which referred it to the judiciary. The company filed a lawsuit no. 334 for year 2013 total taxes before it was referred to the administrative court which is registered with no.

25999 for the year 67 J and at the session that was held on February 26, 2020. The court has decided to refer the case to the state authority to prepare an opinion report. Therefore the company paid an amount of LE 4.5 Million and the rest which is amounted to LE 2.5 Million represents the value of sales tax on the loaned billet which was recovered and the lawsuit was set for consideration at December 9, 2020.

- Tax inspection was made for the period starting from January 1, 2011 till December 31, 2011. And the company was notified of form No. (15). The tax differences amounted to LE 1.5 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- The tax authority notified the company with an additional tax amounted LE 7 Million from the date of wrong admission instead of the committee decision date and filing a lawsuit No. 8967 for the year 72 J Alexandria Administrative Judiciary and the session was set on October 9, 2019 for documents submission. On October 23, 2019 a session set by the state Administrative court issued a ruling dismissing the case and the company appealed on the judgement appeal no. (19934) for the year 66 J in front of Administrative court and no session is set yet.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.4 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by LE 6.5 Million and it was fully paid and the cancellation of LE 17 Million with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed No.15083 for the year 72 J Alexandria Administrative Judiciary and on December 25, 2019 session for dismissing the case and the company appealed on the judgement in front of the Administrative judiciary appeal No.(35760) for the year 66 J Administrative court and no session is set yet for the appeal.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) with tax differences amounted to LE 35 Million and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of LE 24 Million and the difference of LE 11 Million and was paid in full.
- The company's tax examination for the years 2016/2019 has not been completed to date.

34.3.4 Sales Tax on imports of iron oxide ore

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

  Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.
- Although, the company filed Lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by No. 14721 for the year 69 J Alexandria Administrative Judgment and No.9160 for year 68 J to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim, on June 25, 2018 a session set by the state Administrative

court ruled to assign an expert in the lawsuit The Committee of Experts has deposited its report, and left the matter to the court, as it related to a legal issue. And the session is postponed until the December 16,2020 for information and comment.

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

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed Lawsuit No. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority restricted with No. 36522 of year 69J and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials during the period from February 2003 till December 2013 and The Administrative Court of Alexandria has appointed an expert in the case to examine the company's requests and the expert proceed his errand and the lawsuit was postponed to to January 13, 2021.

- Although the company filed Lawsuit No. 8971 for year 72J - Administrative Court Alexandria – to refund L.E 34 710 K value of what has been collected for sales tax on license for period from January 2014 to September 2016 , the lawsuit was postponed to January 20, 2021.

34.3.6 Stamp Tax

- The Tax Authority inspected the Company's books for the period started from the 1st of January, 2005 until December 31, 2013 and the company has paid any tax differences for this years.
- The tax inspection performed for the for the years 2014/2016 and the company is not notified with any forms until that date.
- Tax inspection is not performed yet for the years 2017 to 2019.

34.3.7 Real Estate Tax

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

- The Real Estate Tax Authority notified the Company of form (3) of the rental value and annual real estate tax as of September 30, 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on May 4, 2016. The company notified with the decision of appeal committee no. 371/372 for the year 2015 stating that a real estate tax of LE 17 Million has been approved annually. The tax due for the period from July 1, 2013 to September 30, 2019, according to the decision of the appeal committee, is 102 Million Egyptian pounds. In front of the Administrative Court No. 26036 for the year 70 J and the session will be on September 2, 2020 for submitting documents and the company has also applied to the Tax Dispute Committee and after submitting supporting documents of its point of view, therefore the committee decided to decrease the annual assessment from LE 17 Million to LE 10.7 Million and the Minister of Finance approved the committee's decree, currently the balance is being settled with Agami's Committee to prove our credit balance.

- The Real Estate Tax Authority - the Custom – claimed the company a tax amounted to L.E 4.5 Million for the real estate used inside El Dekheila port , the lawsuit was filed No. 14629 for year 71J with no tax due and paid L.E 6.7 Million as payments until issuance of final judgment, and on June 17, 2020 the Administrative Court Alex declined the lawsuit , and the appeal is currently in process in front Supreme Administrative Court .

