EZZSTEEL REPORTS CONSOLIDATED 9M 2018 RESULTS

Cairo, 10 December 2018 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the 9-month period ending 30 September 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

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

Key highlights
EGPMn

	9M 2017	9M 2018	YoY % (+/-)
Net sales	**29,353**	**37,447**	+28
Gross profit	**2,584**	**4,642**	+80
EBITDA*	**2,716**	**4,588**	+69
Net profit after tax and minority interest	**(1,386)**	**(1,005)**	
Earnings per share**	(2.55)	(1.85)	
Net debt to equity	2.15	3.05	

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

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

Comment

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

"During the third quarter 2018, ezzsteel successfully continued to improve its operational performance. We have increased the total output of our plants as well as our sales volumes in domestic and international markets.

However, the positive contribution of our improved industrial activity did not offset the negative impact of rising costs: prices of raw materials, energy, graphite electrodes and ferroalloys all increased substantially.

Simultaneously, prices for finished products fell constantly due to, firstly, the implementation of protective trade measures in most international markets and, secondly, the surge of imported material in our domestic markets.

In combination, these adverse factors translated into a consolidated bottom line loss for the first nine months of 2018, while still presenting an improvement over the same period 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 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 5.8 million tonnes of finished steel per annum.

In 2017, the Company produced 3.4 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales & Production

Consolidated net sales for 9M 2018 were EGP 37.4 billion, representing an increase of 28 per cent year on year. This is attributed to a 32 per cent and 26 per cent growth in flat and long sales respectively. Third quarter net sales also improved, growing 4 per cent over Q3 2017.

Flat sales increased in the first nine months of 2018, as total volumes grew by 10 per cent compared to 9M 2017, mainly due to satisfying higher demand in the local market.

Over the 9-month period 2018, long steel prices were up 24 per cent and 28 per cent in the local and export market respectively compared to the same period in 2017. Flat steel prices increased by 13 per cent in the local and 23 per cent in the export market in 9M 2018 compared to the prior year period.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	6,888	15,264	4,090	**26,242**
Flat	-	8,897	1,954	**10,851**
Others	-	325	29	**354**
Total	**6,888**	**24,486**	**6,073**	**37,447**

Long steel products accounted for EGP 26.2 billion, or 70 per cent of sales in 9M 2018, while flat steel products represented 29 per cent of sales at EGP 10.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 50 per cent of total flat sales.

Sales Value *EGPMn*	**Domestic**	**per cent**	**Export**	**per cent**
Long	24,272	92	1,970	8
Flat	5,399	50	5,452	50

Long sales volumes were 2.44 million tonnes during 9M 2018, one per cent higher than the 2.41 million tonnes sold during the same period last year. The export market showed a relative decline, with sales volumes decreasing by 10 per cent year on year.

Flat sales volumes rose by 10 per cent to 975 thousand tonnes in 9M 2018. This was due to the healthy development of the local flat steel market in Egypt in which sales volumes increased by 45 per cent year on year. Exported flat volumes decreased by 10 per cent in 9M 2018 to 503 thousand tonnes compared to 9M 2017. However, during the third quarter 2018, export flat sales volumes were up 84 per cent compared to Q3 2017 and 72 per cent compared to Q2 2018, showing increased capacity utilization in EFS with more emphasis on export sales.

The group's consolidated sales volumes totalled 3.42 million tonnes in 9M 2018, an increase of four per cent from the 3.29 million tonnes sold in 9M 2017.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the 9M period ending 30 September 2018 were 19 per cent, 65 per cent, and 16 per cent respectively.

Long steel production volumes totalled 2.5 million tonnes during 9M 2018, four per cent up compared to 9M 2017. Flat steel production volumes increased by 19 per cent to 1.1 million tonnes for the period, compared to 917 thousand tonnes produced in the 9-month period 2017.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2018 represented 88 per cent of sales, which led to an improvement in gross profit margin from 9 per cent in 9M 2017 to 12 per cent in 9M 2018. This was due to higher capacity utilisation at the plants during the period.

EFS's Cost of Goods Sold to Sales ratio was at 111 per cent, compared with 114 per cent in the same period last year. The improvement is a step in the right direction and demonstrates the start of better capacity utilization rate. At 84 per cent, EZDK continued to show an improved COGS to sales ratio for 9M 2018 compared to the 86 per cent in the 9M 2017 period. At ESR/ERM, the COGS to sales ratio improved from 97 per cent in 9M 2017 to 93 per cent in 9M 2018, leading to a gross profit margin of 7 per cent, up 4 percentage points compared to the prior year period.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	10,823	28,196	6,366	37,447
COGS	10,079	23,701	7,066	32,805
COGS/Sales	**93%**	**84%**	**111%**	**88%**

Gross profit

Gross profit of EGP 4,642 million was recorded for 9M 2018, an increase of 80 per cent from the EGP 2,584 million recorded in 9M 2017. This was largely due to the improved price environment and significant increases in flat sales.

EBITDA

EBITDA for 9M 2018 amounted to EGP 4,588 million, representing an increase of 69 per cent from EGP 2,716 million in 9M 2017.

Tax

During 9M 2017, ezzsteel had deferred tax liabilities of EGP 363 million and tax expense of EGP 655 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1.0 billion for 9M 2018 compared to a loss of EGP 1.39 billion during the same period in 2017.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2.8 billion and gross debt of EGP 25 billion. The company has a gearing of Net Debt / Equity of 3.05 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 improvement of our operational performance.

Divisional Overview

Figures before the elimination of inter-company transactions.

