EZZ STEEL REPORTS CONSOLIDATED FY 2021 RESULTS

Cairo, 02 March 2022 – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 December 2021. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	FY 2021	FY 2020
Net sales	**67,819**	**38,625**
of which Exports (US$ Mn)	**$1,291**	**$458**
Gross profit	**13,770**	**1,220**
EBITDA*	**12,870**	**535**
Net profit before tax**	**7,172**	**(4,963)**
Net profit	**5,398**	**(4,685)**
Earnings per share (EPS)***	6.61	(5.85)

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

** Deferred Taxes amounted to EGP 844mn; and Income Taxes to EGP 930mn

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the 6 months period ending 30 December

For further information:

Ezz Steel

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Comment

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

- Sales amounted to EGP 67,819 million compared to the EGP 38,625 million recorded in FY20. Rebar sales constituted 54% of total sales, and HRC sales 45%. Sales totalled EGP 18,763 million during 4Q21.
- Ezz Steel achieved a record export sales value in FY21. Exports amounted to USD 1,291 million, of which Hot Rolled Coil (HRC) sales contributed USD 1,079 million and Wire Rod sales USD 212 million. Exports sales during 4Q21 amounted to USD 277 million, of which HRC sales contributed USD 257 million and Wire Rod sales USD 20 million.
- Net profit before tax reached EGP 7,123 billion in FY21. This is compared to a loss of EGP 4,963 million in FY20. Deferred tax and income tax for FY21 were EGP 1,774 million; net profit after tax therefore reached EGP 5,432 million for the year.
- The positive contribution of Ezz Flat Steel (EFS) and Ezz Rolling Mills (ERM), wholly owned by Ezz Dekheila Steel, Alexandria (EZDK), continued following the group's restructuring. Both companies achieved a combined net profit amounting to EGP 1,330 million during FY21 of which EGP 403 million during 4Q21. Their profits are reflected in the net profit of EZDK, and thus on the consolidated net profit of Ezz Steel.
- World production of steel increased to 1,911 million tons in FY21, 1.8% higher than FY20. Mainly due to China's stricter environmental measures and imposed credit limitations on its real estate sector, world production in 2H21 (909 Mn tons) was lower than that of 1H21 (1002 Mn tons).
- Local rebars consumption reached 7.344 million tons in 2021, an increase of 7% over the 6.865 million tons consumed in 2020. Worth noting that local consumption in 4Q21 made an upward correction rising 27% above 3Q21 with the momentum of national projects continuing. In particular "Decent Life Project" to upgrade over 4700 villages is progressing quickly and boosting demand. Growth pace in private building consumption is also picking up.
- With Ezz Steel once again assuming an important position as a flat steel exporter in 2021, it has become necessary to maximise flat production from Ezz Flat Steel (EFS) at the expense of rebars production. The company's rebar sales accordingly decreased from 3.175 million tons in FY20 to 2.936 million tons in FY21, in spite of an increasing local market consumption. This prompted Ezz Steel to build a second meltshop in EFS. Once operative, smooth simultaneous, rather than alternating, production of flat steel and rebars would be achieved enabling the company to seize a growth opportunity.

- Construction and erection of the second meltshop in EFS are making good progress. Start-up is scheduled in 4Q22 with full capacity to be reached in 1Q23. The 1.6 million ton per year meltshop will cost approximately EGP 3.2 billion, being financed from EGP 1 billion internally generated funds and a EGP 2.2 billion syndicated bank loan. The project will integrate with the downstream casting and rolling plants already in place.
- Ezz Steel efforts to increase the awareness and market its B500WDR high tensile steel rebars is paying off. In-house led market survey showed that not only the company's strong branding, but also the properties and cost savings such superior steel grade provides, contribute to the product's price premium in the market.
- Local flat steel consumption reached 1.421 million tons in 2021. Though this is lower than the 1.563 million tons of 2020, it remains at a higher level than recent years which hovered around the 1.2 million tons per year. Ezz Steel market share grew from 676k tons in 2020 to 906k tons in 2021 having substituted a portion of imports. As local consumption is considerably lower than Ezz Steel's flat production capacity, the company continues to balance its commitment as the anchor supplier to the local market, with its role as a leading exporter.
- In December 2021, EZDK's board approved the purchase of 18% of the total equity of "Egyptian Steel" for a total value of EGP 2.5 billion; to be paid from EZDK's own resources. The transaction was made in January 2022 (after the fiscal year); 50% the amount was paid, and the balance will be paid in two equal instalments after 12 and 24 months from the transaction date. This marks an important and strategic investment initiative by Ezz Steel.