34.3.8 Service Charges related to imported equipment for production use

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

  On February 27, 2011, a ruling was issued by Alexandria Civil Court (Civil Circuit) with respect to Lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE

103.9 Million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement.

The ruling was appealed against and a ruling was issued on November 6, 2012 in favour of the company to the effect of conforming the ruling at first degree preventing from exchange, currently by the legal affairs department follows up the eexecution of the judgment process , Ministry of Finance has been appealed against the ruling filed the appeal No.77 for the year 83 J , On July 7 , 2019 the court of cassation issued a ruling by not to accept the appeal and then the ruling become final .

34.3.9 Withholding Tax

- A committee from the Central Administration in Cairo and Burj Al Arab inspected the company for the discount and addition tax for the years 2011 through 2015, and the examination resulted in a tax benefit of LE 1.3 Million, which was paid in full.
- The tax Authority inspected the company for years from 2016 / 2018 and the company was notified about differences from the tax inspection amounting to LE 1 Million and the amount was paid in full

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 31/12/2014 and resulted in tax losses.
- The company submitted the tax return in the legal dates for 2015 till 2019 and preparation is set for an inspection for this years.

34.4.2 Salary Tax

- The tax inspection was made and there is no tax claims on the company since starting of the business till 2016.
- The company pays the tax on the legal due dates and preparing for tax inspection for years 2017 till 2019.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2018, tax assessment issued and paid up to legal date.
- The company submits the monthly tax return on the legal due dates and the inspection for year 2019 was not done yet .

34.4.4 Stamp tax

- Tax inspection was issued and made from 2008 until 2018 and there is no claims on the Company.
- The company submitted the tax returns on the legal due dates and the tax inspections were not made for 2019 yet.

34.4.5 Real Estate Tax

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial instruments

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

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities and finance lease liabilities which amounted to LE 35 252 432 K as of September 30, 2020 (LE 32 483 176 as of December 31, 2019). Financing interest and expenses related to these balances amounted to LE 2 926 430 K during the period (LE 3 579 133 K during the comparative period). Restricted time-deposits, current accounts and investment fund amounted to LE 348 388 K as of September 30, 2020 (LE 140 567 K as of December 31, 2019), interest income related to these periods amounted to LE 63 598 K during the current period (LE 96 404 K during the comparative period). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	30/9/2020 LE (000)	31/12/2019 Restated LE (000)
Long term lending to others	(13)	46 849	51 024
Trade and notes receivables	(16)	2 502 953	1 859 937
Debtors and other debit balances*	(17)	3 696 596	3 489 721
Suppliers - advance payments		419 515	579 192
Investments in treasury bills		181 131	97 053
Cash and cash equivalents	(19)	2 458 597	1 835 290

* Restatement was made to some of the comparative figures as shown in note no. (39).

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 004 326 K and LE 12 386 594 K respectively, as of the financial position date.
The Company's net exposures in foreign currencies at the financial position date are as follows:

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(459 316)
Euro	(52 199)
Swiss Frank	13
Sterling Pound	(164)
Japanese Yen	(132 408)
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 is as follows:

	Closing rates as of:		Average rates during the nine months ended:	
	30/9/2020	31/12/2019	30/9/2020	30/9/2019
US Dollars	15.80	16.09	15.9600	17.0800
Euro	18.5729	18.0836	18.07355	19.2414
Swiss Frank	17.1907	16.6788	16.8421	17.3203
Sterling Pound	20.3393	21.2887	20.28308	21.7841
AED	4.3018	4.3807	4.3453	4.6512

36. THE LITIGATION STATUS

36.1 Workers Lawsuits Regarding Profits Differences:

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

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

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

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

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

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

- Some individuals and companies trespassed a part of the company's lands with an area of approximately 17 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated December 13, 1998 issued by virtue of Decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. The trespass was erased at September 12, 2017 and the company received the land in accordance with the delivery report from the state property protection authority and ElAgami district after erasing trespass from main road and legal actions are in process to finalize the land register.
- As stated on the contract which was dated on February 3, 1999 between the company as the buyer and Dr. Waheed Rafaat as a seller, the Company purchased a plot of land with total area of approximately 29 feddans on the Ezbat Elbarbary next to Om Zeghio – Dekhaila with a total value of L.E 14 007 K ,The company paid L.E 9 404 K and the remaining represents 4 603 k will be paid when the seller obtains the property after a final judgment confirmation.