EZDK Sales (EGP):	**9M 2017**	**9M 2018**	
Value:	20,498	28,196	Mn
Volume:			
Long:	1,660,002	1,768,978	Tonnes
Flat:	620,932	783,400	Tonnes
Exports as % of Sales:			
Long:	12	10	
Flat:	51	45	
EBITDA:	2,752	4,317	Mn
Production:			
Long Products:	1,547,506	1,495,508	Tonnes
Flat Products:	652,036	832,099	Tonnes
Billets:	1,649,729	1,509,922	Tonnes
ESR/ERM Sales (EGP):			
Value:	9,606	10,823	Mn
Volume:	726,700	639,670	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	269	550	Mn
Production:			
Long Products:	718,755	645,128	Tonnes
Billets:	414,728	471,266	Tonnes
DRI:	549,109	822,376	Tonnes
EFS Sales (EGP):			
Value:	4,884	6,366	Mn
Volume:			
Long:	158,334	390,534	Tonnes
Flat:	264,288	191,283	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	91	73	
EBITDA:	(399)	(377)	Mn
Production:			
Long Products:	160,508	377,802	Tonnes
Flat Products:	264,851	262,691	Tonnes
Billets:	276,438	392,575	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 9-month period ending 30 September 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 Interim Financial Statements
For The Nine Months Ended September 30, 2018
And Limited Review Report

Translation from Arabic

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Translation from Arabic

Limited Review Report on Consolidated Interim Financial Statements
To The Board of Directors of Ezz Steel Company

Introduction

We have performed a limited review on the accompanying consolidated statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of September 30, 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2018 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

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

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

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

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

2- As explained in note no. (17) and note no. (37-2) of the notes to the consolidated interim financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary) 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 company'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

KPMG Hazem Hassan
Public Accountants and Consultants
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Cairo, December 9, 2018

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as at:

	Note No.	30/9/2018 LE(000)	31/12/2017 Reclassified LE(000)	1/1/2017 Reclassified LE(000)
Non Current Assets				
Fixed assets (Net)	(10-1)	26 606 827	26 625 490	28 144 636
Projects under construction	(11)	432 227	943 234	609 178
Investments in associates	(12-1)	115	115	115
Available-for-sale investments	(12-2)	109 880	109 880	109 880
Deferred tax assets	(30-1)	1 732 439	2 046 026	2 719 242
Long term lending to others	(13)	48 505	43 210	37 419
Other assets	(14)	22 927	24 785	30 315
Goodwill	(40-9)	315 214	315 214	315 214
Total non current assets		**29 268 134**	**30 107 954**	**31 965 999**
Current Assets				
Inventory	(15)	11 379 653	7 462 007	6 131 422
Trade and notes receivable (Net)	(16)	223 540	188 295	287 324
Debtors and other debit balances (Net)	(17)	3 981 845	3 491 198	2 595 637
Suppliers - advance payments (Net)		979 592	616 246	168 831
Investments in treasury bills	(40-8)	8 799	8 414	11 974
Cash and cash equivalents	(19)	2 818 623	4 729 816	5 104 712
Total current assets		**19 392 052**	**16 495 976**	**14 299 900**
Total Assets		**48 660 186**	**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)	1 991 379	2 125 452	2 297 341
Retained losses		(4 426 919)	(3 382 059)	(1 967 635)
Treasury stocks	(22)	(71 921)	(71 921)	(71 921)
Foreign entites translation reserve		3 935 159	3 870 920	4 061 344
Interim dividends		(65 474)	—	—
Total holding company shareholders' equity		**4 260 639**	**5 440 807**	**7 217 544**
Non-controlling interest		2 988 766	3 377 642	2 979 278
Total Shareholders' equity		**7 249 405**	**8 818 449**	**10 196 822**
Liabilities				
Non Current Liabilities				
Long-term loans	(27)	8 784 703	9 767 010	9 234 971
Long-term liabilities	(29)	1 508 721	1 548 021	831 238
Deferred tax liabilities	(30-1)	3 839 355	3 781 992	3 700 847
Total non current liabilities		**14 132 779**	**15 097 023**	**13 767 056**
Current Liabilities				
Banks - overdraft	(19)	20 802	6 646	60 070
Loan installments and credit facilities due within one year	(27)	16 111 819	13 781 227	14 868 334
Trade and notes payable	(23)	6 063 291	4 775 187	4 467 327
Customers - advance payments		1 740 029	2 131 111	1 243 424
Creditors and other credit balances	(24)	2 492 965	1 540 090	1 438 435
Income tax		601 971	133 394	3 267
Liability of the supplementary pension scheme	(25)	12 623	9 013	4 673
Provisions	(26)	234 502	311 790	216 491
Total current liabilities		**27 278 002**	**22 688 458**	**22 302 021**
Total liabilities		**41 410 781**	**37 785 481**	**36 069 077**
Total shareholder's equity and liabilities		**48 660 186**	**46 603 930**	**46 265 899**

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

Chairman & Managing Director
Paul Philipe Chekaiban

Limited Review Report "attached"