About Ezz Steel

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

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

Operational Review

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

Sales

Consolidated net sales for FY 2021 were EGP 67,819 million compared to EGP 38,625 million in FY2020.

EGPMn*	**Ezz Steel Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Long	11,207	25,388	**36,595**
Flat	-	30,527	**30,527**
Others	-	697	**697**
Total	**11,207**	**56,612**	**67,819**

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 36.6 billion, or 54% of sales in FY 2021, while flat steel products represented 45% of sales at EGP 30.5 billion. Long product exports accounted for 9% of total long sales. Flat product exports accounted for 56% of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**%**	**Export**	**%**
Long	33,259	91%	3,336	9%
Flat	13,526	44%	17,001	56%

Long sales volumes were 2.9 million tonnes during FY 2021 and flat sales were 2 million tonnes. In 4Q21, long sales volume was 839 thousand tonnes, 3% below that of 4Q20 which was 863 million tonnes.

The group's consolidated sales volumes totalled 4.9 million tonnes in FY 2021.

Production

Long steel production volumes totalled 2.9 million tonnes during FY 2021.
Flat steel production volumes reached 2.1 million tonnes for the period.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2021 represented 80% of sales. Gross profit margin reached 20% in FY 2021.

Ezz Steel Standalone reported a COGS/Sales ratio of 89% for FY 2021.

*EGPMn**	**ESR Standalone**	**EZDK Consolidated**	**Ezz Steel Consolidated**
Sales	11,207	56,612	67,819
COGS	10,009	44,039	54,048
COGS/Sales	**89%**	**78%**	**80%**

*after the elimination of intercompany transactions

Gross profit

Gross profit of 13.8 billion was recorded for FY 2021 for Ezz Steel consolidated, compared to the EGP 1.2 billion recorded in FY 2020.

EBITDA

Ezz Steel consolidated EBITDA for FY 2021 amounted to EGP 12.9 billion compared to EGP 535 million in FY 2020.

Tax

During FY 2021, Ezz Steel had deferred taxes in the amount of EGP 844 million and income tax of EGP 930 million.

Net profit

Net profit reached EGP 5.4 billion in FY 2021.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 3.5 billion for FY 2021.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 3.5 billion and net debt of EGP 31.4 billion.

Outlook

- Industry analysts forecast an increase in global steel production by 0.8% in 2022 to 1.933 billion tons. China’s production in 2022, however, is forecasted to remain at the same level of 2021. As an exporter, Ezz Steel would benefit from an increasing demand and consumption as markets have opened up in the aftermath of the Corona pandemic. On the cost side, China’s determination to maximise the use of scrap in steel production would reduce its iron ore consumption and, hence, dampen iron ore price increase.
- Domestic consumption of rebars is expected to continue to grow in 2022 as well. National projects, including “Decent Life Project” are progressing in a dynamic pace; private building is also picking up. Local rebar consumption in 2022 is forecasted to grow by 14% to 8.4 million tons. Local consumption of flat steel in 2022 is expected to grow by 7% to 1.5m tons, also supported by national projects.
- With the increase in crude steel output as EFS’s new meltshop commences operation in Sokhna, Suez, Ezz Steel will be able to enhance its supply capacity – especially of rebars – and consolidate its market position, without compromising its flat exports.
- Ezz Steel follows closely the international inclination to apply the Carbon Tax, especially in Europe, and its effect on steel markets. The company looks forward to maximising the return on its exports in view of its distinctive position with a lower carbon footprint compared to most producers. This stems from the production technologies adopted by Ezz Steel, which rely primarily on reduction using natural gas and melting in electric arc furnaces. Carbon emissions are therefore considerably lower than that from blast furnaces which is responsible for about 72% of world production.

