## EZZSTEEL REPORTS CONSOLIDATED H1 2015 RESULTS

**Cairo, 5 November 2015** – 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 period ending 30 June 2015. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

| *EGP Million* | H1 2014 | H1 2015 | YoY % (+/-) |
|---|---|---|---|
| **Net sales** | 10,264 | **9,254** | -10 |
| **Gross profit** | 598 | **432** | -28 |
| **EBITDA*** | 595 | **378** | -36 |
| **Net profit before tax and minority interest** | (132) | **(513)** | |
| **Net profit after tax and minority interest** | (176) | **(337)** | |
| **Earnings per share **** | (0.32) | (0.62) | |
| **Net debt to equity** | 1.79x | 2.69x | |

** 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 first half of 2015 ezzsteel struggled against three major problems: The meltdown in the global steel sector, which has drastically reduced our exports and destabilised the structure of the local market; The erratic availability of utilities in our plants, which disturbed our industrial processes and decreased our output; The severe shortage of foreign currency, which has prevented us from ensuring the feedstock for our factories.
>
> "Thanks to the efficiency of our business model, we were able to relatively contain the negative impact of such exceptional circumstances on our operating margins and we will continue to take mitigating measures for as long as these circumstances last.

**For further information:**


**ezzsteel**

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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.

In 2014, the Company produced 3.6 million tonnes of long products (typically used in construction) and 790,000 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 H1 2015 were EGP 9.3 billion, representing a decrease of 10 per cent year on year. This decrease in sales is principally due to constant disruption of utilities and lack of natural gas. Long product prices were down by 3 per cent, while flat products were down by 5 per cent. Long export prices were down by 17 per cent and flat export prices have also declined by 17 per cent.

| **Sales after elimination** *EGPMn* | **ESR/ERM** | **EZDK** | **EFS** | **Consolidated** |
|---|---|---|---|---|
| Long | 2,650 | 4,051 | 831 | **7,532** |
| Flat | - | 1,617 | -0 | **1,617** |
| Others | - | 100 | 5 | **105** |
| **Total** | **2,650** | **5,768** | **836** | **9,254** |

Long steel products accounted for EGP 7.5 billion, or 81 per cent of sales in H1 2015, while flat steel products represented 17 per cent of sales at EGP 1.6 billion. Long product exports accounted for 2 per cent of total long sales. Flat product exports accounted for 32 per cent of total flat sales.

| ***Sales Value EGPMn*** | **Domestic** | **per cent** | **Export** | **per cent** |
|---|---|---|---|---|
| Long | 7,374 | 98% | 158 | 2% |
| Flat | 1,102 | 68% | 515 | 32% |

Long sales volumes were 1.73 million tonnes during H1 2015, 3 per cent lower than the 1.78 million tonnes sold during the same period last year. The local market for long products continues to remain solid.

Flat sales volumes, which were concentrated at EZDK, fell by 19 per cent to 380,901 tonnes in H1 2015, as both the domestic and export market witnessed significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 2.11 million tonnes in H1 2015, a decrease of 6 per cent from the 2.25 million tonnes sold in H1 2014.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2015 were 29 per cent, 62 per cent, and 9 per cent respectively.

Long steel production volumes totalled 1.64 million tonnes during H1 2015, down 13 per cent compared to H1 2014. Flat steel production volumes decreased by 15 per cent to 384,118 tonnes for the period, compared to 451,825 tonnes in the previous year.

**Cost of Goods Sold**

Consolidated Cost of Goods Sold for H1 2015 represented 95 per cent of sales, reflecting a decrease in gross profit margin from 6 per cent in H1 2014 to 5 per cent in H1 2015.

EFS's Cost of Goods Sold, at 121 per cent, reflects the continued low capacity utilization level currently at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive replacement raw materials, thereby suppressing margin.

| | Standalone figures | | | Consolidated |
|---|---|---|---|---|
| ***EGPMn*** | **ESR/ERM** | **EZDK** | **EFS** | **ezzsteel** |
| Sales | 2,954 | 6,185 | 906 | 9,254 |
| COGS | (2,772) | (5,759) | (1,093) | (8,821) |
| **COGS/Sales** | **94%** | **93%** | **121%** | **95%** |

**Gross profit**

Gross profit of EGP 432 million was recorded for H1 2015, a decrease of 28 per cent from the EGP 598 million recorded in H1 2014.

**EBITDA**

EBITDA for H1 2015 amounted to EGP 378 million, representing a decrease of 36 per cent from EGP 595 million in H1 2014.

**Tax**

During H1 2015, ezzsteel had a tax rebate of EGP 78 million & a tax expense of EGP 3 million

**Net result after tax and minority interests**

Net result after tax and minority interests recorded a loss of EGP 337 million for H1 2015, in comparison to a loss of EGP 176 million for H1 2014.

**Liquidity and capital resources**

On the 18 January 2015, ezzsteel announced that it had signed an EGP 1.7 billion, long term loan agreement with the National Bank of Egypt, as lead arranger & facility agent, and Arab African International Bank, as lead arranger & security agent. The funds raised will help the company to restructure existing facilities.

At the end of the period, ezzsteel had cash on hand of EGP 2.81 billion and net debt of EGP 13 billion. The company has a gearing of Net Debt / Equity of 2.69 times.

**Outlook**

With the start of production of our new direct reduction plant in Suez during the last quarter of the year, we are continuing to implement the strategic industrial vision that has been the key for our success over the past 20 years. This will make a significant contribution to our future performance.

**Divisional Overview**

| **EZDK Sales (EGP):** | **H1 2014** | **H1 2015** | |
|---|---|---|---|
| Value: | 6,450 | 6,185 | Mn |
| Volume:<br>Long:<br>Flat: | 950,934<br>469,876 | 1,045,690<br>380,901 | Tonnes<br>Tonnes |
| Exports as % of Sales: Long:<br>Flat: | 7<br>45 | 4<br>37 | |
| EBITDA: | 645 | 416 | Mn |
| **Production:** | | | |
| Long Products: | 1,022,993 | 853,292 | Tonnes |
| Flat Products: | 451,825 | 384,118 | Tonnes |
| Billets: | 1,079,650 | 865,029 | Tonnes |
| | | | |
| **ESR/ERM Sales (EGP):** | | | |
| Value: | 2,957 | 2,952 | Mn |
| Volume: | 615,311 | 648,201 | Tonnes |
| Exports as % of Sales: | 2 | - | |
| EBITDA: | 5 | 51 | Mn |
| **Production:** | | | |
| Long Products: | 639,006 | 595,218 | Tonnes |
| Billets: | 394,078 | 368,778 | Tonnes |
| | | | |
| **EFS Sales (EGP):** | | | |
| Value: | 1,173 | 906 | Mn |
| Volume:<br>Long:<br>Flat: | 219,750<br>- | 199,205<br>- | Tonnes<br>Tonnes |
| Exports as % of Sales:<br>Long:<br>Flat: | -<br>- | -<br>- | |
| EBITDA: | (84) | (97) | Mn |
| **Production:** | | | |
| Long Products: | 224,091 | 193,664 | Tonnes |
| Flat Products: | - | - | Tonnes |
| Billets: | 232,186 | 24,859 | 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 6 month period ending 30 June 2015. 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 Six Months Ended June 30, 2015
## 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 balance sheet of Ezz Steel Company "an Egyptian joint stock company" as of June 30, 2015 and the related consolidated statements of income, cash flows and changes in equity for the six 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 interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

### *Scope of Limited Review*

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 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 June 30, 2015 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

## *Emphasis of matters*

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

1- As explained in note no. (38-1) to the consolidated interim financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

   The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.

   During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, and the court session was delayed to December 5, 2013 then the said case was adjourned to overturn the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on December 5, 2015. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

2- As explained in note no. (35-3-1) of the notes to the consolidated interim financial statements, the tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to LE 219 million according to the forms received from the Tax Authority on February 17, 2011 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

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

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

*Translation from Arabic*

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 fell 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 are LE 254.2 million, including delay interest amounting to LE 35 million.

The subsidiary 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. A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No.963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit. However, the said delegated expert has not commenced his task yet.

3- As explained in note no. (21-1) and note no. (39-2) of the notes to the consolidated interim financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel - Alexandria (EZDK) company and the Sales Tax Authority about 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.

The Sales Tax Authority is of the opinion that there is a necessity to be committed to the settlement of the additional tax in order to cease all the procedures that were previously mentioned. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year, 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 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 due to the fact that they are not subjected to sales tax. Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.