ezzsteel
Sadat City
شركة حديد عز ش.م.م
Ezz Steel Co. S.A.E ②

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

	Note No.	For The Nine Months Ended 30 September: 2018 LE(000)	2017 LE(000)	For The Three Months Ended 30 September: 2018 LE(000)	2017 LE(000)
Sales (net)	(38-18)	37 446 609	29 353 301	11 953 989	11 439 463
Less:					
Cost of sales	(3)	(32 804 580)	(26 768 852)	(10 796 628)	(10 085 137)
Gross profit		4 642 029	2 584 449	1 157 361	1 354 326
Add (Less):					
Other operating revenues	(4)	126 442	50 110	84 545	18 754
Selling and marketing expenses	(5)	(232 115)	(208 703)	(92 976)	(57 139)
Administrative and general expenses	(6)	(943 540)	(737 399)	(343 318)	(264 463)
Other operating expenses	(7)	(161 146)	(25 374)	(81 897)	(4 423)
Operating profit		3 431 670	1 663 083	723 715	1 047 055
Add (Less):					
Finance income	(8)	342 580	359 608	70 841	141 056
Finance cost	(8)	(3 066 925)	(2 671 881)	(951 858)	(1 036 939)
Foreign currency exchange differences gains	(8)	(23 100)	160 611	(43 270)	37 888
Net finance costs		(2 747 445)	(2 151 662)	(924 287)	(857 995)
Net profit (loss) for the period before tax		684 225	(488 579)	(200 572)	189 060
(Less):					
Income tax		(654 547)	(25 784)	(218 883)	(7 645)
Deferred tax	(30-2)	(362 731)	(562 899)	(57 300)	(288 422)
Net loss for the period		(333 053)	(1 077 262)	(476 755)	(107 007)
Attributable to:					
Owners of the company		(1 004 663)	(1 386 039)	(615 332)	(315 142)
Non-controlling interest		671 610	308 777	138 577	208 135
Net loss for the period		(333 053)	(1 077 262)	(476 755)	(107 007)
Basic and diluted (loss) earning per share (LE/share)	(9)	(1.88)	(2.60)	(1.15)	(0.59)

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

	Note No.	For The Nine Months Ended 30 September: 2018 LE(000)	2017 LE(000)	For The Three Months Ended 30 September: 2018 LE(000)	2017 LE(000)
Net loss for the period		(333 053)	(1 077 262)	(476 755)	(107 007)
Other comprehensive income items					
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	(10-2)	(195 423)	(187 680)	(81 651)	(63 692)
Foreign entities translation differences		68 510	(300 381)	809	(171 502)
Total comprehensive income		(459 966)	(1 565 323)	(557 597)	(342 201)
Attributable to:					
Owners of the company		(1 074 497)	(1 731 329)	(667 303)	(481 493)
Non-controlling interest		614 531	166 006	109 706	139 292
		(459 966)	(1 565 323)	(557 597)	(342 201)

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity

For The Nine Months Ended September 30, 2018

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained earning (losses) LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Interim dividends LE (000)	Total holding company Shareholders Equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2017	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) profit for the period	–	–	–	(1 386 039)	–	–	–	(1 386 039)	308 777	(1 077 262)
Other comprehensive income items								–		
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	(131 666)	–	–	–	–	(131 666)	(56 014)	(187 680)
Foreign entites translation differences	–	–	–	–	(213 624)	–	–	(213 624)	(86 757)	(300 381)
Total comprehensive income	–	–	(131 666)	(1 386 039)	(213 624)	–	–	(1 731 329)	166 006	(1 565 323)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	–	131 666	–	–	–	131 666	56 014	187 680
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 30/9/2017	2 716 325	182 090	2 165 675	(3 223 588)	3 847 720	(71 921)	–	5 616 301	3 197 734	8 814 035
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) profit for the period	–	–	–	(1 004 663)	–	–	–	(1 004 663)	671 610	(333 053)
Other comprehensive income items										
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	(134 073)	–	–	–	–	(134 073)	(61 350)	(195 423)
Foreign entites translation differences	–	–	–	–	64 239	–	–	64 239	4 272	68 511
Total comprehensive income	–	–	(134 073)	(1 004 663)	64 239	–	–	(1 074 497)	614 532	(459 965)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	–	134 073	–	–	–	134 073	61 350	195 423
Transactions with 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	–	–	–	–	–	–	–	–	(485 540)	(485 540)
The share of the company and the non controlling interest in the employees and Board of Directors interim dividends of the subsidiary company	–	–	–	–	–	–	(65 474)	(65 474)	(61 232)	(126 706)
Total transactions with the company's shareholders	–	–	–	(174 270)	–	–	(65 474)	(239 744)	(1 064 758)	(1 304 502)
Balance as of 30/9/2018	2 716 325	182 090	1 991 379	(4 426 919)	3 935 159	(71 921)	(65 474)	4 260 639	2 988 766	7 249 405

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

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

	Note No.	2018 LE(000)	2017 Reclassified LE(000)
Cash flows from operating activities			
Net profit (loss) for the period before income tax		684 225	(488 579)
Adjustments to reconcile net profit (loss) to net cash used in operating activities			
Depreciation	(10-1)	1 117 225	1 077 751
Expansion license amortization	(14)	4 342	—
Amortization of accrued interest on treasury bills		(1 089)	(8 382)
Assets impairment reversal	(4)	(5 791)	—
Impairment loss on assets	(7)	600	—
Decrease in value of assets available for sale	(7)	43 547	—
Capital lease expense charged to statement of income	(28)	32 493	30 156
Provisions formed during the period	(7)	—	12 000
Provisions no longer required	(4)	—	(175)
Capital loss	(4)،(7)	178	(327)
Interest & finance expenses		3 066 925	2 671 881
Present value difference of long term lending		2 061	(1 450)
Differences resulting from the change in liability of the supplementary pension scheme	(25)	11 194	5 177
Foreign currency exchange differences		(17 244)	(159 945)
Used provisions	(3)	(74 077)	—
		4 864 589	**3 138 107**
Changes in working capital			
Inventory		(3 893 033)	(1 775 167)
Trade receivables, debtors and other debit balances		(424 706)	(694 032)
Trade payables, creditors and other credit balances		907 404	2 808 541
Lending employees		(9 608)	(6 659)
Liability of the supplementary pension scheme		(417)	1 734
Net		**1 444 229**	**3 472 524**
Used provisions		(3 437)	(377)
Income tax paid		(67 266)	(3 267)
Interest paid		(3 007 447)	(2 533 647)
Net cash flows (used in) provided by operating activities		**(1 633 921)**	**935 233**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(616 257)	(605 692)
Proceeds from sale of fixed assets		40	706
Payments for purchase of financial investment (treasury bills)		(21 317)	(164 669)
Proceeds from reclaim of financial investment (treasury bills)		50 725	58 174
Net cash used in investing activities		**(586 809)**	**(711 481)**
Cash flows from financing activities			
Net proceeds from credit facilities		1 739 031	173 287
Payments for long term liabilities		(44)	(17)
Proceeds from blocked time-deposits and current accounts aginst the medium term finance agreement		1 018 294	537 888
Payments for loans		(565 909)	(452 695)
Proceeds from loans		—	297 450
Capital lease payments		(26 467)	(31 910)
Paid dividends to non-controlling interest		(638 818)	—
Paid dividends to employees and Board of Directors		(158 572)	(77 068)
Net cash provided by financing activities		**1 367 515**	**446 935**
Change in cash and cash equivalents during the period		**(853 215)**	**670 687**
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		5 230	(2 031)
Cash and cash equivalents at the ending of the period	(19)	**2 171 743**	**3 267 083**