Divisional Overview

EZDK Standalone Sales (EGP):		**FY 2021**	**FY 2020**	**Q3 2021**	**Q4 2021**
Value:	Mn	47,931	34,409	12,804	15,375
Volume:					
Long:	000 Tonnes	2,059	2,126	524	610
Flat:	000 Tonnes	1,097	1,030	253	266
Exports as % of Sales:					
Long:		13%	12%	19%	4%
Flat:		51%	42%	57%	52%
EBITDA:	Mn	7,928	1,356	1,784	2,228
Production:					
Long Products:	000 Tonnes	1,859	1,590	471	424
Flat Products:	000 Tonnes	1,101	1,039	281	268
Billets:	000 Tonnes	2,090	1,687	527	543

Ezz Steel Standalone Sales (EGP):		**FY 2021**	**FY 2020**	**Q3 2021**	**Q4 2021**
Value:	Mn	13,170	6,835	4,196	4,187
Volume:	000 Tonnes	905	777	246	261
Exports as % of Sales:		-	-	-	-
EBITDA:	Mn	905	59	227	236
Production:					
Long Products:	000 Tonnes	839	767	225	194
Billets:	000 Tonnes	867	802	208	218

EZDK Consolidated Sales (EGP):		**FY 2021**	**FY 2020**	**Q3 2021**	**Q4 2021**
Value:	Mn	61,218	33,967	17,322	17,384
Volume:					
Long:	000 Tonnes	2,106	2,413	521	619
Flat:	000 Tonnes	1,997	1,297	505	454
Exports as % of Sales:					
Long:		13%	10%	19%	4%
Flat:		56%	48%	61%	52%
EBITDA:	Mn	12,051	512	3,079	3,390
EBT	Mn	6,757	(4,288)	1,822	2,221
Net Profit	Mn	5,837	(4,676)	1,175	1,840
Production:					
Long Products:	000 Tonnes	2,065	2,358	501	539
Flat Products:	000 Tonnes	2,051	1,336	534	472
Billets:	000 Tonnes	2,125	2,393	527	543
Ezz Steel Consolidated Sales (EGP):		**FY 2021**	**FY 2020**	**Q3 2021**	**Q4 2021**
Value:	Mn	67,819	38,625	18,639	18,762
Volume:					
Long:	000 Tonnes	2,936	3,175	742	839
Flat:	000 Tonnes	1,997	1,297	505	454
Exports as % of Sales:					
Long:		9%	8%	14%	3%
Flat:		56%	48%	61%	52%
EBITDA:	Mn	12,870	535	3,303	3,579
EBT	Mn	7,172	(4,963)	1,946	2,306
Net Profit	Mn	5,398	(4,685)	1,363	1,638
Production:					
Long Products:	000 Tonnes	2,904	3,126	727	733
Flat Products:	000 Tonnes	2,051	1,336	534	472
Billets:	000 Tonnes	2,992	3,195	735	761

Disclaimer:

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the quarter ending 31 December 2021. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East, changes in the business strategy of the Company, and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezz Steel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, no such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to Ezz Steel's actual results.

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2021
And Independent Auditor's Report

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2021
And Independent Auditor's Report

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MOORE Egypt

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Translation from Arabic

Independent Auditor's Report On Consolidated Financial Statements

To The Shareholders Of Ezz Steel (S.A.E)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company (S.A.E), which are represented in the consolidated statement of financial position in December 31, 2021, as well as the consolidated statements of income and other comprehensive income, the changes in equity and the consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility For The Consolidated Financial Statements

These consolidated financial statements are the responsibility of the company's management, as the management is responsible for preparing and presenting the consolidated financial statements in a fair and clear presentation in accordance with Egyptian accounting standards and in light of the Egyptian laws in force. Significant and effective misstatements, whether resulting from fraud or error, and this responsibility includes selecting and applying appropriate accounting policies and making accounting estimates appropriate to the circumstances.