**KPMG Hazem Hassan**
**Public Accountants & Consultants**

Cairo, November 4, 2015

KPMG Hazem Hassan
Public Accountants and Consultants
(23)

**Ezz Steel Company**
**(An Egyptian Joint Stock Company)**

**Consolidated Balance Sheet As at:**

| | Note No. | 30/6/2015 LE(000) | 31/12/2014 LE(000) |
|---|---|---|---|
| **Long Term Assets** | | | |
| Fixed assets (net) | (4) | 11 163 706 | 11 072 630 |
| Projects under construction | (5) | 4 495 247 | 4 068 263 |
| Investments in associates | (6-1) | 115 | 115 |
| Financial investments available-for-sale | (6-2) | 109 880 | 109 880 |
| Long term lending to others | (7) | 34 374 | 32 062 |
| Sales tax installments | (8) | 201 432 | 197 511 |
| Other assets | (9) | 30 315 | — |
| Goodwill | (3-9) | 315 214 | 315 214 |
| **Total long term assets** | | **16 350 283** | **15 795 675** |
| **Current Assets** | | | |
| Inventory | (10) | 3 409 791 | 4 093 098 |
| Trade and notes receivable | (11) | 48 190 | 84 828 |
| Debtors and other debit balances | (12) | 1 914 114 | 1 836 517 |
| Suppliers - advance payments | | 466 476 | 696 938 |
| Investments in treasury bills | (3-8) | 28 001 | 50 493 |
| Cash and cash equivalents | (14) | 2 806 179 | 916 239 |
| **Total current assets** | | **8 672 751** | **7 678 113** |
| **Current Liabilities** | | | |
| Banks - overdraft | (15) | 17 575 | 68 463 |
| Loan installments and facilities due within one year | (16) | 9 204 564 | 7 533 817 |
| Installments due within one year | (21-2) | 168 300 | 112 200 |
| Trade and notes payable | (17) | 1 608 765 | 1 861 548 |
| Trade receivables - advance payments | | 246 785 | 438 580 |
| Creditors and other credit balances | (18) | 567 041 | 505 897 |
| Income tax | | 3 169 | 41 787 |
| Liability of the supplementary pension scheme | (19) | 3 145 | 3 045 |
| Provisions | (20) | 204 608 | 204 616 |
| **Total current liabilities** | | **12 023 952** | **10 769 953** |
| **Increase of current liabilities over current assets** | | **(3 351 201)** | **(3 091 840)** |
| **Total investment** | | **12 999 082** | **12 703 835** |
| **Financed as follows:** | | | |
| **Shareholders' Equity** | | | |
| Issued and paid - up capital | (23-2) | 2 716 325 | 2 716 325 |
| Reserves | (24) | 379 346 | 379 346 |
| Retained earnings | | 495 977 | 1 256 765 |
| Net loss for the period / year | | ( 337 060) | ( 696 559) |
| Treasury stocks | (25) | ( 71 921) | ( 71 921) |
| Foreign entites translation reserve | | 513 449 | 441 773 |
| Interim dividends for employees & board of directors in subsidiaries | | — | ( 32 556) |
| **Total holding company shareholders' equity** | | **3 696 116** | **3 993 173** |
| Non-controlling interest | | 1 152 976 | 1 241 444 |
| **Total Shareholders' equity** | | **4 849 092** | **5 234 617** |
| **Long Term Liabilities** | | | |
| Long-term loans | (16) | 6 635 665 | 5 894 183 |
| Other liabilities | (21) | 818 064 | 802 454 |
| Deferred tax liabilities | (26-1) | 696 261 | 772 581 |
| **Total long term liabilities** | | **8 149 990** | **7 469 218** |
| **Total shareholders equity and long term liabilities** | | **12 999 082** | **12 703 835** |

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

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

Limited Review Report "attached"

**Ezz Steel Company**
**(An Egyptian Joint Stock Company)**

**Consolidated Statement of Income**

| | Note No. | For the Six Months Ended: 30/6/2015 LE(000) | For the Six Months Ended: 30/6/2014 LE(000) | For The Three Months Ended: 30/6/2015 LE(000) | For The Three Months Ended: 30/6/2014 LE(000) |
|---|---|---|---|---|---|
| Sales (net) | (3-18) | 9 253 631 | 10 263 721 | 4 460 314 | 4 976 664 |
| **Less :** | | | | | |
| Cost of good sold | (27) | ( 8 821 438) | ( 9 665 594) | ( 4 250 242) | ( 4 750 977) |
| Gross profit | | 432 193 | 598 127 | 210 072 | 225 687 |
| **Add (Less):** | | | | | |
| Other operating revenues | (28) | 17 459 | 30 192 | 11 019 | 16 479 |
| Selling and marketing expenses | (29) | ( 82 391) | ( 67 691) | ( 44 490) | ( 37 060) |
| Administrative and General expenses | (30) | ( 341 548) | ( 267 488) | ( 189 075) | ( 143 125) |
| Other operating expenses | (31) | ( 24 375) | ( 18 191) | ( 15 005) | ( 14 241) |
| **Net profit (loss) from operating activities** | | **1 338** | **274 949** | **( 27 479)** | **47 740** |
| **Add (Less):** | | | | | |
| Finance income | (32) | 64 748 | 49 356 | 41 936 | 23 320 |
| Finance cost | (32) | ( 558 825) | ( 394 692) | ( 289 282) | ( 209 975) |
| Foreign currency exchange differences loss | (32) | ( 19 862) | ( 61 328) | ( 29 152) | ( 25 467) |
| **Net finance cost** | | **( 513 939)** | **( 406 664)** | **( 276 498)** | **( 212 122)** |
| **Net loss for the period before income tax** | | **( 512 601)** | **( 131 715)** | **( 303 977)** | **( 164 382)** |
| **(Less) Add :** | | | | | |
| Income tax | | ( 3 169) | ( 103 293) | ( 1 240) | ( 25 384) |
| Deferred tax | (26-2) | 78 201 | 92 505 | 13 587 | 27 097 |
| **Net loss for the period** | | **( 437 569)** | **( 142 503)** | **( 291 630)** | **( 162 669)** |
| **Attributable to:** | | | | | |
| owners of the company | | ( 337 060) | ( 175 749) | ( 200 755) | ( 157 100) |
| Non-controlling interest | | ( 100 509) | 33 246 | ( 90 875) | ( 5 569) |
| **Net loss for the period** | | **( 437 569)** | **( 142 503)** | **( 291 630)** | **( 162 669)** |
| **Losses per share for the period (LE/share)** | (37) | **(0.63)** | **(0.33)** | **(0.38)** | **(0.30)** |

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 Six Months Ended:**

| | Note No. | 30/6/2015 LE(000) | 30/6/2014 LE(000) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss for the period before income tax | | ( 512 601) | ( 131 715) |
| **Adjustments to reconcile net (loss) profit to net cash provided by (used in) operating activities** | | | |
| Depreciation | (4) | 370 202 | 350 191 |
| Amortization of accrued interest on treasury bills | | ( 2 485) | ( 1 934) |
| Amortization of bond issuance costs | | — | 2 200 |
| (Reversal of impairment loss on assets) \ impairment loss on assets | (13) | ( 600) | 73 |
| Capital gain | (28) | ( 4 428) | ( 12 575) |
| Interest & finance expenses | (32) | 558 826 | 392 492 |
| Present value difference of long term lending | | ( 1 485) | ( 879) |
| Differences resulting from the change in liability of the supplementary pension scheme | | 6 249 | 8 174 |
| Foreign currency exchange differences | | ( 10 231) | 47 672 |
| | | **403 447** | **653 699** |
| **Changes in working capital** | | | |
| Inventory | | 726 037 | ( 1 135 503) |
| Trade receivables, debtors and other debit balances | | 311 375 | 35 424 |
| Trade payables, creditors and other credit balances | | ( 697 133) | ( 436 186) |
| Liability of the supplementary pension scheme | | 1 852 | 1 989 |
| Used provisions | | ( 8) | ( 98) |
| **Net cash provided by (used in) operating activities** | | **745 570** | **( 880 675)** |
| Income tax paid | | ( 41 786) | ( 393 865) |
| Interest paid | | ( 453 650) | ( 400 675) |
| **Net cash flows provided by (used in) operating activities** | | **250 134** | **( 1 675 215)** |
| **Cash flows from investing activities** | | | |
| Payments for purchase of fixed assets and projects under construction | | ( 451 097) | ( 557 417) |
| Payments for purchase of intangible assets | | ( 30 241) | — |
| Payments for purchase of financial investment (treasury bills) | | ( 130 472) | ( 85 774) |
| Proceeds from reclaim of financial investment (treasury bills) | | 155 450 | 90 575 |
| Proceeds from sale of fixed assets | | 5 771 | 12 611 |
| payments for sales tax authotity - installment of capital goods | | ( 3 922) | ( 15 305) |
| Payments for lending others | | ( 13 262) | ( 10 525) |
| Proceeds from lending others | | 9 978 | 8 757 |
| **Net cash used in investing activities** | | **( 457 795)** | **( 557 078)** |
| **Cash flows from financing activities** | | | |
| Proceeds from credit facilities | | 468 760 | 1 746 851 |
| Payments for long term liabilities | | ( 10) | ( 16) |
| Proceeds from blocked time-deposits and current accounts | | ( 786 911) | 706 283 |
| Payments for loans | | ( 1 153 826) | ( 787 092) |
| Proceeds from loans | | 2 285 834 | 1 359 363 |
| Payments for bond loan | | — | ( 440 000) |
| Dividends paid | | ( 60 237) | ( 321 286) |
| **Net cash provided by financing activities** | | **753 610** | **2 264 103** |
| **Net change in cash and cash equivalents** | | 545 949 | 31 810 |
| **Cash and cash equivalents at beginning of the period** | (14) | 608 137 | 868 058 |
| Translation differences | | 411 | 1 825 |
| **Cash and cash equivalents at the end of the period** | (14) | **1 154 497** | **901 693** |