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Limited Review Financial Statements
For The Nine Months Ended September 30, 2018

1. BACKGROUND

- 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.

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) – 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 – was established in August 29, 1992 under the provisions of law No. 159 of 1981.

The Purpose of the Company & Its Subsidiaries

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

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

	30/9/2018 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

Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on December 9, 2018.

2. Basis For The Preparation of The consolidated interim financial statements

2.1 Statement of compliance

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

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

And the following represents the most significant items in which assumption and professional judgment 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.	For the nine months ended 30 September: 2018 LE (000)	2017 LE (000)	For the three months ended 30 September: 2018 LE (000)	2017 LE (000)
Raw Materials		27 043 154	21 501 611	9 650 736	7 675 323
Salaries & Wages		1 422 798	1 162 917	469 440	439 209
Fixed assets depreciation	(10-1)	1 088 004	1 050 147	360 313	352 409
Other assets amortization		4 342	-	1 456	-
Supplementary pension scheme cost		8 815	3 416	2 939	1 138
Manufacturing overhead expenses		5 624 663	3 421 593	2 239 203	1 225 985
Used provisions		(74 077)	-	(233)	-
Manufacturing cost		**35 117 699**	**27 139 684**	**12 723 854**	**9 694 064**
Change in inventory – finished product and work in process		(2 313 119)	(370 832)	(1 927 226)	391 073
		32 804 580	**26 768 852**	**10 796 628**	**10 085 137**

4. OTHER OPERATING REVENUES

	For the nine months ended 30 September: 2018 LE (000)	2017 LE(000)	For the three months ended 30 September: 2018 LE(000)	2017 LE(000)
Provision no longer required	-	175	-	-
Impairment of assets	5 791	-	4 841	-
Capital expenditures profits	-	327	-	147
Compensation and fines collected	57 222	-	57 222	-
Other revenues	63 429	49 608	22 482	18 607
	126 442	**50 110**	**84 545**	**18 754**

5. SELLING & MARKETING EXPENSES

	Note No.	For the nine months ended 30 September: 2018 LE (000)	2017 LE(000)	For the three months ended 30 September: 2018 LE(000)	2017 LE(000)
Salaries & Wages		80 924	65 415	26 581	24 381
Advertising		17 607	19 354	7 374	3 977
Fixed assets depreciation	(10-1)	3 845	4 728	1 280	1 297
Supplementary pension scheme cost		623	286	207	96
Other expenses		129 116	118 920	57 544	27 388
		232 115	**208 703**	**92 986**	**57 139**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the nine months ended 30 September: 2018 LE (000)	2017 LE(000)	For the three months ended 30 September: 2018 LE(000)	2017 LE(000)
Salaries & Wages		600 435	451 050	197 845	168 595
Spare parts and maintenance		6 930	3 880	4 089	(8 770)
Fixed assets depreciation	(10-1)	25 376	22 876	8 473	7 862
Supplementary pension scheme cost		1 756	1 476	586	492
Other expenses		309 043	258 117	132 325	96 284
		943 540	**737 399**	**343 318**	**264 463**

7. OTHER OPERATING EXPENSES

	Note No.	For the nine months ended 30 September: 2018 LE (000)	2017 LE(000)	For the three months ended 30 September: 2018 LE(000)	2017 LE(000)
Donations		116 691	11 777	82 056	2 826
Impairment loss on assets available for sale		43 547	-	(200)	-
Impairment of assets		600	-	-	-
Formed provisions during the period		-	12 000	-	-
Capital expenditure loss		178	-	27	-
Others expenses		130	1 597	14	1 597
		161 146	**25 374**	**81 897**	**4 423**

8. FINANCE INCOME AND COST

	For the nine months ended 30 September: 2018 LE (000)	2017 LE(000)	For the three months ended 30 September: 2018 LE(000)	2017 LE(000)
Finance income				
Finance and interest income	342 580	359 608	70 841	141 056
Total finance income	**342 580**	**359 608**	**70 841**	**141 056**
Finance Cost				
Interest & finance cost	(3 066 925)	(2 671 881)	(951 858)	(1 036 939)
Total finance cost	**(3 066 925)**	**(2 671 881)**	**(951 858)**	**(1 036 939)**
Foreign currency exchange differences	**(23 100)**	**160 611**	**(43 270)**	**37 888**
Net finance costs	**(2 747 445)**	**(2 151 662)**	**(924 287)**	**(857 995)**

9. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

	For the nine months ended 30 September: 2018	2017	For the three months ended 30 September: 2018	2017
Owners of the company share				
Net loss for the period (LE 000)	(1 004 663)	(1 386 039)	(615 332)	(315 142)
Weighted average number of outstanding shares during the period (share)*	533 802 313	533 802 313	533 802 313	533 802 313
Basic and diluted loss per share for the period (LE / share)	**(1.88)**	**(2.60)**	**(1.15)**	**(0.59)**

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

10. FIXED ASSETS (NET)

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

	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 period	—	18 063	203 246	3 122	22 512	4 068	—	251 011
Disposals during the period	—	—	(1 207)	(4 569)	(120)	—	—	(5 896)
Translation differences of foreign entities	(7 561)	(201 170)	(455 524)	(145)	(1 288)	(3 287)	—	(668 975)
As of September 30, 2017	804 686	10 342 243	35 892 643	298 070	279 489	162 254	3 902	47 783 287
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 period	—	37 099	909 257	10 675	31 388	49 829	—	1 038 248
Disposals during the period	—	(4 106)	(252 322)	(157)	(285)	—	—	(256 870)
Translation differences of foreign entities	2 255	59 998	136 670	15	423	1 293	—	200 654
As of September 30, 2018	807 869	10 467 414	36 794 528	308 523	317 693	216 056	3 902	48 915 985
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 period	—	178 954	832 552	32 474	21 066	12 705	—	1 077 751
Accumulated depreciation of disposals during the period	—	—	(891)	(4 554)	(72)	—	—	(5 517)
Translation differences of foreign entities	—	(41 774)	(163 321)	(144)	(1 189)	(2 302)	—	(208 730)
As of September 30, 2017	—	2 499 276	17 907 998	239 863	159 009	115 967	3 902	20 926 015
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 period	—	180 020	877 261	23 225	24 676	12 043	—	1 117 225
Accumulated depreciation of disposals during the period	—	(4 106)	(181 052)	(130)	(276)	—	—	(185 564)
Translation differences of foreign entities	—	14 072	53 793	15	372	782	—	69 034
As of September 30, 2018	—	2 754 277	18 955 642	270 851	191 315	133 171	3 902	22 309 158
Carrying amount:								
As of September 30, 2017	804 686	7 842 967	17 984 645	58 207	120 480	46 287	—	26 857 272
As of December 31, 2017	805 614	7 810 132	17 795 283	50 249	119 624	44 588	—	26 625 490
As of September 30, 2018	807 869	7 713 137	17 838 886	37 672	126 378	82 885	—	26 606 827
Fixed assets fully depreciated and still in use as of September 30, 2018	—	131 145	1 798 489	186 660	92 085	69 934	3 903	2 282 216

- The land item includes a piece of land with a total area of 928 km2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

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

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

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

	Note	For the The Nine Months Ended September 30: 2018	2017
	no.	LE(000)	LE(000)
Cost of sales	(3)	1 088 004	1 050 147
Selling and marketing expenses	(5)	25 376	4 728
General & administrative expenses	(6)	3 845	22 876
		1 117 225	1 077 751

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

	L.E. (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 six months period ended at September 30, 2018	(195 423)
Net modification surplus of fixed assets at june 30, 2018	**2 630 494**
Attribute to:	
Owners of the Company	1 991 379
Non-controlling interest	639 115
	2 630 494

11. PROJECTS UNDER CONSTRUCTION

	30/9/2018 LE (000)	31/12/2017 LE (000)
Constructions expansion	76 785	76 647
Machinery under installation	176 237	839 803
Advance payments for purchase of fixed assets	179 205	26 784
	432 227	943 234

12. INVESTMENTS

12-1 Investments in associates

	Participatio Percentage %	Investments cost 30/9/2018 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 Available-for-sale investments

	Note No.	Investments cost 30/9/2018 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.	30/9/2018 LE (000)	31/12/2017 LE (000)
Employees' advance payments		67 095	58 394
Employees' loans present value		43 694	40 647
		110 789	99 041
(Less):			
Employees' loans and advances due within a year	(17)	(48 154)	(43 762)
Long term employees' loans and advances		62 635	55 279
(Less):			
Differences resulted from change in long term employees' loans fair value		(14 130)	(12 069)
		48 505	**43 210**

14. OTHER ASSETS

The amount is represented in the paid up amount during the period 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 1st. 2018	24 785
(Less):	
Used during the period	(4 342)
Add:	
Currency translation differences	2 484
Net at September 30, 2018	**22 927**

15. INVENTORY

	30/9/2018 LE (000)	31/12/2017 LE (000)
Raw materials and supplies	3 908 925	2 994 871
Work in process	478 346	339 697
Finished products	3 703 853	1 549 346
Finished products – DRI	205 646	185 683
Spare parts and supplies	2 037 653	1 889 126
Goods in transit	1 040 652	501 745
Letter of credit	4 578	1 539
	11 379 653	**7 462 007**