Auditor's Responsibility

Our responsibility is limited to expressing an opinion on these consolidated financial statements in the light of our review of them. We have been audited in accordance with the Egyptian auditing standards and in light of the Egyptian laws in force. These standards require us to comply with the requirements of professional conduct and to plan and perform the audit to obtain appropriate assurance that the financial statements are free from any errors. important and influential.

The audit includes performing procedures to obtain audit evidence regarding values and disclosures in the consolidated financial statements. Internal control related to the entity's preparation of the consolidated financial statements and their fair and clear presentation in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the efficiency of the internal control in the entity. in which the consolidated financial statements are presented.

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

The consolidated financial statements of for the year ended December 31, 2020, was audited by another auditor who expressed an Unqualified opinion on those statements on April 1, 2021.

Our Opinion

In our opinion, the consolidated financial statements referred to above express fairly and clearly, and in all their important aspects, the financial position of Ezz Steel Company (S.A.E) on December 31, 2021 and its financial performance and cash flows for the financial year ending on that date, in accordance with Egyptian accounting standards In light of the Egyptian laws and regulations related to the preparation of these consolidated financial statements.

Emphasis Of Matters

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

1- As shown in detail in note No. (1-3) of the notes supplementing the consolidated financial statements, the company and its subsidiaries achieved retained losses until December 31, 2021, amounting to 11,901 billion L.E, included in the consolidated statement of financial position, and the increase in liabilities over assets (deficit). In equity) amounting to 3.587 billion L.E on that date, as Al-Ezz Flat Steel Industry (a subsidiary company) achieved a net profit of 2.6 billion L.E, which led to a decrease in the total losses carried over until December 31, 2021 to 9.5 billion L.E. A deferred tax asset of 563 million L.E was recorded from it, and Al-Ezz Rolling Mills Company (a subsidiary company) achieved retained losses until December 31, 2021, amounting to 5.991 billion L.E, of which a deferred tax asset amounted to 508.6 million L.E was recorded. Thus, the total of these deferred tax assets amounted to 1.071 billion L.E, which are included in the deferred tax assets in the consolidated statement of financial position on that date. years, in addition to a plan with the support of Al-Ezz Dekheila Steel Company - Alexandria (subsidiary company) to obtain the necessary support and financing for operation, which will positively affect the operational and financial indicators in the coming years and to benefit from the staged tax losses, which depend on the realization of the future assumptions on which it was made. Preparing the estimated budget mentioned above.

2- As shown in detail in note No. (35-3-1) of the notes supplementing the consolidated financial statements, the value of tax claims claimed by the Tax Authority, Al-Ezz Dekheila Steel Company - Alexandria (a subsidiary) amounted to 219 million L.E, according to the forms received on February 17, 2011, other than the delay consideration for the value of the tax on the previous steel flat project, which had been exempted from tax for the years 2000-2004.

The management of the subsidiary believes that the company has already been taxed for those years, and it was agreed by the internal committee with referring a dispute point related to canceling the development fee on the exempted movable container to the Appeal Committee. On June 12, 2010, the Appeal Committee issued its decision to cancel the development fee on the exempt movable container while remaining Other exempted tax bases for the years of conflict, and the tax due has been paid in full based on the decision of the internal committee, and thus the dispute has ended by agreement and has become final and final.

The management of the subsidiary company and its legal advisor consider the stability of the tax position of the company due to the issuance of the decision of the Appeal Committee in favor of the company, and that the position of the company has been legally fortified, and the Tax Authority may not return to the dispute regarding those years.

Al-Ezz Dekheila Steel Company - Alexandria has agreed with the Tax Authority to lift the seizure signed on the company as a result of the above dispute. The amounts paid amounted to 254 million L.E, including 35 million L.E in return for a delay.

The management of the subsidiary company believes that this procedure does not change the legal and tax position of the company, and that it reserves the right to recover what was paid immediately after a court ruling is issued in favor of the company in Case No. 405 of 2011. At the present time, it is difficult to determine the obligations that the company may bear until a decision is made in this case.

