EZZSTEEL REPORTS CONSOLIDATED FY 2018 RESULTS

Cairo, 09 May 2019 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the 12 month period ending 31 December 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	FY 2017	FY 2018	YoY % (+/-)
Net sales	**41,742**	**49,162**	+18
Gross profit	**4,335**	**5,578**	+29
EBITDA*	**4,420**	**5,437**	+23
Net profit after tax and minority interest	**(1,580)**	**(1,643)**	
Earnings per share**	(2.91)	(3.03)	
Net debt to equity	2.15	3.84	

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

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

Comment

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

In 2018 Ezzsteel achieved a long overdue operational turnaround registering all-time records in the following fundamental items:

- Production: 4.9 million tons of fully integrated finished steel products
- Turnover: 49 billion Egyptian Pounds in global sales
- Gross Profit: 5.6 billion Egyptian Pounds of operational margin
-

Such outstanding industrial performance allowed us to partially mitigate the severe adverse circumstances that we had to face during the year:

We suffered from a free fall in the selling prices of our finished products due to the lack of adequate response by the Egyptian Authorities to the unfair and unlawful trade tariffs imposed on steel products by most countries.

We also had to bear detrimental costs of energy and funding due to the exceptionally restrictive economic policy applied by the Egyptian Authorities.

These factors translated into a consolidated bottom line loss comparable to the one generated in 2017.

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the continued improvement of our operational performance.

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About ezzsteel

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

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

Operational Review

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

Sales & Production

Consolidated net sales for FY 2018 were EGP 49.2 billion, representing an increase of 18 per cent year on year. Fourth quarter 2018 revenues stood at EGP 11.7 billion, slightly down by 2 per cent from the previous quarter and 5 per cent from the same period in 2017. This was due to lower volumes of long products, which were partly offset by a higher average price in 2018 and strong flat sales, particularly in the domestic market.

During 2018, prices in Egyptian pound continued to rise albeit not as strongly as in 2017 following the steep devaluation of the Egyptian currency at the end of 2016. In the local market long steel prices were up 17 per cent while flat steel prices improved by 11 percent. In the export market, long product prices increased by 25 and flat products were up by 19 per cent compared to the prior year.

Sales after elimination ***EGPMn***	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	8,640	19,248	5,863	**33,751**
Flat	-	11,671	3,246	**14,917**
Others	-	459	35	**494**
Total	**8,640**	**31,378**	**9,144**	**49,162**

Long steel products accounted for EGP 33.8 billion, or 69 per cent of sales in FY 2018, while flat steel products represented 30 per cent of sales at EGP 14.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 53 per cent of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**per cent**	**Export**	**per cent**
Long	31,328	93	2,423	7
Flat	7,035	47	7,882	53

Long sales volumes reached 3.1 million tonnes during FY 2018, six per cent lower than the 3.3 million tonnes sold during the same period last year as both the local and export markets for long products contracted slightly. However, due to the price increases in both domestic and international markets, the total value of long product sales for the full year 2018 grew by 11 per compared to the previous year.

Flat sales volumes rose by 18 per cent to 1.34 million tonnes in FY 2018. While the export market only grew slightly at 4 per cent, demand in the local market grew strongly with sales volumes up by 40 per cent.

The group's consolidated sales volumes totalled 4.5 million tonnes in FY 2018, flat on the previous year.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the period ending 31 December 2018 were approximately 18 per cent, 63 per cent, and 19 per cent respectively.

Long steel production volumes totalled 3.5 million tonnes during FY 2018, up two per cent compared to FY 2017. Flat steel production volumes increased by 22 per cent to 1.4 million tonnes for the period, compared to 1.15 million tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold (COGS) for FY 2018 represented 89 per cent of sales, an improvement of 1 percentage point compared to the previous year, leading to an increase in gross profit margin of 1 percentage point to 11 per cent compared to 10 per cent for FY 2017.

EFS's COGS to sales ratio was at 110 per cent, ESR/ERM's COGS to sales ratio was 94 per cent while EZDK's COGS to sales ratio was 85 per cent.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	14,042	36,099	9,789	49,162
COGS	13,137	30,620	10,732	43,584
COGS/Sales	**94%**	**85%**	**110%**	**89%**

Gross profit

Gross profit of EGP 5.6 billion was recorded for FY 2018, an increase of 29 per cent from the EGP 4.3 billion recorded in FY 2017.

EBITDA

EBITDA for FY 2018 amounted to EGP 5.4 billion, representing an increase of 23 per cent from EGP 4.4 billion in FY 2017.

Tax

During 2018, ezzsteel had deferred tax liabilities of EGP 329 million and income tax expense of EGP 771 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1.64 billion for FY 2018, compared to a loss of EGP 1.58 billion during the same period in 2017.

Liquidity and capital resources

At the end of 2018, ezzsteel had cash on hand of EGP 2.6 billion and net debt of EGP 24.1 billion. The company has a gearing of Net Debt / Equity of 3.84 times.

Outlook

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the continued improvement of our operational performance.

Divisional Overview

The below figures represent sales before elimination.

EZDK Sales (EGP):	**FY 2017**	**FY 2018**	
Value:	30,300	36,099	Mn
Volume:			
Long:	2,343,517	2,247,946	Tonnes
Flat:	866,655	1,025,362	Tonnes
Exports as % of Sales:			
Long:	10	10	
Flat:	52	48	
EBITDA:	4,257	5,280	Mn
Production:			
Long Products:	2,081,790	2,032,980	Tonnes
Flat Products:	886,766	1,080,745	Tonnes
Billets:	2,197,856	2,071,328	Tonnes
ESR/ERM Sales (EGP):			
Value:	13,294	14,042	Mn
Volume:	963,393	804,834	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	488	609	Mn
Production:			
Long Products:	959,713	847,566	Tonnes
Billets:	592,659	684,476	Tonnes
DRI:	1,206,120	799,460	Tonnes
EFS Sales (EGP):			
Value:	6,731	9,789	Mn
Volume:			
Long:	333,716	564,492	Tonnes
Flat:	268,127	314,357	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	91	75	
EBITDA:	(431)	(540)	Mn
Production:			
Long Products:	344,111	583,358	Tonnes
Flat Products:	264,851	328,939	Tonnes
Billets:	469,338	598,119	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 12 month period ending 31 December 2018. This press release includes forward-looking statements. These forward looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2018
And Auditor's Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2018
And Auditor's Report

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Translation from Arabic

AUDITOR'S REPORT

To the Shareholders of Ezz Steel Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of matters

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

1- As explained in note no. (30-1) of the notes to the consolidated financial statements , some of the subsidiaries companies have incurred accumulated retained losses amounted to LE 7.2 Billion as at December 31, 2018 and the deferred tax asset recognized for those losses amounted to LE 1.6 Billion, in the context of the future plan , these subsidiaries' management prepared a budget for the years from 2019 to 2023, in addition to, obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward loss, which depends on the realization of the future assumptions which have been used in the preparation of the budget mentioned above .