16. TRADE AND NOTES RECEIVABLE

	Note No.	30/9/2018 LE (000)	31/12/2017 LE (000)
Trade receivables		169 443	174 655
Trade receivables – Related parties	(31-1)	3 518	1 298
Notes receivable		80 236	41 999
		253 197	**217 952**
(Less):			
Impairment loss on trade receivables	(18)	(29 657)	(29 657)
		223 540	**188 295**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2018 LE (000)	31/12/2017 LE (000)
Deposits with others		797 500	740 908
Tax Authority *		1 055 937	1 030 196
Tax Authority – usufruct **		127 477	127 477
Tax Authority – VAT		429 193	189 948
Customs Authority		94 895	30 309
Accrued revenues		1 198	1 596
Prepaid expenses		65 583	55 400
Alexandria Port Authority		19 706	41 473
Employees' loans and advance payments due within a year	(13)	48 154	43 762
Letters of credit cash margin		118 377	74 991
Letters of guarantee cash margin	(32)	885	885
Due from related parties	(31-2)	1 113 764	826 589
Advance payment under the account of employees' dividends		35 832	266 125
The Cairo Economic Court***		35 060	35 060
Other debit balances****		63 775	83 521
		4 007 336	**3 548 240**
(Less):			
Impairment loss on debtors and other debit balances	(18)	(25 491)	(57 042)
		3 981 845	**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 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 L.E 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 represents 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 represents 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 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 LE (000)	Formed during the period LE (000)	Impairment No longer required LE (000)	Used during the period LE (000)	Balance as at 30/9/2018 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	600	(5 791)	(26 360)	25 491
Impairment loss on advances to suppliers		9 837	-	-	-	9 837
Impairment loss on investments available for sale	(12-2)	17 726	-	-	-	17 726
		114 262	**600**	**(5 791**	**(26 360)**	**82 711**

19. CASH AND CASH EQUIVALENTS

	30/9/2018 LE (000)	31/12/2017 LE (000)
Banks - time deposits	252 098	363 949
Banks – current accounts	2 431 266	4 247 140
Cheques under collection	72 131	107 458
Cash on hand	63 128	11 269
	2 818 623	**4 729 816**
(Less):		
Banks – overdraft	(20 802)	(6 646)
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(626 078)	(1 703 442)
Cash and cash equivalents in the statement of cash flows	**2 171 743**	**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

	30/9/2018 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

	30/9/2018 LE (000)	31/12/2017 LE (000)
Trade payables	5 220 813	4 340 029
Notes payable	991 118	567 577
	6 211 931	**4 907 606**
Unamortized portion of the current value of notes payable	(148 640)	(132 419)
Net current value of trade and notes payable	**6 063 291**	**4 775 187**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2018 LE (000)	31/12/2017 Reclassified LE (000)
Fixed assets – creditors		260 905	347 907
Accrued interest		562 117	509 273
Accrued expenses		1 026 434	386 462
Tax Authority		161 820	81 397
Performance guarantee retention		32 299	43 112
Sales tax installments		96 483	26
Dividends payable		322 313	1 561
Due to related parties	(31-3)	355	16
Alexandria Port Authority		-	95 691
Other credit balances		29 019	74 645
Deferred revenues acquired during a year	(29)	1 220	-
		2 492 965	**1 540 090**

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

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

The value of the supplementary pension scheme cost reached during the period ended as at September 30, 2018 the amount of LE 11.2 Million which was charged to the consolidated statement of income according to the report prepared by the actuary.

	Note No	30/9/2018 LE (000)	31/12/2017 LE (000)
Total liability of the supplementary pension scheme and distributed as follow:		**132 145**	**120 535**
Recorded in current liabilities		12 623	9 013
Recorded in long term liabilities	(29)	119 522	111 522
		132 145	**120 535**

First: The movements of liabilities during the period are represented in the following:-

	30/9/2018 LE (000)	31/12/2017 LE (000)
Balance at the beginning of January	120 535	64 589
Present service cost	6	8
Return cost	11 188	6 982
Previous return cost	-	40 211
Employees paid subscriptions	6 220	11 517
	137 949	**123 307**
(Less)/Add:		
Paid pensions during the year	(5 804)	(11 063)
Actuarial gains from the defined benefits scheme for pensions	-	8 291
	132 145	**120 535**

Second: The amounts recognized in the consolidated statement of income are represented as follows:-

	30/9/2018 LE (000)
Current service cost	6
Return cost	11 188
	11 194

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

Average assumptions to determine the liabilities of the benefits	30/9/2018	31/12/2017
A- Average discount rate	15 %	15 %
B- Average inflation rate	16 %	16 %

Average assumptions to determine the net cost of the benefits	30/9/2018	31/12/2017
A- Average discount rate	15 %	15 %
B- Average inflation rate	16 %	16 %

Sensitivity Analysis of the system:

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

	Discount rate 15% LE (000)	Discount rate 16% LE (000)
Liability current cost	125 053	116 296
Service cost	15 748	14 987

26. PROVISIONS

	Balance as at 1/1/2018 LE (000)	Foreign currency exchange differences LE (000)	Used provision during the period LE (000)	Balance as at 30/9/2018 LE (000)
Tax provision and claims	309 835	226	(77 514)	232 547
Employees Lawsuits provision	1 955	-	-	1 955
	311 790	**226**	(77 514)	**234 502**

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	873 929	1 173 929	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			4 367 625	—	4 367 625	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	2-3 years	—	1 647 211	1 647 211	
	Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	430 800	3 786 507	4 217 307	
	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			5 166 045	—	5 166 045	
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	68 531	—	68 531	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.			1 560 264	—	1 560 264	
	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.			1 660 003	—	1 660 003	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	587 196	2 477 056	3 064 252	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.			1 971 355	—	1 971 355	
	Balance as of September 30, 2018						16 111 819	8 784 703	24 896 522	
	Balance as of December 31, 2017 (Reclassified)						13 781 227	9 767 010	23 548 237	

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 period 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 period from the date of obtaining the loan till June 31, 2018 deducted from the loan balance.
- The installments paid until September 30, 2018 amounted to LE 520 Million (against LE 295 Million on December 31, 2017).

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

27.2.1 The Company obtained a revolving medium term credit facility from National Bank Of Egypt amounted 800 Million LE for 3 years ending in 17 october 2021 and The balance as of September 30, 2018 is LE 268.6 Million.