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 Six months ended Ended June 30, 2015

| | Capital LE (000) | Reserves LE (000) | Retained earnings LE (000) | Foreign entites translation reserve LE (000) | Treasury stocks LE (000) | Interim dividends for employees & board of directors in subsidiaries LE (000) | Net profit/(loss) LE(000) | Total holding company Shareholders Equity LE (000) | Non-controlling interest LE (000) | Total shareholders' equity LE (000) |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as of 1/1/2014 | 2 716 325 | 379 346 | 1 252 538 * | 404 226 | ( 71 921) | ( 51 844) | 129 616 * | 4 758 286 | 1 727 489 * | 6 485 775 |
| Setting off profit of year 2013 in retained earnings | — | — | 129 616 | — | — | — | ( 129 616) | — | — | — |
| Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2013 | — | — | ( 124 382) | — | — | 51 844 | | ( 72 538) | ( 63 017) | ( 135 555) |
| Dividends for the year 2013 | — | — | — | — | — | — | | — | ( 182 078) | ( 182 078) |
| Transferred to retained earnings - adjusted to non-controlling interest | — | — | ( 2 530) | — | — | — | | ( 2 530) | ( 2 106) | ( 4 636) |
| Translation differences of foreign entities | — | — | — | 38 743 | — | — | | 38 743 | 18 978 | 57 721 |
| Net (loss) / profit for the period | — | — | — | — | — | — | ( 175 749) | ( 175 749) | 33 246 | ( 142 503) |
| **Balance as of 30/6/2014** | **2 716 325** | **379 346** | **1 255 242** | **442 969** | **( 71 921)** | **—** | **( 175 749)** | **4 546 212** | **1 532 512** | **6 078 724** |
| | | | | | | | | | | |
| **Balance as of 1/1/2015** | **2 716 325** | **379 346** | **1 256 765** | **441 773** | **( 71 921)** | **( 32 556)** | **( 696 559)** | **3 993 173** | **1 241 444** | **5 234 617** |
| Setting off losses of year 2014 in retained earnings | — | — | ( 696 559) | — | — | — | 696 559 | — | — | — |
| Company's share & non-controlling interst in employees and BOD share in EZDK dividends of 2014 | — | — | ( 64 229) | — | — | 32 556 | | ( 31 673) | ( 28 564) | ( 60 237) |
| Translation differences of foreign entities | — | — | — | 71 676 | — | — | | 71 676 | 40 605 | 112 281 |
| Net loss for the period | — | — | — | — | — | — | ( 337 060) | ( 337 060) | ( 100 509) | ( 437 569) |
| **Balance as of 30/6/2015** | **2 716 325** | **379 346** | **495 977** | **513 449** | **( 71 921)** | **—** | **( 337 060)** | **3 696 116** | **1 152 976** | **4 849 092** |

* Some adjustments have been made to these balances as a part of the adjustments made to the comparaitive figures in the consolidated financial statements of the company as at 31/12/2014 on retained earnings, net profit and non-controlling interest with the amount of LE 28 892 k, LE 4 745 k and LE 4 693 k respectivly.

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

*Translation from Arabic*

**Ezz Steel Company**
**(An Egyptian Joint Stock Company)**

**Notes To The Consolidated Interim Financial Statements**
**For The Six Months Ended June 30, 2015**

## 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 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.
- 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 Lebnon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- Chairman is Mr. / Paul Philipe Chekaiban.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" which contributed in the company's capital by 65.36%.
- 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)** – previously named Al Ezz Steel Mills Company (ESM) – an Egyptian joint Stock Company - was established in 1986 under Law No. 43 of 1974, which was replaced by law No. 8 of 1997.

**Ezz Steel Algeria Company S.P.A** - was established in 2008 under the Algerian law. Investments in Ezz Steel Algeria company was reclassified under the item of debtors and other debit balances caption since December 31, 2013, as the company was struck off from the Commercial Registry in Algeria on September 3, 2013.

**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.

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.

**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:

| | 30/6/2015 Percentage Share % | 31/12/2014 Percentage Share % |
|---|---|---|
| Al Ezz Rolling Mills Company (ERM) | 98.91 | 98.91 |
| Al Ezz Steel Algeria | 98.00 | 98.00 |
| Al Ezz El Dekheila For Steel - Alexandria (EZDK) | 54.59 | 54.59 |
| Al Ezz Flat Steel (EFS) | 63.84 (Direct & Indirect) Through Al Ezz El Dekheila | 63.84 (Direct & Indirect) Through Al Ezz El Dekheila |

And the following is an analysis of investments in the subsidiary Companies of Al Ezz El Dekheila For Steel - Alexandria (EZDK) which are included in the consolidated interim financial statements:

| | 30/6/2015 Percentage Share % | 31/12/2014 Percentage Share % |
|---|---|---|
| Al Ezz Flat Steel (EFS) | 55 | 55 |
| Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) | 90 | 90 |
| Misr for Pipes & Casting Industry Company | 87 (Indirect) | 87 (Indirect) |

**Issuance of Consolidated interim Financial Statements**

- These consolidated interim financial statements were approved by the company's BOD on November 4, 2015.

## 2. Basis For The Preparation of The Consolidated interim Financial Statements

### 2.1 *Statement of compliance*

- These consolidated interim financial statement has been prepared in accordance with Egyptian Accounting Standard.
- On July 9, 2015 a new Egyptian Accounting Standards were issued by the decision of the Minister of Investment No. (110) of 2015 replacing the Accounting Standards issued during 2006, which will be effective on January 1, 2016 and applies to the entities which its financial year starting on or after this date. The company's management is currently studying the impact of adopting these new standards on its financial statements that will be issued for the financial periods in which these new standards will be applied.

### 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.

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

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

The estimates and underlying assumptions are reviewed on an 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 mad:

- Impairment loss on assets.
- Recognition of deferred tax assets.
- Contingencies and Provisions.

### 2.5 *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, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated interim financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.
- 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 income statement.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the mother company's control, its directly recorded in shareholders' equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The group's companies apply the following accounting policies on constant basis which conform to that applied in all presented periods.

### 3.1 *Foreign currency translation*

The group maintains its books of account in Egyptian pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions. At the interim financial statements date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the declared exchange rates by the banks which the company deal with at that date thereof. The exchange differences resulting from the value of transactions carried during the period and the value of retranslation at the consolidated balance sheet date are recorded in the consolidated statement of income.

**Financial statements of Al Ezz Flat Steel (EFS)**

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

### 3.2 *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.

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

| Asset | Estimated useful life<br>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.

### 3.3 *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 income statement as an expense when incurred.

### 3.4 *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.

### 3.5 Other assets

- Other assets are licenses 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.

### 3.6 Investments in associates

Investments in associates are accounted for using the equity method (equity accounted investees) 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 investee.

### 3.7 Available-for-sale investments

Available-for-sale investments are initially measured at fair value and as of the reporting 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 balance sheet 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.

### 3.8 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.

### 3.9 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 balance sheet date. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss "If any" is charged to the consolidated interim statement of income for the period.

### 3.10 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.

### 3.11 *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.

### 3.12 *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 interim statement of cash flows is prepared and presented according to indirect method.

### 3.13 *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.

### 3.14 *Impairment*

#### 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 profit or loss.

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 each reporting 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.

### *3.15 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 income statement.

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.

### *3.16 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 reporting date to disclose the best estimate on the current period.

### *3.17 Share capital*

**Repurchase of share capital**
When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction in the owner's equity.

### *3.18 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 profit or loss on the date the Company's right to receive payments is established.

#### *c) Interest income*

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

### *3.19 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.

### *3.20 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 balance sheet date.

Deferred tax is provided using the balance sheet 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 balance sheet 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.

### *3.21 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.

#### *3.21.1* **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.

*3.21.2* **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.

*3.21.3* **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.

*3.21.4* **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.

## 4. FIXED ASSETS (NET)

| | 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, 2015** | 663 980 | 4 123 806 | 16 022 883 | 165 548 | 118 067 | 68 251 | 3 902 | 21 166 437 |
| Additions during the period | — | 3 980 | 25 431 | 22 935 | 13 541 | 3 970 | — | 69 857 |
| Disposals during the period | — | ( 288) | — | ( 2 732) | ( 2 877) | ( 1 203) | — | ( 7 100) |
| Translation differences of foreign entities | 5 971 | 158 828 | 359 245 | 135 | 930 | 2 473 | — | 527 582 |
| **Cost as of June 30, 2015** | **669 951** | **4 286 326** | **16 407 559** | **185 886** | **129 661** | **73 491** | **3 902** | **21 756 776** |
| **Accumulated depreciation as of January 1, 2015** | — | 1 356 163 | 8 517 378 | 95 165 | 76 789 | 44 410 | 3 902 | 10 093 807 |
| Depreciation for the period | — | 50 557 | 297 664 | 13 317 | 5 519 | 3 145 | — | 370 202 |
| Accumulated depreciation of disposals | — | ( 288) | — | ( 2 732) | ( 2 877) | ( 1 203) | — | ( 7 100) |
| Translation differences of foreign entities | — | 26 188 | 107 656 | 128 | 843 | 1 346 | — | 136 161 |
| **Accumulated depreciation as of June 30, 2015** | — | **1 432 620** | **8 922 698** | **105 878** | **80 274** | **47 698** | **3 902** | **10 593 070** |
| **Carrying amount as of June 30, 2015** | **669 951** | **2 853 706** | **7 484 861** | **80 008** | **49 387** | **25 793** | — | **11 163 706** |
| **Carrying amount as of December 31, 2014** | **663 980** | **2 767 643** | **7 505 505** | **70 383** | **41 278** | **23 841** | — | **11 072 630** |
| **Fixed assets fully depreciated and still in use as of June 30, 2015** | — | **133 764** | **331 150** | **60 874** | **40 466** | **31 294** | **3 902** | **601 450** |

— The land item includes a piece of land with a total area of 928 thousanfs m2 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 US$ 956 K) for the purpose of establishing an industrial project, however, 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 in the name of the company are being under process.

— Al Ezz El Dekheila For Steel - Alexandria company is still in order to complete 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 for the financial period ended:

| | Note no. | For the six months ended: 30/6/2015 LE(000) | 30/6/2014 LE(000) |
|---|---|---|---|
| Operating expenses | (27) | 359 555 | 342 932 |
| Selling and marketing expenses | (29) | 2 711 | 1 409 |
| General & administrative expenses | (30) | 7 936 | 5 851 |
| | | **370 202** | **350 192** |

## 5. PROJECTS UNDER CONSTRUCTION

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Constructions expansion | | 62 205 | 31 644 |
| Machinery under installation | | 3 019 518 | 2 842 986 |
| Capitalized borrowing cost | | 827 216 | 665 236 |
| Temporary License for Al Ezz Rolling Mills Company | (21-2) | 283 633 | 275 569 |
| Design and construction of administrative building | | 3 930 | 3 930 |
| Advance Payments for purchase of land | | - | 471 |
| Advance payments for purchase of machinery | | 278 694 | 228 377 |
| Advance payments for building | | 345 | 345 |
| Letter of credit for purchase of assets | | 19 706 | 19 705 |
| | | **4 495 247** | **4 068 263** |

## 6. INVESTMENTS

| | Participation Percentage % | Investments cost 30/6/2015 LE (000) | Investments cost 31/12/2014 LE (000) |
|---|---|---|---|
| ***6-1 Investments in associates*** | | | |
| Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation) | 40 | 90 | 90 |
| Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC) | 50 | 25 | 25 |
| Contribution in EZDK Steel UK LTD – note no. (39-1) | 50 | - | - |
| | | **115** | **115** |

| ***6.2 Financial investments Available-for-sale*** | Note No. | Investments cost 30/6/2015 LE (000) | Investments cost 31/12/2014 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 | (13) | 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" by 6 100 000 shares that constitutes a participation percentage of 3.813% and the legal procedures required to transfer the ownership of the said shares in the subsidiary company are currently in process.