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

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

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

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

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

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

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

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 9, 2019

KPMG Hazem Hassan
Public Accountants and Consultants
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Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as at:

	Note No.	31/12/2018 LE(000)	31/12/2017 Reclassified LE(000)	1/1/2017 Reclassified LE(000)
Non Current Assets				
Fixed assets (Net)	(10-1)	26 456 608	26 625 490	28 144 636
Projects under construction	(11)	361 503	943 234	609 178
Investments in associates	(12-1)	115	115	115
Investments available-for-sale	(12-2)	109 880	109 880	109 880
Deferred tax assets	(30-1)	1 778 346	2 046 026	2 719 242
Long term lending to others	(13)	51 011	43 210	37 419
Other assets	(14)	22 306	24 785	30 315
Goodwill	(40-9)	315 214	315 214	315 214
Total non current assets		**29 094 983**	**30 107 954**	**31 965 999**
Current Assets				
Inventory	(15)	12 903 759	7 462 007	6 131 422
Trade and notes receivable (Net)	(16)	371 877	188 295	287 324
Debtors and other debit balances (Net)	(17)	4 293 285	3 491 198	2 595 637
Suppliers - advance payments (Net)		697 060	616 246	168 831
Investments in treasury bills	(40-8)	10 580	8 414	11 974
Cash and cash equivalents	(19)	2 621 422	4 729 816	5 104 712
Total current assets		**20 897 983**	**16 495 976**	**14 299 900**
Total Assets		**49 992 966**	**46 603 930**	**46 265 899**
Shareholders' Equity				
Issued and paid - up capital	(20-2)	2 716 325	2 716 325	2 716 325
Reserves	(21)	182 090	182 090	182 090
Modification surplus of fixed assets	(10-2)	1 965 084	2 125 452	2 297 341
Retained losses		(5 037 010)	(3 382 059)	(1 967 635)
Foreign entites translation reserve		3 945 964	3 870 920	4 061 344
Treasury stocks	(22)	(71 921)	(71 921)	(71 921)
Interim dividends		(98 212)	—	—
Total holding company shareholders' equity		**3 602 320**	**5 440 807**	**7 217 544**
Non-controlling interest		2 661 410	3 377 642	2 979 278
Total Shareholders' equity		**6 263 730**	**8 818 449**	**10 196 822**
Liabilities				
Non Current Liabilities				
Long-term loans	(27)	11 233 811	9 767 010	9 234 971
Long-term liabilities	(29)	1 601 397	1 548 021	831 238
Deferred tax liabilities	(30-1)	3 853 011	3 781 992	3 700 847
Total non current liabilities		**16 688 219**	**15 097 023**	**13 767 056**
Current Liabilities				
Banks - overdraft	(19)	35 918	6 646	60 070
Credit facilities and loan installments due within one year	(27)	15 431 817	13 781 227	14 868 334
Trade and notes payable	(23)	6 607 327	4 775 187	4 467 327
Customers - advance payments		1 938 125	2 131 111	1 243 424
Creditors and other credit balances	(24)	2 086 599	1 540 090	1 438 435
Income tax		703 829	133 394	3 267
Liability of the supplementary pension scheme	(25)	13 124	9 013	4 673
Provisions	(26)	224 278	311 790	216 491
Total current liabilities		**27 041 017**	**22 688 458**	**22 302 021**
Total liabilities		**43 729 236**	**37 785 481**	**36 069 077**
Total shareholder's equity and liabilities		**49 992 966**	**46 603 930**	**46 265 899**

The accompanying notes from no. (1) to no. (40) form an integral part of these consolidated financial statements.

Chairman & Managing Director

Auditor's report "attached"

Paul Philipe Chekaiban

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For The Financial Year Ended December 31 :

	Note No.	2018 LE(000)	2017 LE(000)
Sales (net)	(40-18)	49 161 647	41 741 880
Less :			
Cost of sales	(3)	(43 583 506)	(37 406 751)
Gross profit		**5 578 141**	**4 335 129**
Add / (Less):			
Other operating revenues	(4)	231 332	76 306
Selling and marketing expenses	(5)	(330 343)	(287 215)
Administrative and general expenses	(6)	(1 314 565)	(1 069 406)
Other operating expenses	(7)	(335 297)	(152 179)
Operating profit		**3 829 268**	**2 902 635**
Add / (Less):			
Finance income	(8)	409 996	516 123
Finance cost	(8)	(4 206 350)	(3 703 212)
Foreign currency exchange differences gains	(8)	37 162	86 828
Net finance costs		**(3 759 192)**	**(3 100 261)**
Net profit (loss) for the period before tax		**70 076**	**(197 626)**
(Less):			
Income tax		(770 995)	(133 394)
Deferred tax	(30-2)	(328 829)	(766 144)
Total Income Tax		**(1 099 824)**	**(899 538)**
Net loss for the period		**(1 029 748)**	**(1 097 164)**
Attributable to:			
Owners of the company		(1 643 400)	(1 580 207)
Non-controlling interest		613 652	483 043
Net loss for the year		**(1 029 748)**	**(1 097 164)**
Basic and diluted loss per share (LE/share)	(9)	(3.29)	(3.29)

The accompanying notes from no. (1) to no. (40) form an integral part of these consolidated financial statements.

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

For The Financial Year Ended December 31:

		2018	2017
		LE(000)	LE(000)
Net loss for the Year		**(1 029 748)**	**(1 097 164)**
(Less) / Add:			
Other comprehensive income items			
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	(10-2)	(229 877)	(243 965)
Actuarial earnings (losses) from programs of limited for pension		4 306	(8 291)
Foreign entities translation differences		81 349	(267 774)
Total comprehensive income		**(1 173 970)**	**(1 617 194)**
Attributable to:			
Owners of the company		(1 726 373)	(1 947 046)
Non-controlling interest		552 403	329 852
		(1 173 970)	**(1 617 194)**

The accompanying notes from no. (1) to no. (40) form an integral part of these consolidated financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Financial Year Ended December 31, 2018