27.2.2 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 1 008.5 Million as at September 30, 2018 whose due date is September 2020.

27.2.3 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 September 30, 2018 and a portion in the foreign currency whose balance amounted to LE 145.8 Million as at September 30, 2018 equivalent to USD 8.13 Million.

27.2.4 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 175.26 Million as at September 30, 2018 and a part in foreign currency amounted to USD 36 Million equivalent to L.E 646.2 Million and an amount of Euro 0.58 Million equivalent to LE 12.2 Million.

27.2.5 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 restructure plan) with the amount of USD 69.5 Million and the lone is to be paid in twenty six quarter annual instalments ending at February 28, 2025. The balance as at September 30, 2018 amounted to USD 69.5 Million equivalent to L.E 1 247.5 Million.

27.2.6 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 instalments ending at May 28, 2025. the balance as at September 30, 2018 amounted to USD 59.4 Million equivalent to L.E 1 066.23 Million.

27.2.7 The company obtained a medium term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalments ending at July 15, 2025. The balance as at September 30, 2018 is amounted to USD 50 Milllion equivalent to L.E 897.5 Million.

27.2.8 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 L.E 80 Million. the loan is to be paid in 12 Semi-annual instalment ending on July 15, 2025, The balance as at September 30, 2018 is amounted to L.E 44.4 Million and a portion of foreign currency amounted to USD 11.2 Million equivalent to L.E 201.7 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 90.8 Million equivalent to L.E.1 628 Million representing the installments due since the payment cessation date until September 30, 2018.

27.4 Ezz Rolling Mills (Subsidiary)

The loan balance is represented as follows:-

	30/9/2018	31/12/2017
	LE (000)	LE (000)
Total loan balance	3 064 252	3 244 470
Less:		
Current portion	587 196	366 997
Non-current portion	**2 477 056**	**2 877 473**

28. Capital lease

- The Company signed lease contracts with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building according to capital lease law for eight years ending at June 2024, the contracts provide the right to the Company to own those assets at a predetermined value at the end of the contract period. On July 18, 2017, the company signed appendex to this 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 at July 2025.

- 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 at November 2024, the contracts data as follow:

Description	Contract number	Contracts starting date	Contracts period	Total Value of contracts LE (000)	Payment method Quarterly Installment	Payments till 30/9/2018 LE (000)	Capital lease liability 30/9/2018 LE (000)
Corplease	4537 4538	2016	8 years	290 726	32	75 876	214 850
Corplease	4675	2016	8 years	47 203	32	8 743	38 460
				337 929		**84 619**	**253 310**

- Capital lease expenses for the year are amounted to LE 32 493 K included in administrative and general expenses – Note no. (6).
- The capital lease liabilities till end of contracts as follows :

	2018 LE (000)	2019 LE (000)	2020 LE (000)	2021 LE (000)	5 years and More LE (000)	Total LE (000)
Capital lease liability	9 264	40 386	43 965	44 274	115 421	253 310

- The company has issued checks in favor of the leasing company covered all capital lease liabilities till July 2025.

29. LONG TERM LIABILITIES

	Note No.	30/9/2018 LE (000)	31/12/2017 LE (000)
Fixed assets- creditors		-	18
Notes payable		1 040 864	909 833
Liability of the supplementary pension scheme	(25)	119 522	111 522
lending from others *		664 749	658 450
Long Term deferred revenues **		2 440	-
		1 827 575	**1 679 823**
Unamortized portion of present value of notes payable		(318 854)	(131 802)
Present value for long term liabilities		**1 508 721**	**1 548 021**

* 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.

** 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 L.E 3 660 K. Deferred revenues within one year is amounted to L.E 1 220 K (note no. 24).

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	30/9/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
	LE (000)	LE (000)	LE (000)	LE (000)
Items				
Fixed assets	-	(3 769 719)	-	(3 709 465)
Unpaid dividends in subsidiary companies	-	(51 259)	-	(54 150)
Provisions	26 281	-	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 losses	1 533 528	-	1 733 170	-
Foreign currency exchange differences loss	160 479	-	266 550	-
Foreign currency exchange differences gain	-	(18 377)	-	(18 377)
	1 732 439	**(3 839 355)**	**2 046 026**	**(3 781 992)**
Net deferred tax (liability)		**(2 106 916)**		**(1 735 966)**

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

	For the nine months ended 30 September:	
	2018	2017
	LE (000)	LE (000)
Net deferred tax	(2 106 916)	(1 251 308)
Less:		
Translation difference	(8 219)	4 774
Previously charged deferred tax	(1 735 966)	(981 605)
Deferred tax	**(362 731)**	**(274 477)**

30.3 Unrecognized deferred tax assets

	30/9/2018	31/12/2017
	LE (000)	LE (000)
Impairment loss on Receivables , debtors and other debit balances	6 091	7 189
Provisions	25 357	42 158
Tax losses	336 931	400 839
	368 379	**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 period are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 27.031 K and LE 184 K respectively in addition to rent amounted to LE 1.2 Milion The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 30/9/2018 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	- Sales	27 031	3 518	1 298
			3 518	**1 298**
31-2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (parent			1 094 641	804 553
- Gulf of Suez Development Company (Affiliated company)			33	61
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	- Purchases	184	19 090	21 975
	- Rent	1 200		
			1 113 764	**826 589**
31-3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(355)	(16)
			(355)	**(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 200 Million	Short term financing from Banque Du Caire, and bailing the subsidiary in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 300 Million.
	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	USD 30 Million	Guaranteeing the credit facilities which is given to the subsidiary by the National Bank Of Egypt with an amount of USD 60 Million and its interests and commissions and any other extension until the amounts are fully settled.
	LE 250 Million	Bailing the subsidiary of 50% of the total short term finance which is given to it by the National Bank Of Egypt.