  The seller filed the lawsuit No. 1646 for the year of 1991 in Alexandria civil court, and the court refused it. The appeal No. 6511 of 59 J was made before the Alexandria Court of Appeals, and on April 9, 2019 a session, was judged by confirming the ownership of the land plot to the seller,the state appealed on the jurisdiction cassation Nó. 12152 for the year 89 J, and no decision nor session has been determined until this date.

  On October 25, 2019 the seller filed the lawsuit No. 1631 for the year of 2019 in Alexandria civil court, For declining the right of the company in requesting to transfer the ownership of the land and to keep It under his authority and his right to dispose of it, and dismiss effect of the initial contract between him and the company , and to evacuate of the company from the land , On January 23, 2020 the lawsuit was refused and the appeal No. 1610/1921 for the year 76 J was made and set session on December 30, 2020 for notes.

According to the opinion of the company's legal advisor, the seller has an eternal obligation in accordance with the provision of Article 439 of the Civil Law not to be exposed to the company as a buyer in the initial contract, whether in the use of the land or the transfer of its ownership to it, because the seller is legally obligated to guarantee, that is, the transfer of the right of ownership by registration to the buyer, This guarantee does not lapse by statute of limitations. It is an obligation expressed, because the legal rule is that the one who must guarantee it has refrained from exposure, and that the legal position of the company is normal in all legal terms.

37. OTHER TOPICS

37.1 EZDK Steel UK limited Company

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

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

The company has contracted with a legal liquidator in the United Kingdom to complete the liquidation procedures, provided that the liquidator's fees are paid equally with Al-Ezz Group Holding Company for Industry & Investment (parent company).

37.2 Alexandria Port Authority

- On June 19, 2011, Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 Million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011. The amounts kept at the banks under attachment reached the amount of LE 66 Million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of Lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year, No.35 the lawsuit deliberation was settled 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 February 2, 2003 till December 31, 2013 in amount of L.E 249 525 364 , On November 28, 2018 session the court appointed expert in the lawsuit and for now the lawsuit postponed until January 13, 2021.

The company filled lawsuit No.8971 for year 72 J Alexandria Administrative Judiciary requesting refund amount of L.E 34.710 Million the value of what was collected under the name of sales tax for a license to use for the period from January 2014 to September 2016, The court appointed expert in the lawsuit and for now the lawsuit postponed until January 20, 2021.

38. 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 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 company's consolidated interim financial statements for the current and subsequent periods, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operation, the demand on the company's products, and the available liquidity. Currently, the company is assessing and determining the size of this impact on its current consolidated interim financial statements, the management doesn't expect at the meantime, based on the latest available information, any material impact on the current consolidated interim financial statements and its going concern, due to instability and uncertainty as a result of current events, at final way, the magnitude of the impact of that event depends mainly on the expected time frame, in which these event and its consequences, are expected to be ended, which is difficult to be determined at the meantime.

39. COMPARATIVE FIGURES

According to the settlement and conciliation agreement dated 28/2/2018 with the National Committee for the Recovery of Assets , the conciliation took place according to the law no. 28 for 2015 in the lawsuit No. 11743 for the year 2011 (Agouza Criminal) known as (Dekheila lawsuit) , and the lawsuit No. 1372 for the year 2011"Qasr Al-Nile Criminal" known as "Iron Licenses" and other court cases related to money laundry and illegal gains obtained form the Two basic cases , an amount of L.E 1.7 Billion was paid as a consideration of conciliation in this cases for unlawfully benefits and profits, based on the legal consultations, the opinion of the company's independent legal advisor and the approval of Ordinary General Assembly of the company which has been held on 22/8/2020 the company was charged the conciliation amount paid to the National Committee for the Recovery of Assets amounted to L.E 1.7 Billion considering that it is the beneficiary company from these benefits and profits, The amount was settled by adding it to the retained losses and adding the same amount to the current account of the parent company retroactively as of the date of the settlement and conciliation agreement mentioned above, restatement of the comparative figures in the consolidated interim financial statement is as follows:

First: Impact on the Consolidated Statement of Financial Position:

Description	31/12/2019 As previously Reported Debit/(Credit) LE (000)	Restatement Debit/(Credit) LE (000)	31/12/2019 Restated Debit/(Credit) LE (000)
Debtors and other debit balances	4 841 532	(1 351 811)	3 489 721
Retained losses	12 103 846	1 700 000	13 803 846
Creditors and other credit balances	(2 322 846)	(348 189)	(2 671 035)

Second: Impact on the Consolidated Statement of Cash Flows:

Description	For The Nine Months Ended 30/9/2019 As previously reported LE (000)	Restatement LE (000)	For The Nine Months Ended 30/9/2019 Restated LE (000)
Change in trade receivables, debtors and other debit balances	(2 729 967)	6 855	(2 723 112)
Change in trade payables, creditors and other credit balances	(251 567)	(6 855)	(258 422)

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 this consolidated interim financial statement.

40.1 *Foreign currency translation*

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

Financial statements of Al Ezz Flat Steel (EFS)

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

40.2 *Fixed assets and depreciation*

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

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

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

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

Asset	Estimated useful life Years
Buildings	
– Buildings	25 – 50
– Other buildings	8
Machinery and equipment	
– Machinery and equipment	5 – 25
– Rolling rings (machinery and equipment)	According to actual use (ERM 5-6)
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 interim 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 interim financial statements are initially measured at fair value and subsequently measured by depreciated cost, the difference between acquiring cost and the realizable value during the period is amortized from acquiring date to maturity date using actual interest rate.

40.9 *Goodwill*

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

40.10 *Inventory*

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

- 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) Sales revenues

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

b) **Dividends**

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

c) **Interest income**

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

40.19 *lease contracts*

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 *Earnings per share*

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

40.21 *Income Tax*

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

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

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

40.22 *Grants related to assets*

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

40.23 *Financial risk management*

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.23.1 Credit risk

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

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

40.23.1.1 Trade receivable & other debtors

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

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

40.23.1.2 Cash and cash equivalents

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

40.23.2 Liquidity risk

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

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

40.23.3 Market risk

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

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

40.23.3.1 Currency risk

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

40.23.3.2 Interest rate risk

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

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

40.23.3.3 ***Other market prices risk***

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

40.23.4 Capital management

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

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all	Management is currently assessing the potential impact on the consolidated interim financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date. On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the standard will be applied to the financial periods beginning on or after January 1, 2021. These amendments shall be effective from the date of application of the standard 47.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event 4. Pursuant to the requirements of this standard, the following criteria have been amended: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"		
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.	Management is currently assessing the potential impact on the consolidated interim financial statements when applying the amendment to the standard.	Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the standard will be applied to the financial periods beginning on or after January 1, 2021.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard (49) "Leases"	1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease. 3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease. 4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract. 5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.	The management of the Company has applied the accounting treatment stated in the Egyptian Accounting Standard No. (49) Leases. The Company's management is currently assessing the potential impact on the financial consolidated interim statements when the standard is applied to the remaining lease contracts in which the company is a party.	Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. On 17/9/2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adoption of the standard, as the standard will be applied to the financial periods beginning on or after January 1, 2021, and this regarding operating lease contracts. Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the consolidated interim financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020.
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. (17) "Separate financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) " Financial Statements" - Egyptian Accounting Standard No. (44) " Disclosure of Interests in Other Entities "	Management is currently assessing the potential impact on the consolidated interim financial statements when applying the amendment to the standard.	Standard No. (42) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted. The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020. The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", and amended 2019.