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Foreign entities translation reserve LE (000)	Treasury stocks LE (000)	Interim dividends LE (000)	Total holding company shareholders equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2017	2 716 325	182 090	2 297 341	(1 967 635)	4 061 344	(71 921)	–	7 217 544	2 979 278	10 196 822
Comprehensive income										
Net loss for the year	–	–	–	(1 580 207)	–	–	–	(1 580 207)	483 043	(1 097 164)
Other Comprehensive income										
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)			(171 889)					(171 889)	(72 076)	(243 965)
Losses from programs of limited for pension	–	–	–	(4 526)	–	–	–	(4 526)	(3 765)	(8 291)
Foreign entities translation differences	–	–	–	–	(190 424)	–	–	(190 424)	(77 350)	(267 774)
Total comprehensive income	–	–	(171 889)	(1 584 733)	(190 424)	–	–	(1 947 046)	329 852	(1 617 194)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	–	171 889	–	–	–	171 889	72 076	243 965
Transactions with shareholders										
Non controlling interest share from dividends of subsidiaries companies for year 2016	–	–	–	–	–	–	–	–	(2 025)	(2 025)
The share of the company and the non controlling interest in the employees and Board of Directors dividends of the subsidiaries companies 2016				(1 580)				(1 580)	(1 539)	(3 119)
Total Transactions with company's shareholders	–	–	–	(1 580)	–	–	–	(1 580)	(3 564)	(5 144)
Balance as of 31/12/2017	2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	–	5 440 807	3 377 642	8 818 449
Balance as of 1/1/2018	2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	–	5 440 807	3 377 642	8 818 449
Comprehensive income items										
Net loss for the year	–	–	–	(1 643 400)	–	–	–	(1 643 400)	613 652	(1 029 748)
Other comprehensive income items										
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	(160 368)	–	–	–	–	(160 368)	(69 509)	(229 877)
Actuarial earnings from programs of limited for pension	–	–	–	2 351	–	–	–	2 351	1 955	4 306
Foreign entities translation differences	–	–	–	–	75 044	–	–	75 044	6 305	81 349
Total comprehensive income	–	–	(160 368)	(1 641 049)	75 044	–	–	(1 726 373)	552 403	(1 173 970)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	–	–	–	160 368	–	–	–	160 368	69 509	229 877
Transactions with shareholders										
Non controlling interest share from dividends of subsidiaries companies for year 2017	–	–	–	–	–	–	–	–	(367 510)	(367 510)
The share of the company and the non controlling interest in the employees and Board of Directors dividends of the subsidiaries companies 2017	–	–	–	(174 270)	–	–	–	(174 270)	(150 476)	(324 746)
Non controlling interest share from interim dividends in subsidiary company	–	–	–	–	–	–	–	–	(728 310)	(728 310)
The share of the company and the non controlling interest in the employees and Board of Directors interim dividends of the subsidiary company	–	–	–	–	–	–	(98 212)	(98 212)	(91 848)	(190 060)
Total transactions with the company's shareholders	–	–	–	(174 270)	–	–	(98 212)	(272 482)	(1 338 144)	(1 610 626)
Balance as of 31/12/2018	2 716 325	182 090	1 965 084	(5 037 010)	3 945 964	(71 921)	(98 212)	3 602 320	2 661 410	6 263 730

The accompanying notes from no. (1) to no. (40) form an integral part of these consolidated financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

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

	Note No.	2018 LE(000)	2017 Reclassified LE(000)
Cash flows from operating activities			
Net profit (loss) for the year before tax		70 076	(197 626)
Adjustments to reconcile net profit (loss) to net cash (used in) operating activities			
Depreciation	(10-1)	1 497 757	1 441 215
Expansion license amortization	(14)	5 801	5 530
Amortization of accrued interest on treasury bills		(1 469)	(8 848)
Assets impairment reversal	(4)	(5 791)	-
Impairment of assets		-	9 007
Capital lease expense charged to statement of income	(28)	50 755	42 706
Deferred revenue charged to statement of income during the year	(29-2)	(429)	-
Provisions formed during the period		-	95 976
Provisions no longer required		-	(175)
Capital gain (loss)	(4)،(7)	47 060	(347)
Interest & finance expenses		4 203 544	3 703 212
Present value difference of long term lending		2 722	(727)
Differences resulting from the change in liability of the supplementary pension scheme	(25)	15 837	47 201
Foreign currency exchange differences		(65 854)	(128 700)
		5 820 009	**5 008 424**
Changes in working capital			
Inventory		(5 420 456)	(1 379 974)
Trade receivables, debtors and other debit balances		(974 482)	(1 339 614)
Trade payables, creditors and other credit balances		1 858 099	2 301 638
Lending employees		(12 672)	(7 561)
Liability of the supplementary pension scheme		466	454
Net		**1 270 964**	**4 583 367**
Used provisions		(79 180)	(377)
Used impairment		(25 760)	(1 089)
Income tax paid		(81 856)	(3 267)
Interest paid		(4 368 212)	(3 509 861)
Net cash flows (used in) provided by operating activities		**(3 284 044)**	**1 068 773**
Cash flows from investing activities			
construction		(862 537)	(760 863)
Proceeds from sale of fixed assets		224 638	875
Payments for purchase of financial investment (treasury bills)		(38 747)	(172 866)
Proceeds from reclaim of financial investment (treasury bills)		38 050	185 274
Net cash flow used in investing activities		**(638 596)**	**(747 580)**
Cash flows from financing activities			
Net proceeds from credit facilities		550 904	2 169 772
Payments for long term liabilities		-	(27)
Proceeds from blocked time-deposits and current accounts		1 018 231	566 314
Payments for loans		(624 552)	(2 752 626)
Proceeds from loans		3 033 399	314 526
Capital lease payments		(72 100)	(31 671)
Net proceeds from capital lease contracts		98 097	-
Paid dividends to non-controlling interest		(854 533)	-
Paid dividends to employees and Board of Directors		(279 673)	(164 238)
Net cash provided by financing activities		**2 869 773**	**102 050**
Change in cash and cash equivalents during the period		**(1 052 867)**	**423 243**
Cash and cash equivalents at the beginning of the period	(19)	**3 019 728**	**2 598 427**
Translation differences of financial statement of foreign entities		11 515	(1 942)
Cash and cash equivalents at the ending of the period	(19)	**1 978 376**	**3 019 728**

The accompanying notes from no. (1) to no. (40) form an integral part of these consolidated financial statements.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Limited Review Financial Statements
For The Financial Year Ended December 31, 2018

1. BACKGROUND

1.1 Basic Data

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

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2018 Percentage Share %	31/12/2017 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91 Direct	98.91 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

1.4 Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on May 9, 2019.

2. <u>Basis For The Preparation of The consolidated interim financial statements</u>

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	2018 LE (000)	2017 LE (000)
Raw Materials		28 409 898	23 506 414
Salaries & Wages		1 828 111	1 663 953
Fixed assets depreciation	(10-1)	1 455 889	1 404 510
Other assets amortization	(14)	5 801	-
Supplementary pension scheme cost		11 753	29 878
Manufacturing overhead expenses		15 310 275	11 245 528
Used provisions		(74 215)	-
Manufacturing cost		**46 947 512**	**37 850 283**
Change in inventory – finished product and work in process		(3 364 006)	(443 532)
		43 583 506	**37 406 751**

4. OTHER OPERATING REVENUES

		2018 LE (000)	2017 LE(000)
Provision no longer required		–	175
Capital gains		–	347
Reversal of impairment loss of assets	(18)	5 791	–
Other revenues		225 541	75 784
		231 332	**76 306**