## 7. LONG TERM LENDING TO OTHERS

**Long term lending is represented in the following:**

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free) | | 11 429 | 9 790 |
| Employees' housing loan - paid over monthly installments for 10 years (interest free) | (7-1) | 18 306 | 17 665 |
| Employees' Umrah loan - paid over monthly installments for 2 years (interest free) | (7-2) | 1 203 | 1 245 |
| Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free) | (7-3) | 2 355 | 2 085 |
| Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a period up to 7 years (interest free) | (7-4) | 1 081 | 1 277 |
| | | **34 374** | **32 062** |

### *7-1* Present value of the employees' housing loan installments:

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Total employees' housing loan | | 35 408 | 33 631 |
| **Less:** | | | |
| Short term lending (under the item of debtors & other debit balances) | (12) | 4 871 | 4 301 |
| **Nominal value of the long term- employees' housing loan** | | **30 537** | **29 330** |
| **Less:** | | | |
| Differences resulting from the change in the fair value of the employees' housing loan | | 12 231 | 11 665 |
| **The present value of the employees' housing long term loan installments** | | **18 306** | **17 665** |

The employees' housing loan of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the young employees in the company to have their own residential unit with an amount of LE 37 million, according to Board of Directors' decree during the years 2012/2013. The Board of Directors agreed in its meeting held on March 13, 2013 to increase the (interest free) loan for the employees housing with an amount of LE 7 million thus, the amount of the loan became LE 37 million. This loan was granted according to specific regulations to achieve the goal and guarantee the company's right to recover the loan during 10 years as it is deemed as revolving loan that grants the beneficiary from this project 30% of the value of the apartment which is equivalent to LE 30 k to be paid on installments over 10 years without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department.

The number of beneficiaries from this loan till June 30, 2015 is 1 572 beneficiary with a total value of LE 35.4 million and the collectible due installments during the year amounted to LE 4.9 million which is recorded under the item of debtors & other debit balance – short term lending, the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated interim financial statements date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

*7-2* The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 k per employee or LE 18 k per employee with one or more members of his family, in addition to the financial support provided by the company with an amount of LE 1 000 per employee, LE 1500 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 provided that the said loan shall be paid over 24 months. Thus, the installments due for collection in one year amounted to LE 2.9 Million were recorded under the item of debtors & other debit balances- short term lending (note no.12).

*7-3* The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees once in their career with an amount of LE 30 k which the company provide financial support to the employee with an amount of LE 4 k and premium the remaining amount for 6 years according to the Human Resources Manager's decision on March 28, 2013. Thus, the installments due for collection in one year amounted to LE 585 k were recorded under the item of debtors & other debit balances- short term lending (note no.12).

*7-4* **Present value of the installments of the employees' housing loan granted to those who were negatively affected by gate no. (8) Project:**

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Total employees' housing loan | | 1 983 | 2 255 |
| **Less:** | | | |
| Short term lending ( under the item of debtors & other debit balances) | (12) | 507 | 513 |
| **Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project** | | **1 476** | **1 742** |
| **Less:** | | | |
| Differences resulting from the change in the fair value of the employees' housing loan for those who were negatively affected by gate No.(8) project | | 395 | 465 |
| **The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments** | | **1 081** | **1 277** |

The employees' housing loan for those who were negatively affected by gate no. (8) project of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the employees and the negatively affected by gate No.(8) project from apartments No.(6) till No.(15) related to Al Ezz El Dekheila for Steel – Alexandria company, according to Head of Human Resources Department decree on September 18, 2013.

This loan was granted by an amount of LE 3 k per year within a maximum limit LE 20 k according to the remaining years for the beneficiary until the retirement age to be paid on installments without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan till June 30, 2015 is 171 beneficiary with a total value of LE 2.4 million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 507 k which is recorded under the item of debtors & other debit balance – short term lending (note no.12), the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated interim financial statements date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

## 8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 201 432 k as of June 30, 2015 represent in the balance of sales tax installments related to import capital goods (against to LE 197 511 k as of December 31, 2014) related to Ezz Rolling Mills Company- a subsidiary.

## 9. OTHER ASSETS

The amount represents in the paid up during the period by both of Al Ezz Flat Steel Company (EFS) – subsidiary – Al Ezz Rolling Mills Company – subsidiary – to Industrial Development Authority amounted
LE 24 785 and LE 5 530 Respectively for approval to expansion of the steel rebar production, the needed procedures to obtain license is undertaken.

## 10. INVENTORY

| | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|
| Raw materials and supplies | 1 161 883 | 1 345 103 |
| Work in process | 182 313 | 283 685 |
| Finished products | 602 170 | 1 048 425 |
| Spare parts and supplies | 1 375 387 | 1 323 973 |
| Goods in transit | 50 909 | 74 262 |
| Goods on consignment | 21 379 | 17 650 |
| Letter of credit | 15 750 | - |
| | **3 409 791** | **4 093 098** |

The inventory have been Written down from finished products and spare parts and supplies by an amount of LE 4 667 k arising from slow moving items (against LE 5 637 k as of 31/12/2014).

## 11. TRADE AND NOTES RECEIVABLE

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Trade receivables | | 58 835 | 105 081 |
| Trade receivables – Related party | (22-1) | 1 892 | - |
| Notes receivable | | 17 120 | 9 404 |
| | | **77 847** | **114 485** |
| **Less:** | | | |
| Impairment loss on trade receivables | (13) | 29 657 | 29 657 |
| | | **48 190** | **84 828** |

## 12. DEBTORS AND OTHER DEBIT BALANCES

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Deposits with others | | 581 969 | 579 387 |
| Tax Authority * | | 796 116 | 796 405 |
| Tax Authority – usufruct ** | | 127 477 | 127 477 |
| Customs Authority | | 16 175 | 18 407 |
| Accrued revenues | | 5 873 | 326 |
| Prepaid expenses | | 44 143 | 35 444 |
| Alexandria Port Authority | | 84 031 | 42 489 |
| Short - term lending – employees' housing loan | (7-2) | 4 871 | 4 301 |
| Short - term lending – employees' loans | | 15 829 | 12 704 |
| Short - term lending – employees' Umrah loans | (7-3) | 2 857 | 3 288 |
| Short - term lending – employees' Hajj and Jerusalem visit loans | (7-4) | 585 | 479 |
| Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project | (7-5) | 507 | 513 |
| Letters of guarantee cash margin | | 135 | 135 |
| Due from related parties | (22-2) | 182 975 | 185 202 |
| Advance payment under the account of employees' Dividends | | 34 842 | 35 874 |
| The Cairo Economic court*** | | 35 060 | 35 060 |
| Other debit balances | | 32 923 | 11 880 |
| | | **1 966 368** | **1 889 371** |
| **Add:** | | | |
| Notes receivable | | 3500 | 3500 |
| | | **1 969 868** | **1 892 871** |
| **Less:** | | | |
| Impairment loss on debtors and other debit balances | (13) | 55 754 | 56 354 |
| | | **1 914 114** | **1 836 517** |

* The Tax Authority balances include an amount of LE 254 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.(35-3-1) in addition to an amount of LE 231 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.

** 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. (39-2).

*** The Cairo Economic court balance represents the due to company in the previously amounts paid 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 officers of the group companies that the Court of Cassation issued on November 25, 2014 judged to amending value of the penalties from LE 200.5 million to LE 20.5 million and the legal procedures are currently made to refund this amount from the court.

## 13. IMPAIRMENT LOSS ON ASSETS

| | Note No. | Balance as of 1/1/2015 LE (000) | Reversal during the period LE (000) | Balance as of 30/6/2015 LE (000) |
|---|---|---|---|---|
| Impairment loss on trade receivables | (11) | 29 657 | - | 29 657 |
| Impairment loss on debtors and other debit balances | (12) | 56 354 | (600) | 55 754 |
| Impairment loss on advances to suppliers | | 5 611 | | 5 611 |
| Impairment loss on investments available for sale | (6-2) | 17 726 | - | 17 726 |
| | | **109 348** | **(600)** | **108 748** |

## 14. CASH AND CASH EQUIVALENTS

| | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|
| Banks – Deposits | 265 484 | 517 |
| Banks – current accounts | 2 476 521 | 900 848 |
| Cheques under collection | 19 625 | 6 567 |
| Cash on hand | 43 539 | 7 337 |
| Investment funds* | 1 010 | 970 |
| | **2 806 179** | **916 239** |
| Less: | | |
| Banks – overdraft | 17 575 | 68 463 |
| Restricted time deposits and current accounts within the credit conditions granted by the bank for group companies | 1 634 107 | 239 639 |
| **Cash and cash equivalents in the statement of cash flows** | **1 154 497** | **608 137** |

* Investments funds are Represented in a number of 4 853 investment deeds with accumulated daily interest.

## 15. BANKS - OVERDRAFT

This item represented within the current liabilities caption amounting to LE 17 575 K as of June 30, 2015 in banks – overdraft (against LE 68 463 K banks – overdraft as of December 31, 2014) in Egyptian pound and US Dollars.