- 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:

	30/9/2018	31/12/2017
Letters of guarantee	LE (000)	LE (000)
Egyptian Pound	6 529	6 739
US Dollar	19 745	19 470
Letters of credit		
US Dollar	292 335	764 552
Euro	67 310	40 545

- The amount of letters of guarantee issued by the banks of the Company and its subsidiaries in favor of others on September 30, 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 September 30, 2018 are represented in the amount of LE 88.3 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 is granted a tax exemption according to the article no. 24 of law no. 159 for 1979 relating to the development of new urban communities, 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 and all disputes were settled until December 31, 2014 and there is no taxes due.
- The Company submitted tax returns until 2017 according to the provisions of law no. 91 of 2005.

34.1.2 Sales tax and VAT

- The tax inspection was made for the Company's books until year 2014 and the tax differences were paid in full.

34.1.3 Salary tax

- The Company's books was inspected until year 2012 and there is no any due amounts on the company.
- The Tax Authority finished inspection of the Company's books until years 2013 and 2014, currently the company referring the dispute to Internal Committee.

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 2013 and the taxes due were paid.

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 Causes 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 Causes 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 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 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. 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, which is deliberate during sessions, the final ruling not issued yet.
- 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 94.56 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

canceled, 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 121 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 defense 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 69J 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 L.E 9.9 Million represented Article (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 L.E 8.8 Million as an entitled tax for these years with tax savings amounted L.E 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.

- The company's tax inspection was made for years 2009/2010 and the company has been notified with form no. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a decision of not approving the donations as it is considered to a normal persons and a law suit 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 and a stamp tax has been paid amounted to L.E 10 Million until final settlement.

- 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.

- Tax inspection was made till year 2016 and tax differences have been fully paid.

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 January 9, 2019 session for documents and reviewing.

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 67J Administrative Judiciary as a session was set on November 19, 2017 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 defense and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by L.E 12.1 Million with due tax by L.E 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 L.E 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 (15) till, include tax differences amounted to L.E 35 Million and it has been appealed against and currently reviewing the dispute before the internal committee.

34.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 1.9 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, 2016 a session set by the state Administrative court ruled to assign an expert in the lawsuit and it was determined at November 29, 2018 for submitting expert report.

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, the lawsuit has been transferred to Alexandria administrative court no. 36522 for year 69J and the court set a session on October 31, 2018 for documents and after reviewing those documents the lawsuit was postponed to February 20, 2019 to assign an expert.

34.3.6 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.

34.4 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.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 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.

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.

34.4.4 Stamp tax

- Tax inspection was made till 2016, the Company paid and assessed and there is no claims on the Company.

35. <u>FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</u>

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 25 567 342 K as of September 30, 2018 (LE 24 214 125 K as of December 31, 2017). Financing interest and expenses related to these balances amounted to LE 3 066 925 K during the period (LE 2 671 881 K during the same period from the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 878 176 K as of September 30, 2018 (LE 2 067 391 K as of December 31, 2017), interest income related to these balances amounted to LE 342 580 K during the period (LE 359 608 K during the same period from the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	30/9/2018 LE (000)	31/12/2017 LE (000)
Long term lending to others	(13)	48 505	43 210
Trade and notes receivables	(16)	223 540	188 295
Debtors and other debit balances	(17)	3 981 845	3 491 198
Suppliers - advance payments		979 592	616 246
Investments in treasury bills		8 799	8 414
Cash and cash equivalents	(19)	2 755 495	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 In thousand
US Dollars	(580 351)
Euro	(66 502)
Swiss Frank	13
Sterling Pound	(351)
Japanese Yen	(125 174)

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 at		Average rate for the nine months ended	
	30/9/2018	31/12/2017	30/9/2018	30/9/2017
US Dollars	17.88	17.77	17.915	18.000
Euro	20.832	21.3738	20.695	20.092
Swiss Frank	18.311	18.2537	18.215	18.3455
Sterling Pound	23.009	24.0659	23.489	23.0987

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 canceled, 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 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 2013 in the amount of LE 249 525 k, A session date to be considered on November 27, 2014 and ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, it was mentioned by no.36522 for the year 69 J the Administrative Court and Commissioners committee filed a report with the opinion of assign an expert to examine the company's requests and The lawsuit was postponed to February 20, 2019 to assign an expert

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 L.E (000)	Reclassification L.E (000)	1/1/2017 Reclassified L.E(000)
Loan installments and credit facilities 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 L.E (000)	Reclassification L.E (000)	31/12/2017 Reclassified L.E(000)
Loan installments and credit facilities 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	The nine months ended in September 30, 2017 As previously reported L.E (000)	Reclassification L.E (000)	The nine months ended in September 30, 2017 Reclassified L.E (000)
Finance interest paid	(2 586 170)	52 523	(2 533 647)
Proceeds from banks credit facilities	225 810	(52 523)	173 287

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, now, management of the group is studying the effects resulting in the adoption of this law on its financial statements.

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 Available-for-sale investments

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

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

40.8 Investments in treasury bills

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

40.9 Goodwill

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

40.10 Inventory

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

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

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 period.

40.17 Share capital

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

40.18 Revenues

a) ***Sales revenues***
Sales revenues are recognized when the risks and benefits of goods are transferred to the purchaser at delivering the goods. The sales 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 period.

40.21 Income Tax

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

40.22.1 Credit risk

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

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

Trade receivable & other debtors

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

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

Cash and cash equivalents

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

40.22.2 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.

40.22.3 Market risk

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

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

Currency risk

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

Interest rate risk

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

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

Other market prices risk

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

40.22.4 Capital management

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