5. SELLING & MARKETING EXPENSES

	Note No.	2018 LE (000)	2017 LE(000)
Salaries & Wages		97 137	97 771
Advertising		34 371	29 713
Fixed assets depreciation	(10-1)	5 098	6 023
Supplementary pension scheme cost		1 474	2 905
Other expenses		192 263	150 803
		330 343	**287 215**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	2018 LE (000)	2017 LE(000)
Salaries & Wages		791 217	643 874
Spare parts and maintenance expenses		13 589	21 903
Fixed assets depreciation	(10-1)	36 770	30 682
Supplementary pension scheme cost		2 610	14 418
Other expenses		470 379	358 529
		1 314 565	**1 069 406**

7. OTHER OPERATING EXPENSES

	2018 LE (000)	2017 LE(000)
Donations	186 579	35 741
Impairment loss of assets	-	9 007
Formed provisions during the year	-	95 976
License amortization expenses	-	5 530
Capital expenditure loss	47 060	-
Others expenses	101 658	5 925
	335 297	**152 179**

8. FINANCE INCOME AND COST

	2018 LE (000)	2017 LE(000)
Finance income		
Finance and interest income	409 996	516 123
Total finance income	**409 996**	**516 123**
Finance Cost		
Interest & finance cost	(4 206 350)	(3 703 212)
Total finance cost	**(4 206 350)**	**(3 703 212)**
Foreign currency exchange differences (losses)/gains	**37 162**	**86 828**
Net finance costs	**(3 759 192)**	**(3 100 261)**

9. BASIC AND DILUTED LOSS PER SHARE FOR THE YEAR

	2018	2017
Owners of the company share		
Net loss for the year (LE 000)	(1 643 400)	(1 580 207)
Less :		
The parent company's share of subsidiaries dividends to employees and Board of Directors	(114 580)	(174 270)
Weighted average number of outstanding shares during the year (share)*	533 802 313	533 802 313
Basic and diluted loss per share for the year (LE / share) **	**(3.29)**	**(3.29)**

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

** The basic and diluted loss per share for the year 2017 was amended by the parent company's share of subsidiaries dividends to employees and Board of Directors.

10. FIXED ASSETS (NET)

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

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost:								
As of January 1, 2017	812 247	10 525 350	36 146 128	299 662	258 385	161 473	3 902	48 207 147
Additions during the year	-	25 538	262 338	4 321	29 020	6 334	-	327 551
Disposals during the year	-	-	(8 284)	(5 849)	(120)	--	-	(14 253)
Translation differences of foreign entities	(6 633)	(176 465)	(399 259)	(144)	(1 118)	(2 873)	-	(586 492)
As of December 31, 2017	805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
As of January 1, 2018	805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
Additions during the year	-	62 303	1 045 278	11 383	154 801	52 942	-	1 326 707
Disposals during the year	(70 000)	(4 235)	(324 230)	(536)	(285)	(1 231)	-	(400 517)
Translation differences of foreign entities	2 520	67 057	152 685	17	480	1 385	--	224 144
As of December 31, 2018	738 134	10 499 548	36 874 656	308 854	441 163	218 030	3 902	49 084 287
Accumulated depreciation:								
As of January 1, 2017	-	2 362 096	17 239 658	212 087	139 204	105 564	3 902	20 062 511
Depreciation for the year	-	238 467	1 115 897	41 624	28 450	16 777	-	1 441 215
Accumulated depreciation of disposals during the year	-		(7 820)	(5 826)	(72)	-	-	(13 718)
Translation differences of foreign entities	-	(36 272)	(142 095)	(144)	(1 039)	(1 995)	-	(181 545)
As of December 31, 2017	-	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
As of January 1, 2018	-	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
Depreciation for the year	-	241 279	1 173 383	29 995	36 154	16 946	-	1 497 757
Accumulated depreciation of disposals during the year	-	(4 235)	(249 676)	(459)	(276)	(1 231)	-	(255 877)
Translation differences of foreign entities	-	15 768	60 252	17	417	882	-	77 336
As of December 31, 2018	-	2 817 103	19 189 599	277 294	202 838	136 943	3 902	22 627 679
Carrying amount:								
As of December 31, 2017	805 614	7 810 132	17 795 283	50 249	119 624	44 588	-	26 625 490
As of December 31, 2018	738 134	7 682 445	17 685 057	31 560	238 325	81 087	-	26 456 608
Fixed assets fully depreciated and still in use as of December 31, 2018	-	136 980	2 125 860	206 174	94 712	78 402	3 902	2 646 030

- The land item includes a piece of land with a total area of 928 KM^2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.
- Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.
- Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 Million.
- The disposals of the lands represents the cost of the land sold during the year included in a sale agreement with HD lease (Capital lease firm) (Note no. 28)
- Depreciation for the period charged to statement of income as follows:

	Note No.	For the Year Ended December 31: 2018	2017
		LE(000)	LE(000)
Cost of sales	(3)	1 455 889	1 404 510
Selling and marketing expenses	(5)	5 098	6 023
Administrative & General expenses	(6)	36 770	30 682
		1 497 757	1 441 215

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

	LE (000)
Modification surplus of fixed assets at November 3,2016 before income tax	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till December 31, 2017	(284 774)
Net modification surplus of fixed assets at December 31, 2017	**2 825 917**
Recognized portion during the financial year ended December 31, 2018	(229 877)
Net modification surplus of fixed assets at December 31, 2018	**2 596 040**
Attribute to:	
Owners of the Company	1 965 084
Non-controlling interest	630 956
	2 596 040

11. PROJECTS UNDER CONSTRUCTION

	31/12/2018 LE (000)	31/12/2017 LE (000)
Constructions expansion	62 547	76 647
Machinery under installation	256 880	839 803
Advance payments for purchase of fixed assets	42 076	26 784
	361 503	**943 234**

12. INVESTMENTS

12-1 Investments in associates

	Participation Percentage %	Investments cost 31/12/2018 LE (000)	Investments cost 31/12/2017 LE (000)
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – (Note no. 37-1)	50	-	-
		115	**115**

12-2 Investments available-for-sale investments

	Note No.	Investments cost 31/12/2018 LE (000)	Investments cost 31/12/2017 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		109 800	109 800
		127 606	**127 606**
(Less):			
Impairment loss on Arab Company for Special Steel	(18)	(17 726)	(17 726)
		109 880	**109 880**

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

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Employees' advance payments		65 713	58 394
Employees' loans present value		45 056	40 647
		110 769	99 041
(Less):			
Employees' loans and advances due within a year	(17)	(44 968)	(43 762)
Long term employees' loans and advances		65 801	55 279
(Less):			
Differences resulted from change in long term employees' loans fair value		(14 790)	(12 069)
		51 011	**43 210**

14. OTHER ASSETS

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

	LE (000)
Cost at January 1, 2018	24 785
(Less):	
Used during the year	(5 801)
Add:	
Currency translation differences	3 322
Net at December 31, 2018	**22 306**

15. INVENTORY

	31/12/2018 LE (000)	31/12/2017 LE (000)
Raw materials and supplies	4 352 997	2 994 871
Work in process	281 535	339 697
Finished products	5 073 742	1 549 346
Finished products – DRI	83 456	185 683
Spare parts and supplies	2 100 640	1 889 126
Goods in transit	1 009 803	501 745
Letter of credit	1 586	1 539
	12 903 759	**7 462 007**

16. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Trade receivables		286 002	174 655
Trade receivables – Related parties	(31-1)	7 032	1 298
Notes receivable		108 500	41 999
		401 534	**217 952**
(Less):			
Impairment loss on trade receivables	(18)	(29 657)	(29 657)
		371 877	**188 295**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Deposits with others		948 262	740 908
Tax Authority *		998 194	1 030 196
Tax Authority – usufruct **		127 477	127 477
Tax Authority – VAT		590 270	189 948
Customs Authority		89 083	30 309
Accrued revenues		159	1 596
Prepaid expenses		74 648	55 400
Alexandria Port Authority		19 719	41 473
Employees' loans and advance payments due within a year	(13)	44 968	43 762
Letters of credit cash margin		70 397	74 991
Letters of guarantee cash margin	(32)	885	885
Due from related parties	(31-2)	1 117 636	826 589
Advance payment under the account of employees' dividends		37 929	266 125
The Cairo Economic Court***		35 060	35 060
Other debit balances****		171 594	83 521
		4 326 281	**3 548 240**
(Less):			
Impairment loss on debtors and other debit balances	(18)	(32 996)	(57 042)
		4 293 285	**3 491 198**

* The Tax Authority balances includes an amount of LE 254.2 Million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (34-3-1) in addition to an amount of LE 233 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. And an amount of LE 25 Million paid to Large Taxpayers Tax Authority under the account of corporate tax inspection differences for years from 2009 till 2013.

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

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

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

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance at 1/1/2018	Transferred from/to year	Impairment No longer required	Used during the year	Balance as at 31/12/2018
		LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Impairment loss on trade and notes receivables	(16)	29 657	-	-	-	29 657
Impairment loss on debtors and other debit balances	(17)	57 042	7 505	(5 791)	(25 760)	32 996
Impairment loss on advances to suppliers		9 837	(7 505)			2 332
Impairment loss on investments available for sale	(12-2)	17 726	-	-	-	17 726
		114 262	-	(5 791)	(25 760)	**82 711**

19. CASH AND CASH EQUIVALENTS

	31/12/2018	31/12/2017
	LE (000)	LE (000)
Banks - time deposits	297 448	363 949
Banks – current accounts	2 254 767	4 247 140
Cheques under collection	55 789	107 458
Cash on hand	13 418	11 269
	2 621 422	**4 729 816**
(Less):		
Banks – overdraft	(35 918)	(6 646)
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(607 128)	(1 703 442)
Cash and cash equivalents in the statement of cash flows	1 978 376	3 019 728

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

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

21. RESERVES

	31/12/2018 LE (000)	31/12/2017 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

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

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

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

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

22. TREASURY STOCKS

- Treasury stocks as of June 30, 2018 represents the value of 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. TRADE AND NOTES PAYABLE

	31/12/2018 LE (000)	31/12/2017 LE (000)
Trade payables	5 752 408	4 340 029
Notes payable	1 034 594	567 577
	6 787 002	**4 907 606**
Unamortized portion of the current value of notes payable	(179 675)	(132 419)
Net current value of trade and notes payable	**6 607 327**	**4 775 187**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2018 LE (000)	31/12/2017 Reclassified LE (000)
Fixed assets – creditors		231 470	347 907
Accrued interest *		500 518	509 273
Accrued expenses		643 682	386 462
Tax Authority		179 444	81 397
Performance guarantee retention		30 892	43 112
Sales tax installments		96 483	26
Dividends payable		262 915	1 561
Due to related parties	(31-3)	23	16
Alexandria Port Authority		-	95 691
Deferred revenues for capital lease contracts	(29-2)	22 084	-
Capital lease obligations due within a year	(29-3)	12 658	-
Deferred revenues for grants	(29-4)	1 011	-
Other credit balances		105 419	74 645
		2 086 599	**1 540 090**

* Reclassification was made on comparative figures as shown in (Note no. 38).

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Balance at the beginning of January		**120 535**	**64 589**
Add:			
Present service cost		8	8
Return cost		15 022	6 982
Previous return cost		732	40 211
Amounts recognized in the consolidated statement of income		**15 762**	**47 201**
		136 297	**111 790**
Employees paid subscriptions		7 903	11 517
		144 200	**123 307**
(Less)/Add:			
Paid pensions during the year		(7 362)	(11 063)
Actuarial gains from the defined benefits scheme for pensions		(4 306)	8 291
Total liabilities of supplementary pension scheme		**132 532**	**120 535**
Distributed as follows:			
Included in current liabilities		13 124	9 013
Included in long-term liabilities	(29)	119 408	111 522
		132 532	**120 535**

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	**31/12/2018**	**31/12/2017**
A- Average discount rate	18 %	15.5 %
B- Average inflation rate	16 %	14 %

Average assumptions to determine the net cost of the benefits	**31/12/2018**	**31/12/2017**
A- Average discount rate	15.5 %	17 %
B- Average inflation rate	14 %	14 %

Sensitivity Analysis of the system:

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

	Discount rate 17.5% LE (000)	**Discount rate 16% LE (000)**
Liability current cost	136 125	126 381
Service cost (current and return)	21 304	20 195

26. PROVISIONS

	Balance as at 1/1/2018	**Foreign currency exchange differences**	**Used provision during the year**	**Balance as at 31/12/2018**
	LE (000)	**LE (000)**	**LE (000)**	**LE (000)**
Tax provision and claims	309 835	364	(87 876)	222 323
Employees Lawsuits provision	1 955	–	–	1 955
	311 790	**364**	**(87 876)**	**224 278**

27- LOANS & CREDIT FACILITIES

	Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1	**Ezz Steel**									
	Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	300 000	799 384	1 099 384	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement.
	Banks - credit facilities			Average 20.5 % for the Egyptian Pound, and 5.25 % for the US Dollar			4 580 995	—	4 580 995	Without guarantees within a limit of LE 3.9 Billion.
27-2	**Al Ezz El Dekheila for Steel - Alexandria**									
	Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-3 years	—	2 096 948	2 096 948	
	Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	465 164	3 695 075	4 160 239	
	Banks - credit facilities	To finance working capital and letter of credit.		- Average lending and discount rate puplished from the Centeral Bank on withdrown amount of egyptian pound and based on Libor rate on withdrown amounts of US Dollar			6 167 376	—	6 167 376	
27-3	**Al Ezz Flat Steel**									
	Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Centeral Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	61 747	—	61 747	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledgeand possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
	Loans - foreign currency			Related variable interest to Libor price.			1 562 003	—	1 562 003	
	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.			1 535 196	—	1 535 196	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 450 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4	**Ezz Rolling Mills**									
	Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 working days beginning from every interest period (3 month for the first and second section) and (monthly for the Thired section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the thired section	1-10 years	538 263	4 642 404	5 180 667	Within a limit of LE 3.05 Billion gruanted by group of real estate mortgages and commercial mortgage.
	Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			221 073	—	221 073	
	Balance as of December 31, 2018						15 431 817	11 233 811	26 665 628	
	Balance as of December 31, 2017 *						13 781 227	9 767 010	23 548 237	

* Reclassification was made on comparative figures as shown in (Note no. 38).