## 16- LOANS & CREDIT FACILITIES

| Borrowing company | Borrowing purpose | Interest rate | Payment terms | Period | Short term portion LE(000) | Long term portion LE(000) | Total LE(000) | Warranties and conditions |
|---|---|---|---|---|---|---|---|---|
| **16-1 Ezz Steel** | | | | | | | | |
| Loans - local currency | Restructuring of the credit facilities granted to the company. | 3.5% over corridor. | 26 installments quarterly | 1-7 years | 40 000 | 1 638 009 | 1 678 009 | 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 12 % for the Egyptian Pound, and 5% for the US Dollar | | | 2 138 326 | — | 2 138 326 | Without guarantees within a limit of LE 2 billion. |
| **16-2 Al Ezz El Dekheila for Steel - Alexandria** | | | | | | | | |
| Loans - local currency | To finance Steel Rebars activities | Variable interest: corridor deposit 2.5% corridor lending 0.5% - 1.75% | Semiannual installments fully paid in one installment on its due date | 2-6 years | 359 286 | 1 084 544 | 1 443 830 | |
| Loans - foreign currency | | Variable interest: over monthly Libor 4%-3% | installments fully paid in one installment on its due date | 2-8 years | 381 505 | 1 629 485 | 2 010 990 | |
| 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<br>- libor rate on withdrown amounts of US Dollar | | | 4 151 376 | — | 4 151 376 | |
| **16-3 Al Ezz Flat Steel** | | | | | | | | |
| Loans - local currency | To finance flat steel project in El Ein El-Sokhna -Suez | Variable | installments | August18, 2004 until February 18, 2013 | 68 303 | — | 68 303 | Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts and technical support and insurance in favor of banks. |
| Loans - foreign currency | | | | | 737 646 | — | 737 646 | |
| Banks - credit facilities | | Based on an 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. | | | 1 124 101 | — | 1 124 101 | Possession mortgage on inventories amounted to LE 761 million which is equivalent to US Dollars 106 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor. |
| **16-4 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) in addition to the margin. | Unequal quarterly installments | 1-10 years | 153 447 | 2 283 627 | 2 437 074 | Within a limit of LE 2.82 billion granted by group of real estate mortgages and commercial mortgage |
| Banks - credit facilities | | .5% over corridor on the uncovered portion from the limit | | | 50 574 | — | 50 574 | Without guarantees within a limit of LE 50 million. |
| **Balance as of June 30, 2015** | | | | | **9 204 564** | **6 635 665** | **15 840 229** | |
| **Balance as of December 31, 2014** | | | | | **7 533 817** | **5 894 183** | **13 428 000** | |

**16.1 Ezz Steel Company ( Holding company)**

*16-1-1* On 9/6/2014 the company obtained a medium term loan from Arab African International Bank amounted to LE 437 million for the payment of the last two installments of the bond loan which is due during 2014

- On 9/2/2015 the loan that amounted LE 437 Million has been fully paid as a part of the deal of restructuring loans an bank facilities granted to the company (Note no. 16-1-2).

*16-1-2* On January 18, 2015 the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to restructure the banks credit facilities granted to the company 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 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.

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 during the period, and the balance after deducting the amortization of the period deducted from loan.

The company withdrawn during the period LE 1.90 billion from the loan's balance up to the date of preparing the consolidated interim financial statements.

**16.2 Al Ezz El Dekheila for Steel – Alexandria (Subsidiary)**

*16-2-1* The balance of the local loans in Egyptian pounds includes the amount of LE 539 million, which is the remaining balance of a joint short-term financing contract with a group of banks were signed in February 2009, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) and after the deduction of 10 installments represent the paid amount until December 31, 2014. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for 6 months and the loan will be fully paid on August 2016,

- An amount of LE 359 million is recorded as long term liabilities installments due within one year.

*16-2-2* On August 1, 2014, the Company reached an agreement with the Arab African International Bank (AAIB) to extend the period of some short-term credit facilities granted to the Company to become a medium-term revolving facility for 3 years to be ended on October 31, 2017 in order to finance the current activity of the Company with a total amount of USD 158 million or its equivalent in local currency with an interest rate of 1.5% over the overnight lending corridor rate declared by the Central Bank of Egypt with regard to the withdrawn amounts in Egyptian Pound and 3% over the monthly Libor rate on the withdrawn amounts in US Dollar while taking into consideration that in case of any partial or entire payment of the syndicated loan, the Company can increase the revolving credit facility limit with the same amount paid.

- The medium-term revolving facility included a portion in the local currency whose balance amounted to LE 37.6 million, as at June 30, 2015, and another portion in the foreign currency whose balance amounted to LE 1 024 million that represented the equivalent of USD 126 million and EUR 7.2 million, as at June 30, 2015.

***16-2-3*** In April 2008, the company acquired a medium term loan from Qatar National Bank - Al Ahli – (previously named as National Societe Generale Bank) amounted to LE 150 million or its equivalent in foreign currencies the loan is to be fully paid in one installment on its due date June 30, 2013.

- On July 1, 2012, the company concluded an addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 1.5% above corridor- lending announced by the Central Bank and 3% above libor for one month in respect of the amounts withdrawn in foreign currency.
- On March 31, 2013, the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 2% above corridor- lending announced by the Central Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency.
- In addition, the date and method of the installment payment were amended, thus, instead of paying it as a lump sum payment at the end of the loan term, it shall be paid in 3 annual payments and every annual payment shall be divided into three equal monthly installments that shall fall due in September, October and November starting from September 2013 until November 2015.
- On January 27, 2014 Qatar National Bank has agreed to change the facility currency for the revolving medium loan to become USD or equivalent by Egyptian pound.
- As of June 30, 2014 Qatar National Bank has agreed upon extending the short term credit facilities granted to the company in addition to the remaining amount of the revolving medium term loan to become a revolving medium term facility amounting to USD 90 million or the equivalent in local currency for 3 years payable as of June 30, 2017 to finance the ongoing activities of the company with an interest rate of 1.5% above over night corridor declared by the Central Bank for the Egyptian pound withdrawals and 3% above Libor for 1 month for US Dollars withdrawals.
- On March 16, 2015 according to facility's agreement, the interest rate on withdrawn by foreign currency were amended to be 3.75% over monthly Libor instead of 3% over monthly Libor.
- The revolving medium term loan includes a portion in local currency amounting to LE 297 million as of June 30, 2015 and the portion in foreign currency amounting to EGP 365 million the equivalent of USD 48 million, which represents as of June 30, 2015.

***16-2-4*** In December 2010, the company acquired a revolving medium term loan from Qatar National Bank - Al Ahly – (previously named as National Societe Generale Bank) amounted USD 51.95 million in a manner that did not exceed an amount of LE 300 million or its equivalent in Egyptian pound, for the purpose of financing the company's working capital and partially refinancing the company's investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts. The loan is to be fully paid in one installment on its due date June 30, 2016 with interest rate of 2% above Corridor – lending announced by the Central Bank with respect to the amounts withdrawn in Egyptian pounds and 3% above monthly libor with respect to the amounts withdrawn in US Dollar.

- On July 1, 2012 the company concluded an addendum of the medium term finance contract to amend the interest rate of the US Dollar from 3% to 3.65% above libor for one month in respect of the amounts withdrawn in US Dollar and 1.5% above corridor – lending announced by the Central Bank.
- On March 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 2% above corridor- lending announced by the Central Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency.
- On January 27, 2014 agreed to change the facility currency and withdrawal limit to become USD 50 million or equivalent by Egyptian pound.

- On September 1, 2014 the company signed the extension of medium finance contract to amend the debit interest rate for Egyptian pound to become 1.5% yearly over the corridor rate published from the Central Bank of Egypt and 3% yearly over Libor rate for one month for the used balance of foreign currency.
- On March 16, 2015 according to facility's agreement, the interest rate on withdrawn by foreign currency were amended to be 3.75% over monthly Libor instead of 3% over monthly Libor.
- The balance as of June 30, 2015 is LE 382 million equivalent to USD 50 million.

*16-2-5* In December 2010, the company acquired a revolving medium term loan from National Bank Of Egypt amounted USD 58.9 million within a limit of USD 100 million or its equivalent in Egyptian Pound, for the purpose of financing the general investment requirements and to balance the company's financial structure .The loan is to be fully paid in one installment on its due date October, 2015 with interest rate 3% above monthly libor with respect to the amounts withdrawn in US Dollar.

- On July 30, 2012 the company concluded an addendum of the medium term finance contract thus the balance of medium term loan amounted to LE 600 million provided that the outstanding balance amounted to USD 58.9 million shall be paid within 3 months starting from the commencement of utilizing the available limit of finance in Egyptian pound in addition to amending the interest rate of the Egyptian Pounds from 1.25% to 2.25% above corridor- lending and deposit for one night announced by the Central Bank with respect to the amounts withdrawn in Egyptian Pounds.
- On January 2, 2014 Al Ezz El Dekheila for Steel - Alexandria company signed a joint guarantee contract with the National Bank of Egypt to the benefit of Al Ezz Flat Steel Company with an amount LE 200 million in addition to its interest, commissions and expenses. Accordingly, the bank reduced the medium term loan limit to be LE 200 million.
- On April 28, 2014 the company negotiated with National Bank of Egypt with the same terms to recover the credit limit to the amount of LE 600 million with amending the debit interest rate for Egyptian Pound to become 1.75% over corridor rate for lending for one night published from the Central Bank of Egypt.
- On December 31, 2014 the company agreed another addendum to extend the revolving medium term loan for another three years till 17, October, 2018.
- The balance as of June 30, 2015 is LE 420 million.

*16-2-6* On June 30, 2014 the company has made an agreement with the Export Development Bank of Egypt to extend the short term credit facilities granted to the company to become a revolving medium term credit facility (for 3 years) with an amount of EGP 350 million or the equivalent in foreign currency to finance the ongoing activities of the company at an interest rate of 2.5% above corridor mid-rate of the Central Bank over one night with respect to withdrawals in Egyptian pound and 3% above LIBOR for a month with respect of withdrawals in US Dollars.