27.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly installments, the first installment accrued on August 2015 starting from the ending of six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company get the loan, and the balance appears after deducting the amortization of the year from the date of obtaining the loan till December 31, 2018 deducted from the loan balance.
- The installments paid until December 31, 2018 amounted to LE 595 Million (against LE 295 Million on December 31, 2017).

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

- The Company obtained a revolving medium-term credit facility from National Bank Of Egypt amounted 800 Million LE for 3 years ending in October 17, 2021 and The balance as of December 31, 2018 is LE 436.11 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted LE 1.5 Billion or its equivalent in foreign currencies. It`s balance amounted to LE 1 129.85 Million as at December 31, 2018 whose due date is September 2020.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2020, amounted LE 375 Million or its equivalent in foreign currency. It`s balance amounted to LE 150.5 Million as at December 31, 2018 and a portion in the foreign currency whose balance amounted to LE 145.8 Million as at December 31, 2018 equivalent to USD 8.13 Million.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2020 with a total amount of USD 158 Million or its equivalent in local currency. It`s balance amounted to LE 178.5 Million as at December 31, 2018 and a part in foreign currency amounted to USD 42.88 Million equivalent to LE 770.3 Million and an amount of Euro 1.99 Million equivalent to LE 40.94 Million.
- The company Transfered part of the existing debt to a medium – term loan from Qatar national bank (as a part of the company's financial restructuring plan) with the amount of USD 69.5 Million and the lone is to be paid in twenty six quarter annual instalments ending at February 28, 2025. The balance as at December 31, 2018 amounted to USD 66.8 Million equivalent to LE 1 199.73 Million.
- The company Transferred part of the existing debt to a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with the amount of USD 61.5 Million and the lone is to be paid in eighteen quarter annual installments ending at May 28, 2025. The balance as at December 31, 2018 amounted to USD 57.2 Million equivalent to LE 1 027.31 Million.

- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalments ending at July 15, 2025. The balance as at December 31, 2018 is amounted to USD 50 Million equivalent to LE 898.5 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 installment ending on July 15, 2025, The balance as at December 31, 2018 is amounted to LE 44.14 Million and a portion of foreign currency amounted to USD 11.33 Million equivalent to LE 203.48 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

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

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

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

The balance of the loan installments due within a year according to the loans agreements amount to USD 90.4 Million equivalent to LE 1 623.5 Million representing the installments due since the payment cessation date until December 31, 2018.

27.4 Ezz Rolling Mills (Subsidiary)

The loan balance is represented as follows:-

	31/12/2018 LE (000)	31/12/2017 LE (000)
Total loan balance	5 180 667	3 244 470
Less:		
Current portion	(538 263)	(366 997)
Non-current portion	**4 642 404**	**2 877 473**

28. Capital lease

- The Company signed capital lease contracts (No. 4537&4538) according to capital lease law 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 installment starts from December 20, 2018 till September 20, 2026.
- On November 13, 2016, the company signed a lease contract with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending November 2024.
- During December 2018, the company signed contracts of sale and lease back (Contract no.1) with HD 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.
- The contracts data as follow:

Description	Contract number	Contract starting date	Contract period	Total Value of contract LE	Quarterly Installmen	Payments till 31/12/2018 LE	Capital lease liability as at 31/12/2018 LE
Corplease	4537 & 4538	2016	8 years	502 391	32	100 604	401 787
Corplease	4675	2016	8 years	47 203	32	10 039	37 164
HD For Capital Lease	1	2018	7 years	407 852		22 459	385 393
				957 446		**133 102**	**824 344**

- Capital lease expenses for the year LE 50 755 K included in rent expense in administrative and general expenses.
- The capital lease liabilities till end of agreement as follows :

	2019 LE	2020 LE	2021 LE	2022 LE	5 years and More LE	Total LE
Capital Lease liability	120 592	124 170	124 480	124 480	330 622	824 344

- The company has issued checks in favor of the leasing comapanies covered all capital lease liabilities till September 2026.

29. LONG TERM LIABILITIES

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Fixed assets- creditors		-	18
Notes payable		869 469	909 833
Liability of the supplementary pension scheme	(25)	119 408	111 522
lending from others	(29-1)	665 490	658 450
Deferred revenue	(29-2)	132 076	-
Capital lease obligation for capital lease contracts	(29-3)	85 439	-
Deferred revenues for grants	(29-4)	2 809	-
		1 874 691	**1 679 823**
Unamortized portion of present value of notes		(273 294)	(131 802)
Present value for long term liabilities		**1 601 397**	**1 548 021**

29.1 Al Ezz Flat Steel Company – a subsidiary company - borrowed USD 37 Million equivalent to LE 665 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 account represents the remaining balance of capital gains arising from the sale of a land owned by the Company to HD Leasing as part of a sale agreement with the re-lease, which is amortized over the 7-year term ending on 25 December 2025 (Note no. 28)

29.3 This amount represents the additional funding balance of the financial lease contracts 4537 and 4538 as shown (Note no. 28).

29.4 Deferred revenues represents the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 660 K. Deferred revenues within one year is amounted to LE 1 011 K (Note no. 24).

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
	LE (000)	LE (000)	LE (000)	LE (000)
Items				
Fixed assets	-	(3 803 991)	-	(3 709 465)
Unpaid dividends in subsidiary companies	-	(36 290)	-	(54 150)
Provisions	25 974	-	26 869	-
Impairment loss on debtors	6 674	-	12 913	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	1 489	-	2 536	-
Tax carried forward loss *	1 618 420	-	1 733 170	-
Foreign currency exchange differences loss	121 801	-	266 550	-
Foreign currency exchange differences gain	-	(12 730)	-	(18 377)
	1 778 346	**(3 853 011)**	**2 046 026**	**(3 781 992)**
Net deferred tax (liability)		**(2 074 665)**		**(1 735 966)**

* This item represented in the deferred tax assets recognized for the tax carried forward loss of Al Ezz Flat Steel company and Al Ezz Rolling Mills Company (subsidiaries companies) which amounted to LE 7.2 Billion.

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

	2018	2017
	LE (000)	LE (000)
Net deferred tax	(2 074 665)	(1 735 966)
Less:		
Translation difference	9 870	(11 783)
Previously charged deferred tax	1 735 966	981 605
Deferred tax	**(328 829)**	**(766 144)**

30.3 Unrecognized deferred tax assets

	31/12/2018	31/12/2017
	LE (000)	LE (000)
Impairment loss on Receivables , debtors and other debit balances	7 954	7 189
Provisions	23 364	42 158
Capital gains from sale and lease back contract	34 686	-
Tax losses	294 317	400 839
	360 321	**450 186**

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

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 29.764 Million and LE 215 Million respectively in addition to rent amounted to LE 1.6 Million The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the year LE (000)	Balance as of 31/12/2018 Debit/(credit) LE (000)	Balance as of 31/12/2017 Debit/(credit) LE (000)
31.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	- Sales		7 032	1 298
			7 032	**1 298**
31.2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (parent company)			1 099 233	804 553
- Gulf of Suez Development Company (Affiliated company)			45	61
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	- Purchases	215	18 358	21 975
	-Sales	100		
	-Rent	1 602		
			1 117 636	**826 589**
31.3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(23)	(16)
			(23)	**(16)**

32. CONTINGENT LIABILITIES

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

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 5 669 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between the it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 1 050 Million	Bailing the subsidiary in the short term finance which is given to it by the National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 400 Million.
Al Ezz Flat Steel Company	LE 430 Million	Guarantees unconditional and irrevocable solidarity in the amount of 50% of the credit facilities granted by the National Bank of Egypt to the subsidiary of LE 860 million and its revenues and commissions and any other returns until payment is complete.

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

	31/12/2018	31/12/2017
Letters of guarantee	Equivalent LE (000)	Equivalent LE (000)
Egyptian Pound	6 529	6 739
US Dollar	19 745	19 470
Letters of credit		
US Dollar	837 094	764 552
Euro	38 091	40 545

- The amount of letters of guarantee issued by the banks of the Company and its subsidiaries in favor of others on December 31, 2018 amounted to LE 885 K fully covered (against LE 885 K as of December 31, 2017 fully covered) (Note no.17).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at December 31, 2018 are represented in the amount of LE 112.7 Million (against LE 62.7 Million on December 31, 2017).

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company enjoys tax exemption according to article No. (24) from Law No. (159) 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.
- The Company submitted tax returns until year 2017 under Law No. 91 of 2005 on the due legal dates.

34.1.2 Sales tax and VAT

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

34.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2012 and there are no outstanding dues.
- The Tax inspection for years 2013 and 2014 was completed and the dispute was transferred to internal committee.

34.1.4 Stamp tax

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

34.1.5 Property tax

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

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books and a settlement was made until 2015 and the taxes due were paid and there are no any due amounts on the company for this period.

34.2.2 Sales tax and VAT

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

34.2.3 Salary tax

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

34.2.4 Stamp tax

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

34.2.5 Property tax

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

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "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), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219.3 Million. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same year. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

- On February 17, 2011, The Tax Authority has held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219.3 Million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 Million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 Million on 24 installments the first installment amounting to LE 8.3 Million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 Million each, in addition to the delay interest on the amount paid on installments by amount of LE 34.9 Million. The paid amounts is LE 254.2 Million, including delay interest amounting to LE 35 Million. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and a session was set to be considered on March 30, 2019 for judgment in Alexandria appeal court.

- 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 Appeal Committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally cancelled, hence the company filed the lawsuit No. 245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1698) for the year 72 J and a session is set to be consider on April 22, 2019 for judgment.

- 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 differences during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.

- The company ensures the validity of its position and the strength of its defence since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a Lawsuit No. 269 for the year 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.

- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 Million in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.

- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 20 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 has been filed appealing on the committee decision.
- The tax authority inspected the years 2011/2013 and the company has been notified with tax form No. (19), the tax differences amounted to LE 163 Million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 Million.
- 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 2016 has inspected, and the company were not notified with any tax form till that date, yet.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The tax examination of the company for the years 2008/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of 7.3 Million Egyptian pounds.
- Taxation of the company for the years 2013/2016 was notified and the company was informed by document form 37 salaries with accrued tax of L.E. 887 K have been paid in full.
- Tax inspection for the years 2017/2018 on the company has not been made yet.

34.3.3 Sales Tax and VAT

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

  However, the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling. On August 29, 2013, the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and recorded with No.10229 for the year 68 J, the lawsuit was postponed to May 22, 2019 session for getting the expert's report.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 Million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the Large Taxpayer Center, points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 Million and the dispute is represented in the amount of LE 7 Million

and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company made the litigation No. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67 J Administrative Judiciary as a session was set on November 19, 2018 for the expert to present his report. The company paid an amount of LE 4.5 Million, and the remaining portion with the amount of LE 2.5 Million is represented in sales tax imposed on the lent billet which was regained.

- The company was inspected for the year 2011 and the company has been notified with form No. (15), the differences amounted to LE 1.5 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) and with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- The tax authority notified the company with an additional tax amounted LE 5.1 Million from the date of wrong admission instead of the committee decision date and filing a lawsuit is in process.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.3 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by LE 6.5 Million and it was fully paid and the cancellation of LE 17 Million, and it has been notified with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) till, include tax differences amounted to LE 35 Million and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of 24 Million Egyptian pounds and the difference of 11 Million and was paid in full.
- The company's tax examination for the years 2016/2018 has not been completed to date.

34.3.4 Sales Tax on imports of iron oxide ore

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

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

  The company filed Lawsuit No. 9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and the lawsuit is held for the report the College of Commissioners. Although, the company filed Lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by No. 14721 for the year 69 J Alexandria Administrative Judgment to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim, on June 25, 2018 a session set by the state Administrative court ruled to assign an expert in the lawsuit and it was determined on June 26, 2019 for submitting expert report and the expert has not yet started his task.

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

The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed Lawsuit No. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials during the period from February 2003 till December 2013 and The Administrative Court of Alexandria has appointed an expert in the case to examine the company's requests and the expert did not proceed until now and for a deferred claim to the session of 8 May 2019 for the expert to submit his report.

34.3.6 Real Estate Tax

- The real estate tax was paid up to 30 June 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 30 June 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on 4 May 2016. 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 1 July 2013 to 31 December 2017, according to the decision of the appeal committee, is 76.5 Million Egyptian pounds. In front of the Administrative Court No. 2636 for the year 7 J and did not set a session yet the company and pay your monthly payments in order to avoid delay in exchange for calculation.
- The Customs and Real Estate Taxation Authority has ordered the company to pay a tax of LE 4.5 Million for the properties used in the port of Dekheila. A lawsuit was filed with the No. 14629 for the year 71 BC not to qualify for a tax and payment of 6.3 Million pounds as payment until a judicial ruling was issued.

34.3.7 Service Charges related to imported equipment for production use

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

On February 27, 2011, a ruling was issued by Alexandria Civil Court (Civil Circuit) with respect to Lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 Million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement.
The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, currently the executive version of the ruling has been issued by the legal affairs department which follows up the reimbursement process and to notify the Customs Authority thereof, However, it is currently in the process of following up the issuance of a letter from the State Litigation Authority stating that there is no objection to disbursement, and the tax authority has been appealed against the ruling taking into consideration that the company announced on 22/1/2013 that is filed the appeal No.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company. On November 6, 2012, the appeal ruling was issued in favor of the company supporting the first degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

34.3.8 Withholding Tax

A committee from the Central Administration in Cairo and Burj Al Arab inspected the company for the discount and addition tax for the years 2011 through 2015, and the examination resulted in a tax benefit of LE 1.3 Million, which was paid in full.