- On October 15, 2015 an agreement was signed increasing the limit of medium-term revolving facility extension to become a 390 million Egyptian pounds or its equivalent in foreign currency.
- The revolving medium term loan includes a portion in local currency amounting to EGP 150 million as of June 30, 2015 and a portion in foreign currency amounting to LE 241 million the equivalent to USD 31 million and Euro 362 K, which represents as of June 30, 2015.

### *16.3* 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 106 million equivalent to LE 806 million representing the installments due since the payment cessation date until June 30, 2015.

### *16.4* Ezz Rolling Mills (Subsidiary)

The loan balance represents as follows:-

| | 30/6/2015<br>LE (000) | 31/12/2014<br>LE (000) |
|---|---|---|
| Total loan balance | 2 397 691 | 2 245 322 |
| **Less:** | | |
| Current portion | 153 447 | 111 143 |
| **Non-Current portion** | **2 244 244** | **2 134 179** |
| **Add (Less):** | | |
| Accrued interest | 47 907 | 45 129 |
| Unamortized borrowing cost | (8 524) | (12 266) |
| **Net long term loan** | **2 283 627** | **2 167 042** |

## 17. TRADE AND NOTES PAYABLE

| | 30/6/2015<br>LE (000) | 31/12/2014<br>LE (000) |
|---|---|---|
| Trade payables | 1 576 752 | 1 839 758 |
| Notes payable | 32 013 | 21 790 |
| | **1 608 765** | **1 861 548** |

## 18. CREDITORS AND OTHER CREDIT BALANCES

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Fixed assets – creditors | | 4 607 | 16 481 |
| Accrued interest | | 112 173 | 89 882 |
| Accrued expenses | | 185 335 | 140 737 |
| Tax Authority | | 94 074 | 70 967 |
| Performance guarantee retention | | 16 944 | 16 262 |
| Sales tax installments | | 23 | 23 |
| Tax Authority – sales tax | | 49 073 | 72 005 |
| Dividends payable | | 1 561 | 1 561 |
| Due to related parties | (22-3) | 25 | 4 |
| Alexandria Port Authority | | 4 616 | 5 135 |
| Alexandria Port Authority - sales tax | (21-1) | 3 973 | 3 973 |
| Other credit balances | | 94 637 | 88 867 |
| | | **567 041** | **505 897** |

## 19. 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 balance of the subscriptions share paid till June 30, 2015 amounted to LE 12.8 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 2.2 million till June 30, 2015 while the value of the supplementary pension scheme cost reached during the period ended as at June 30,2015 the amount of LE 6.2 million which was charged to the consolidated income statement according to the report prepared by the actuary that was issued on February 25, 2015.

| | Note No | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Present value of the non-financed scheme liabilities | | 106 613 | 99 028 |
| **Less:** | | | |
| Unrecognized cost of Previous service benefit scheme* | | 58 214 | 58 731 |
| | | **48 399** | **40 297** |
| **Total liability Of The Supplementary Pension Scheme and distributed as follow:** | | | |
| Recorded in current liabilities | | 3 145 | 3 045 |
| Recorded in long term liabilities | (21) | 45 254 | 37 252 |
| | | **48 399** | **40 297** |

* This item is represented in the previous service benefits cost till June 30, 2015 that is not due and amortized based on straight-line method over the average period during which the said benefits become due, that reached 17.6 years according to the calculation made by the actuary and for which an actuarial certificate was issued on February 25, 2015.

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

| | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|
| Balance at the beginning of January | 90 333 | 77 422 |
| Present service cost | 1 725 | 5 133 |
| Return cost | 3 985 | 7 654 |
| Employees paid subscriptions | 12 805 | 10 237 |
| | **108 848** | **100 446** |
| **Less:** | | |
| Paid pensions during the period | 2 235 | 1 418 |
| | **106 613** | **99 028** |

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

| | 30/6/2015 LE (000) |
|---|---|
| Current service cost | 1 725 |
| Return cost | 3 985 |
| Previous service cost installment recognized during the period | 539 |
| | **6 249** |

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 assets of the benefits** | 30/6/2015 | 31/12/2014 |
|---|---|---|
| A- Average discount rate | 10 % | 10 % |
| B- Average inflation rate | 6.45 % | 6.45 % |

| **Average assumptions to determine the liabilities of the benefits** | 30/6/2015 | 31/12/2014 |
|---|---|---|
| A- Average discount rate | 14.5 % | 14.5 % |
| B- Average inflation rate | 10 % | 6.45 % |

**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 14.25 % | Discount rate 14.5 % | Discount rate 14.75 % |
|---|---|---|---|
| Liability current cost | 59 881 | 58 553 | 57 271 |
| Service cost | 3 088 | 3 008 | 2 932 |

**The expected liabilities of the supplementary pension scheme**

| | 30/6/2015 LE (000) |
|---|---|
| Expected compensations during the period | 1 889 |
| | **1 889** |

## 20. PROVISIONS

| | Balance as at 1/1/2015 LE (000) | Used provision During period LE (000) | Balance as at 30/6/2015 LE (000) |
|---|---|---|---|
| Tax provision and claims | 202 661 | (8) | 202 653 |
| Lawsuits and claims provision | 1 955 | - | 1 955 |
| | **204 616** | **(8)** | **204 608** |

## 21. OTHER LIABILITIES – LONG TERM

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Fixed assets- creditors | | 280 780 | 244 136 |
| Alexandria Port Authority | (21-1) | 39 382 | 37 059 |
| Sales tax installments –Import capital goods | | 104 090 | 104 090 |
| New temporary license installments | (21-2) , (38-1) | 65 833 | 113 869 |
| Liability of the supplementary pension scheme | (19) | 45 254 | 37 252 |
| lending from others | (21-3) | 282 725 | 266 048 |
| | | **818 064** | **802 454** |

*21.1* The balance recorded in the other liabilities- long term amounted to LE 39 382 k represents the value of delay interest claimed by the Alexandria Port Authority. Al Ezz El Dekheila for Steel – Alexandria – subsidiary - paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority inspit of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

- The balance recorded in the short-term liabilities due within one year amounted to LE 3 973 k (note no. 18) represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between the Port and Tax Authorities about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court.

  And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 19, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit No. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment.

- However, the lawsuit was postponed for the session held on September 17, 2012, and a ruling was issued to the effect of rejecting the company's Lawsuit.

  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. 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.

Consequently, the company filed an appeal against the ruling under No. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action No.54 for the judicial year No.36 Supreme Constitutional court is constitutionally settled, and the lawsuit has been completed, the report and the said report has not been submitted yet. (Note No. 39-2).

- 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 due to the fact that they are not subjected to sales tax.
- Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax. However, the company's management paid an amount of LE 127.5 million 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 (Note No. 39-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

### *21.2* New Temporary License for Al Ezz Rolling Mills – Subsidiary Company:

| | Note No. | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|---|
| Total value of license | (38-1) | 330 000 | 330 000 |
| **Less:** | | | |
| Paid amount from the license | (38-1) | 49 500 | 49 500 |
| | | **280 500** | **280 500** |
| **Less:** | | | |
| Differences resulting from the change in the fair value of the license | | 46 367 | 54 431 |
| Installments due within one year | | 168 300 | 112 200 |
| **Present value for the license installments** | | **65 833** | **113 869** |

*21.3* Al Ezz Flat Steel Company borrowed USD 37 054 K equivalent to LE 282 725 K 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.

## 22. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales transactions of products in favor of those companies which amounted to LE 50 386 K in addition to rent amounted to LE 689 K, The following is the most important of these transactions and related balances:

| Company's Name | Nature of Transaction | Transaction Volume LE (000) | Balance as of 30/6/2015 Debit/(credit) LE (000) | Balance as of 31/12/2014 Debit/(credit) LE (000) |
|---|---|---|---|---|
| ***22-1 Items included in trade and notes receivable*** | | | | |
| - Al Ezz for Trading and Distributing Building Materials (Affiliated company) | - Sales | 50 386 | 1 892 | - |
| | | | **1 892** | **-** |
| ***22-2 Items included in debtors and other debit balances*** | | | | |
| - Al Ezz Group Holding Company For Industry & Investment (Holding company) | | - | 154 134 | 154 111 |
| - Gulf of Suez Development Company (Affiliated company) | | - | 14 | 165 |
| - Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company) | - Rent | | 28 827 | 30 926 |
| | | | **182 975** | **185 202** |
| ***22-3 Items included in creditors and other credit balances*** | | | | |
| - Al Ezz for Trading and Distributing Building Materials (Affiliated company) | | - | (25) | (4) |
| | | | **(25)** | **(4)** |

## 23. CAPITAL

### *23.1* Authorized capital

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

### *23.2* The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 k (two million, seven hundred and sixteen thousand, 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.

## 24. RESERVES

| | 30/6/2015 LE (000) | 31/12/2014 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 subsidiaries' capital*** | (3 599 573) | (3 599 573) |
| | **379 346** | **379 346** |

* **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. 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:** the General Assembly may form other reserves based on the Board of Directors' recommendation.