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license were deleted and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's books from the commencement of activity until 2011 and the result of the inspection was tax losses.
- The Tax Authority inspected the Company's book for years from 2012 till 2014 and resulted in tax losses for that year and the dispute points were referred to the Internal Committee.
- The Inspectorate did not inspect the years from 2015 till 2017.
- The company submits the tax return in the legal dates.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 31/12/2011 and finalize all the disputes and there is no any due amounts on the Company.
- The tax Authority inspected the company for years from 2012 till 2014 and the company has not received the results, yet.
- The tax examination for the years 2015 to date has not been completed

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2014 and the company paid the due amount.
- The Tax Authority inspected the Company's books for the year 2015 and the company has not received the results, yet.
- The company submit its tax return on legal due dates.

34.4.4 Stamp tax

- Tax inspection was made till 2016, the Company paid and assessed and there is no claims on the Company.
- Tax inspection was not made for the company of year 2017.

34.4.5 Real Estate Tax

- The company received real estate tax claims and part of these claims were repaid. The company challenged the estimates of the rental value estimated by the inventory 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, debtors, investments, trade payable, notes payable, creditors, loans, and banks-overdraft balances. The book value of these financial instruments does not materially differ from its fair value at the financial position date.

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities which amounted to LE 27 336 734 K as of December 31, 2018 (LE 24 214 125 K as of December 31, 2017). Financing interest and expenses related to these balances amounted to LE 4 206 350 K during the year (LE 3 703 212 K during the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 904 576 K as of December 31, 2018 (LE 2 067 391 K as of December 31, 2017), interest income related to these balances amounted to LE 409 996 K during the year (LE 516 123 K during the previous year).

The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
Long term lending to others	(13)	51 011	43 210
Trade and notes receivables	(16)	371 877	188 295
Debtors and other debit balances	(17)	4 293 285	3 491 198
Suppliers - advance payments		697 060	616 246
Investments in treasury bills		10 580	8 414
Cash and cash equivalents	(19)	2 608 004	4 718 547

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 194 535 K and LE 12 977 012 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	(545 057)
Euro	(56 014)
Swiss Frank	13
Sterling Pound	(377)
Japanese Yen	(77 747)
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 rate		Average closing rate	
	31/12/2018	31/12/2017	2018	2017
US Dollars	17.88	17.77	17.812	17.974
Euro	20.5012	21.3738	21.043	20.3484
Swiss Frank	18.1911	18.2537	18.236	18.3272
Sterling Pound	22.8882	24.0659	23.661	23.2921
AED	4.8682	4.838	4.8495	4.8936

35.5 Fair values for financial instruments

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

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

36. THE LITIGATION STATUS

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

- According to the report of the independent legal advisor of Al- Ezz Group Companies, A conciliation was done on February 28, 2018 regarding the Lawsuit No. 1372 for the year 2011 "public funds" known as "Iron Licenses" in accordance with the decision of the Assets Recovery National Committee. On March 8, 2018 the said lawsuit was settled by issuing a judgment to the nonsuit due to conciliation.

36.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

36.2.1 Workers Lawsuits Regarding Profits Differences :

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

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

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

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

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

36.2.2 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.

37. OTHER TOPICS

37.1 EZDK Steel UK limited Company

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

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

37.2 Alexandria Port Authority

- On June 19, 2011, Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 Million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011. The amounts kept at the banks under attachment reached the amount of LE 66 Million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of Lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year, No.35 the lawsuit deliberation was settled.
- The commissioner decided to set a date for submitting the report and the said report has not been submitted yet.
- The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 Million in addition to tax amounting to LE 127.5 Million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El Dekheila Port.

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

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

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

The company has also established Case No. 1609 of year 2014 civil with No. 36522 for the year 69 J against both the Port Authority and the Tax Authority requesting the recovery the collected amount from the company under the name of the sales tax for the period from 15/02/2003 till December 31, 2013 in the amount of LE 249 525 364, On November 28, 2018, the court appointed an expert in the lawsuit and deferred to the hearing of 8 May 2019 for the filing of the expert report, and the company filed a lawsuit No. 8971 for the year 72 Administrative District - Alexandria request the refund of the amount of LE 34 710 953 value collected under the name of sales tax on License to use the period from January 2014 to September 2016 The court has appointed an expert in the case, which is deferred to May 26, 2019 for the filing of the expert's report.

38. Comparative Figures

- Some of the comparative figures have been reclassified to conform to the current classification of the consolidated interim financial statements and for better presentation as a result of reclassification made on accrued interest of loan installments and credit facilities due within one year, as follows:

First : Impact on consolidated statement of financial position:

Description	1/1/2017 As previously reported LE (000)	Reclassification LE (000)	1/1/2017 Reclassified LE (000)
Credit facilities and loan installments due within one year	14 916 461	(48 127)	14 868 334
Creditors and other credit balances	1 390 308	48 127	1 438 435

Description	31/12/2017 As previously reported LE (000)	Reclassification LE (000)	31/12/2017 Reclassified LE (000)
Credit facilities and loan installments due within one year	13 898 058	(116 831)	13 781 227
Creditors and other credit balances	1 423 259	116 831	1 540 090

Second : Impact on Consolidated statement of cash Flows:

Description	For year ended in December 31, 2017 As previously reported LE (000)	Reclassification LE (000)	For year ended in December 31, 2017 Reclassified LE (000)
Net interest paid	(3 578 565)	68 704	(3 509 861)
Net proceeds from credit facilities	2 238 476	(68 704)	2 169 772

39. LAWS RECENTLY ISSUED

On January 11, 2018, Comprehensive Health Insurance Law No. (2) for the year 2018 was issued to be effective after spending six months from the next day of the law issuance date, also the executive regulations of this law was issued on May 8, 2018, management of the group calculated and recorded the due contribution according to the recent explanation of the provisions of the law and it executive regulations.

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

40.1 *Foreign currency translation*

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

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 year. 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.

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

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

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

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

40.3 *Cost subsequent to acquisition*

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

40.4 *Projects under construction*

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

40.5 *Other assets*

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

40.6 *Investments in associates*

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

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

40.7 *Investments available-for-sale*

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

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

40.8 *Investments in treasury bills*

Investments in treasury bills are stated in the financial statements are initially measured at fair value and subsequently measured by depreciated cost, the difference between acquiring cost and the realizable value during the year 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 statement of cash flows comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the Group's cash management preparing are included as a component of cash equivalents. The consolidated statement of cash flows is prepared and presented according to indirect method.

40.13 Trade and notes payable and creditors

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

40.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

40.15 Interest-bearing borrowings

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

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

40.16 Provisions

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

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) **Sales revenues**

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

b) **Dividends**

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

c) **Interest income**

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

40.19 Capital lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

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.

40.23.3.4. 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.