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

| | LE (000) |
|---|---|
| Represent 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 internally generated as a result from transactions under common control from companies within the same group. | 3 280 493 |
| Represent the difference between the cost of acquiring 55% of Al Ezz Flat Steel (EFS) capital –subsidiary – on July 2009 through Al Ezz El Dekheila for Steel – Alexandria and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group. | 191 918 |
| | **3 472 411** |
| Represent 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 |
| | **3 599 573** |

## 25. TREASURY STOCKS

- Treasury stocks as of June 30, 2015 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

## 26. DEFERRED TAX

### *26.1* Recognized deferred tax assets and liabilities

| | 30/6/2015 | | 31/12/2014 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| **Items** | **LE (000)** | **LE (000)** | **LE (000)** | **LE (000)** |
| Fixed assets | - | (1 708 477) | - | (1 669 735) |
| Provisions | 31 153 | - | 31 153 | - |
| Impairment loss on debtors | 14 161 | - | 14 161 | - |
| Impairment loss on investments | 5 318 | - | 5 318 | - |
| Write-down of inventory | 1 280 | - | 1 280 | - |
| Tax losses carried forward | 985 695 | - | 879 948 | - |
| Undistributed profit in subsidiaries | - | (25 391) | - | (34 706) |
| | **1 037 607** | **(1 733 868)** | **931 860** | **(1 704 441)** |
| **Net deferred tax (liability)** | **-** | **(696 261)** | **-** | **(772 581)** |

### *26.2* Recognized deferred tax charged to statement of income.

| | **30/6/2015** | **30/6/2014** |
|---|---|---|
| | **LE (000)** | **LE (000)** |
| Net deferred tax | (696 261) | (747 807) |
| **Less:** | | |
| Translation difference | (1 881) | (1 163) |
| Previously charged deferred tax | (772 581) | (839 149) |
| **Deferred tax charged to statement of income** | **78 201** | **92 505** |

### *26.3* Unrecognized deferred tax assets

| | **30/6/2015** | **31/12/2014** |
|---|---|---|
| | **LE (000)** | **LE (000)** |
| Receivables , debtors and other debit balances | 10 669 | 10 799 |
| Provisions | 28 603 | 28 305 |
| Tax losses | 35 185 | - |
| | **74 457** | **39 104** |

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.

## 27. COST OF SALES

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | **30/6/2015** | **30/6/2014** | **30/6/2015** | **30/6/2014** |
| | **LE (000)** | **LE (000)** | **LE (000)** | **LE (000)** |
| Raw Materials | 6 460 824 | 8 168 090 | 3 003 420 | 3 869 476 |
| Salaries & Wages | 509 914 | 437 969 | 278 319 | 237 387 |
| Fixed assets depreciation | 359 555 | 342 932 | 180 110 | 172 698 |
| Supplementary pension scheme cost | 4 125 | 5 333 | 2 062 | 2 930 |
| Manufacturing overhead expenses | 939 392 | 1 157 567 | 473 607 | 603 498 |
| **Manufacturing cost** | **8 273 810** | **10 111 891** | **3 937 518** | **4 885 989** |
| Change in inventory – finished product and work in process | 547 628 | (446 297) | 312 724 | (135 012) |
| | **8 821 438** | **9 665 594** | **4 250 242** | **4 750 977** |

## 28. OTHER OPERATING REVENUES

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | LE (000) | LE (000) | LE (000) | LE (000) |
| Capital gain | 4 428 | 12 575 | 4 405 | 10 809 |
| Reversal of impairment loss on trade receivable | 600 | - | - | - |
| Other revenues | 12 431 | 17 617 | 6 614 | 5 670 |
| | **17 459** | **30 192** | **11 019** | **16 479** |

## 29. SELLING & MARKETING EXPENSES

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | LE (000) | LE (000) | LE (000) | LE (000) |
| Salaries & Wages | 32 263 | 27 857 | 16 884 | 14 919 |
| Advertising | 22 908 | 1 634 | 13 395 | 1 069 |
| Fixed assets depreciation | 2 711 | 1 409 | 1 354 | 707 |
| Supplementary pension scheme cost | 345 | 515 | 127 | 253 |
| Other expenses | 24 164 | 36 276 | 12 730 | 20 112 |
| | **82 391** | **67 691** | **44 490** | **37 060** |

## 30. ADMINISTRATIVE & GENERAL EXPENSES

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | LE (000) | LE (000) | LE (000) | LE (000) |
| Salaries & Wages | 217 247 | 180 665 | 119 782 | 94 486 |
| Maintenance expenses | 10 320 | 5 766 | 5 001 | 4 072 |
| Fixed assets depreciation | 7 936 | 5 851 | 4 213 | 3 010 |
| Supplementary pension scheme cost | 1 779 | 2 325 | 936 | 857 |
| Other expenses | 104 266 | 72 881 | 59 143 | 40 700 |
| | **341 548** | **267 488** | **189 075** | **143 125** |

## 31. OTHER OPERATING EXPENSES

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | LE (000) | LE (000) | LE (000) | LE (000) |
| Donations | 19 502 | 17 645 | 10 267 | 13 695 |
| Impairment loss on assets | - | 73 | - | 73 |
| Others expenses | 4 873 | 473 | 4 738 | 473 |
| | **24 375** | **18 191** | **15 005** | **14 241** |

## 32. FINANCE REVENUES AND COST

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | 30/6/2015 LE (000) | 30/6/2014 LE (000) | 30/6/2015 LE (000) | 30/6/2014 LE (000) |
| **Finance revenues** | | | | |
| Credit interest | 64 748 | 49 356 | 41 936 | 23 320 |
| **Total finance revenues** | **64 748** | **49 356** | **41 936** | **23 320** |
| **Finance Cost** | | | | |
| Interest & finance expenses | (558 825) | (392 492) | (289 282) | (208 325) |
| Amortization of bonds issuance expenses | - | (2 200) | - | (1 650) |
| **Total finance cost** | **(558 825)** | **(394 692)** | **(289 282)** | **(209 975)** |
| Foreign currency exchange differences loss | (19 862) | (61 328) | (29 152) | (25 467) |
| **Net finance cost** | **(513 939)** | **(406 664)** | **(276 498)** | **(212 122)** |

## 33. CONTINGENT LIABILITIES

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

| | 30/6/2015 LE (000) | 31/12/2014 LE (000) |
|---|---|---|
| **Letters of guarantee** | | |
| Egyptian Pound | 1 306 | 1 306 |
| US Dollar | 1 100 | 1 100 |
| **Letters of credit** | | |
| US Dollar | 23 242 | 34 072 |
| Euro | 6 500 | 1 319 |

Also there is a contingent liability relating to the guarantee of Al Ezz Rolling Mills Company – subsidiary company – in the execution of the subsidiary's obligations arising from the joint-facility contract between the subsidiary company and some banks with a ceiling of two billion and eight hundred twenty one million Egyptian pound to finance the remaining amount of the plant's construction and operation costs for the production of Direct Reduction Iron (D.R.I) at El Ain El Sokhna area. In addition to Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria (EZDK) issue joint guarantee to the benefit of Al Ezz Flat Steel Company with an amount equivalent to USD 60 million and its interest, commissions in addition to any other terms guarantee to the credit facilities granted by the National Bank of Egypt to Al Ezz Flat Steel Company till the full payment.

The amount of letters of guarantee issued by the banks in favor of Contra Steel Company – subsidiary – to others on June 30, 2015 amounted to LE 245 k fully covered against (LE 245 k on December 31, 2014 fully covered).

## 34. CAPITAL COMMITMENTS

The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at June 30, 2015 are represented in machines in the amount of LE 150 million as follows:

| | | LE (000) |
|---|---|---|
| 1- | Construction project fence Land Bzan | 6 109 |
| 2- | ERP System project | 71 858 |
| 3- | Fire system project | 3 814 |
| 4- | Maintenance of DRI | 51 823 |
| 5- | The southern fence for the western land | 7 111 |
| 6- | Dust vacuuming system project | 3 296 |
| 7- | Finished goods cutting project | 1 049 |
| 8- | Gases analysis and separation project | 1 186 |
| 9- | others | 4 147 |
| | | **150 393** |

- The capital commitments also include amount of EURO 1.029 million (equivalent to LE 8.811 million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.
- The capital commitments for Contrasteel company – subsidiary company – on June 30, 2015 is amounted LE 40 million at the project of Construction of cracking slag and metal separation plant, an amount of LE 22 million has been included in the Project under construction item.

## 35. TAX POSITION

### *35.1* Ezz Steel Company

#### *35.1.1 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, 2004 and there is no taxes dues.
- The Tax Authority inspected the Company's books for years from 2005 till 2009 and there is an objection by form No. (19) and the dispute is submitted to the Appeal Committee and according to the company's tax advisor this dispute did not result in any tax liability on the company.
- The Tax Authority is currently inspecting years 2010-2011.
- The Company submitted tax returns for years 2010 until 2014 according to the provisions of Law No. 91 of 2005.

### *35.1.2 Sales tax*

- The Company's products are subject to a 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books until year 2012 and the tax differences were paid in full and there are no tax disputes or outstanding dues until the date of the financial statements.

### *35.1.3 Salary tax*

- The Tax Authority inspected the Company's books until year 2012 and there is no any due amounts on the company.
- The Tax Authority is currently inspecting year 2013.
- The company paid advance payments under the tax account till June 2014 until the tax inspection takes place.

## *35.2* **Al Ezz Rolling Mills Company**

### *35.2.1 Corporate tax*

- The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 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 2011 and the taxes due were paid.

### *35.2.2 Sales tax*

- The Company's products are subject to 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books until 2012 and the taxes due were paid.

### *35.2.3 Salary tax*

- The Company's books have been inspected by the Tax Authority till year 2011 and the taxes due were paid.

## *35.3* **Al Ezz El Dekheila for Steel – Alexandria Company**

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

The Tax Authority has garnished 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 till June 30, 2014 amounting to LE 254.2 million, including delay interest amounting to LE 35 million, The 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 in favor of the company pertaining to lawsuit No. 405 of 2011.

- A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No. 963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit, the expert commenced his task and did not present the report, the session has postponed to January 2, 2016.
- 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, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the Appeal Committee.
- 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, in addition to referring the lawsuit to the Ministry Of Justice experts office for perusal of the lawsuit file that which shall be considered before court in the session that is to be held on November 18, 2015 to deposit the reports.
- 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, and the company appealed against these forms on the legal due dates. The said differences are currently considered by the Internal committee. During the month of October 2014, the Company paid the amount of EGP 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once the court judgment is issued in favor of the Company.
- The company submitted its tax returns for the years 2009-2010 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns. The Company's books for years 2009-2010, and the company has been notified with form 19 tax, the company has appealed on this form in the legal time, and the internal committee did not determine the due date up to this date.

- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit No.639 for the year 2013, And on April 20, 2014 session, the court assigned an expert in the litidation And a session shall be held on December 6, 2015 for the expert's report.

### *35.3.2 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 2012 and tax differences have been fully paid.

### *35.3.3 Sales Tax*

- 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 us of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.3 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 Nos. 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 and session will be set on December 6, 2015 for the 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 tax payer center.
- And 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 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 period from the first of January 2011 till December 31, 2011 was inspected and the company has been notified with form 15, the differences amounted to LE 1.5 million fully paid.

### *35.3.4 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.

### *35.3.5 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 to that effect without prejudice to the lawsuit No. 797 for the year 2010 that re-registered under No. 5804 for the year 2012 Civil Court, and a ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date (note no. 39-2).

### *35.3.6 Service Charges Paid to the Customs Authority*

- 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 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, 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.

## *35.4* Al Ezz Flat Steel Company

### *35.4.1 Corporate tax*

- In the light of issuing law No. 114 of 2008 on May 5th, 2008, the private free zones were deleted and the company become subject to corporate tax from that date.
- The company submitted its tax returns for years 2008 till 2012in the due dates.
- The Tax Authority inspected the Company's books for year 2008 and the result of the inspection was tax losses for this year.
- The Tax Authority inspected the Company's books for year 2009 and resulted in tax losses for that year and the dispute points were referred to the Internal Committee.

### *35.4.2 Salary tax*

- The Tax Authority inspected the Company's books until 2007 and finalize all the disputes and there is no any due amounts on the company.
- The Tax Authority inspected the Company's books for years 2008 until 2011 and the dispute points were referred to the Internal Committee.

### *35.4.3 Sales tax*

- The Tax Authority inspected the Company's books until 30/6/2010 and the company paid the due amount.

### *35.4.4 Fiscal stamp tax*

- Tax inspection was made till 2012 and no claims on the company in this regard up to this date.

## *35.5* Important amendments on the income tax Laws during 2014 & 2015

- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three years on individuals and corporate entities whose annual income exceeds one million Egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.
- On June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:
    1. Imposing income tax on dividends.
    2. Imposing income tax on capital gains from selling shares and securities.

  On April 6, 2015 a Ministerial decree no. 172 of 2015 was issued amending certain provisions of the executive regulation of the income tax law that has been issued by the Finance Ministry decree no. 991 of 2005.
- On august 20, 2015, Presidential Decree was issued with Law No. (96) of 2015 amending certain provisions of the Income Tax Law No. (91) of 2005 and the decision no (44) of 2014 to impose temporary additional income tax, the decree will be effective from the day following its publication, the following are the most significant changes that mentioned in the decree:
    1- Decreasing the income tax rate to be 22.5% of the net annual profits.
    2- Amending the period of imposing the temporary tax 5%.
    3- Amending the tax on dividends.
    4- Suspend the adoption of the capital tax imposed on the income from the dealing of listed securities for two years starting from 17/5/2015.

## 36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *36.1* 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 balance sheet date.

### *36.2* Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans and credit facilities which amounted to LE 15 860 746 K as of June 30, 2015 (LE 13 445 177 K as of December 31, 2014). Financing interest and expenses related to these balances amounted to LE 558 825 K during the period (LE 392 492 K during the comparative period of the previous year). Time-deposits and investment fund amounted to LE 266 494 K as of June 30, 2015 (LE 1 487 K as of December 31, 2014), interest income related to these balances amounted to LE 64 748 K during the period (LE 49 356 K during the comparative period of the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

### *36.3* Credit risk

Credit risk is represented in the inability of credit customers to pay their dues. To mitigate this risk, the Company distributes the credit granted to the private sector companies and individuals with strong and stable financial position.

### *36.4* Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 405 416 K and LE 7 427 347 K respectively, as of the consolidated Balance sheet date.

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

| **Foreign Currency** | **(Deficit)/Surplus In thousand** |
|---|---|
| US Dollars | (836 817) |
| Euro | (71 120) |
| Swiss Frank | (99) |
| Sterling Pound | (222) |
| Japanese Yen | (365 326) |

As shown in note no. (3-1) "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 consolidated balance sheet date.

## 37. LOSSES PER SHARE

| | For the six months ended: | | For the three months ended: | |
|---|---|---|---|---|
| | **30/6/2015** | **30/6/2014** | **30/6/2015** | **30/6/2014** |
| Net loss for the period (LE 000) | (337 060) | (175 749) | (200 755) | (157 100) |
| Average number of outstanding shares during the period (share) | 533 802 313 | 533 802 313 | 533 802 313 | 533 802 313 |
| Losses per share for the period (LE / share) | **(0.63)** | **(0.33)** | **(0.38)** | **(0.30)** |

## 38. THE LITIGATION STATUS

### *38.1* Al-Ezz Rolling Mills Company & Al-Ezz Flat Steel Company– Subsidiaries Companies

Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company.

The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard on December 5, 2013. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on December 5, 2015.

On October 3, 2012 the Industrial Development Authority decrees to issue a new temporary license to Al-Ezz Rolling Mills Company with a value of LE 330 million and to be renewed annually, on November 13, 2012 the company paid an amount of LE 49.50 million that represents 15% from the value of the license, in addition to granting the company a grace period of 18 months, the remaining 85% of the license value will be paid on five equal annual installments, and in case of the company committed with the installments and paid the full amount it will obtain the permanent license.

### 38.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

#### *38.2.1 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 (70) 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 (52) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of resjudicata due to the lapse of the date of appeal thereof, while the remaining lawsuits are still being considered before the court.

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 a ruling was issued in that respect as follow:

| No. | Ruling |
|---|---|
| 2 | Refusal (one of them is still appealed) |
| 1 | Dropped by limitation (still appealed) |
| 1 | Ruling to the effect of being null and void |
| 2 | Still considered |

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.

#### *38.2.2 The lawsuits Referred to the Criminal Court*

On June 26, 2011, a referral order was issued to the Criminal Court by the Public Prosecution "Supreme Public Fund Prosecution" regarding lawsuit No. (197) for the year 2011 - Public Fund Count registered under No. (38) for the year 2011 to limit the scope of the public fund investigation against some of the officials in the company in criminal incidents related to the allegation of illicit gain or facilitating the illicit gain of third parties to the detriment of the public fund, and some decisions were issued regarding conservatory attachment and non-disposal in relation to some officials.

- On March 6, 2013 a ruling was issued by the court of criminal justice and sentences against some company officials have been issued including custodial penalties and pecuniary penalties in addition to dismissal from office against those who were convicted. .
- On December 14, 2013, the Court of Cassation issued its ruling to the effect of nullification of the previously issued ruling and to refer the lawsuit to Giza criminal court, thus the first session will be held on April 12, 2014 which was postponed till September 13, 2014.
- The Legal advisor of the company is of the opinion that:
  1- The appeal resulted in the cancellation of all sanctions issued against former officials of the company and a re-trial again for them, especially after the Court of Cassation rejected the appeal of the public prosecutor in acquittals.
  2- On legal basis the ruling does not affect its stipulation regarding the principal penalties that are represented in the detentive penalties and the financial penalties imposed on the activity of the company or its financial standing due to the fact that the judicial person of the company is legally separate from the financial standing and the juridical person of the shareholders and the company's employees whereas the penalty is personal whether it is a detentive penalty or a principal financial penalty and such aspect does not affect the funds of the company or its assets in general.
  3- The ruling stipulated consequential penalties that are represent in discharge from the position and reimbursement of the amounts of money for those who were convicted, and this aspect also does not negatively affect the financial standing of the company based on the above mentioned paragraph, and the dues to the employees, against whom the penalties of discharge and reimbursement were issued, were suspended until studying the legal consequences regarding the said dues taking into consideration.

### *38.2.3 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 19 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. Accordingly, the company took legal procedures against the trespassers who made the above mentioned violations on such lands and the said lawsuits are still considered before court.

### *38.3* **Lawsuits before Court Concerning The Monopoly of Steel Bars productd:**

Cairo Economic Court, misdemeanors appeal circuit issued its ruling on the session held on November 6, 2013 concerning lawsuit No.268 of the year 2013 to the effect of accepting the appeal presented by the Public Prosecutor Office and vacated the judgment to the effect of being not guilty concerning the indictment against some officers of Ezz steel company during the period from 16 May 2005 until December 31, 2006 in their professional capacities in Ezz Steel company and some of the companies affiliated to Ezz group relating to the monopoly of steel bars product inside the Arab republic of Egypt in Violation of non-competition and anti-monopoly act No. 3 for the year 2005 and re-affirming a ruling to the effect of imposing a fine on the officers of Ezz Steel company and some other companies of Al-Ezz Group with an amount of LE 200.5 million.

Al Ezz El Dekheila for Steel – Alexandira (EZDK) company during the period from August 3, 2014 until September 1, 2014 issued checks to the benefit of the cairo Economic Court that amounted to LE 55.56 million under the account of penalties issued by virtue of the ruling with respect to the misdemeanor number 268 for the year 2013 as a partial execution of the said ruling by the Economic Appellate Court against some officials of the company.

The management of Al-Ezz Group Companies appealed against the ruling and resorted to the Court of Cassation to the said ruling that is used under No.2898/84 J.year – Economic Court of Cassation, On November 25, 2014, the Court of Cassation issued its ruling to the effect of amending the judgment No. 368 for the year 2013 issued by the court of appeal - economic – and accordingly the financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company.

The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officers of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.

## 39. OTHER TOPICS

### *39.1* 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 financial statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

### *39.2* 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 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. (note No.21-1).

  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, 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 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 15/02/2013 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 state Council, However, a session for considering the said appeal has not been determined up to this date.

## 40. COMPARATIVE FIGURES

Some of the comparative figures of the consolidated income statement have been reclassified to conform to the current classification of the consolidated financial statements and for a better presentation.