MOORE Egypt

3- As explained in detail in note No. (38-2) of the notes to the consolidated financial statements, , there is a dispute raised between Ezz El Dekheila Steel Company - Alexandria - (a subsidiary company) and the Sales Tax Authority regarding the value of the additional sales tax for the right to use berth equipment Mining and raw materials handling at Dekheila port amounting to 127,5 million L.E, until June 28, 2012, when the subsidiary paid the original tax amounting to 104 million L.E on October 3, 2012 with reservation of payment until the Sales Tax Authority stops all procedures, according to which the Port Authority will stop all procedures against the subsidiary company, including lifting the seizure on the balances of the subsidiary company with various banks.

However, the subsidiary's management paid an amount of L.E 127,5 million which represents the additional tax claimed, along with its right to maintain a reservation on the settlement. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the company's balances at the said banks in favor of the Port Authority.

Based on the opinion of its tax advisor, the subsidiary company's management is of the opinion that Alexandria Port Authority is not entitled to claim the company to pay sales tax in return for right of use 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 by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.

Cairo, Egypt
March 2, 2022

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

مور ايجيبت
محاسبون قانونيون ومستشارون
MOORE Egypt
Public Accountants & Consultants

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Statement of Financial Position as of:

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Non-Current Assets			
Fixed assets (Net)	(11-1)	22 202 469	23 291 803
Projects under construction	(12)	1 585 312	212 660
Long term investments	(13)	5 621	4 721
Deferred tax assets	(31-1)	1 258 053	2 120 703
Long term lending to others	(14)	47 632	45 380
Other assets	(15)	30 735	35 858
Goodwill	(40-9)	315 214	315 214
Total non-current assets		**25 445 036**	**26 026 339**
Current Assets			
Inventory	(16)	9 518 954	6 676 756
Trade and notes receivable	(17)	4 795 988	2 875 782
Debtors and other debit balances	(18)	5 849 771	4 404 704
Suppliers - advance payments		802 659	331 373
Investments in treasury bills	(40-8)	132 261	249 732
Cash and cash equivalents	(20)	3 479 155	2 223 086
Total current assets		**24 578 788**	**16 761 433**
Total Assets		**50 023 824**	**42 787 772**
Shareholders' Equity			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	182 090	182 090
Modification surplus of fixed assets	(11-3)	1 335 620	1 446 615
Retained losses		(11 901 253)	(15 527 223)
Treasury stocks	(23)	(82 302)	(71 921)
Deficit in holding company shareholders' equity		**(7 749 520)**	**(11 254 114)**
Non-controlling interest		4 162 472	2 291 033
Deficit in shareholders' equity		**(3 587 048)**	**(8 963 081)**
Liabilities			
Non-Current Liabilities			
Long-term loans	(28)	12 432 596	11 634 621
Long-term liabilities	(30)	3 436 595	3 717 624
Finance lease liabilities	(29)	291 211	365 994
Deferred tax liabilities	(31-1)	3 643 486	3 661 950
Total non-current liabilities		**19 803 888**	**19 380 189**
Current Liabilities			
Banks - overdraft	(20)	270 398	155 949
Credit facilities and loan installments due within one year	(28)	22 132 212	22 812 438
Finance lease liabilities due within one year	(29)	73 321	64 566
Trade and notes payable	(24)	5 301 611	5 181 826
Customers - advance payments		1 708 783	1 008 553
Creditors and other credit balances	(25)	2 686 292	2 738 194
Income tax liabilities		929 489	34 304
Liability of the supplementary pension scheme	(26)	25 101	20 771
Provisions	(27)	679 777	354 063
Total current liabilities		**33 806 984**	**32 370 664**
Total liabilities		**53 610 872**	**51 750 853**
Total shareholder's equity and liabilities		**50 023 824**	**42 787 772**

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

Managing Director
Mr. Hassan Ahmed Nouh

Chairman
Acc / Mamdouh Fakhr ~~El-Dien Hussein El-Rouby~~

Audit Report "attached"

Ezz Steel Company

(S.A.E)

Consolidated Statement of Income

For The Financial Year Ended 31 December:

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Sales (net)	(40-18)	67 818 516	38 625 212
Less :			
Cost of sales	(3)	(54 048 213)	(37 405 403)
Gross profit		**13 770 303**	**1 219 809**
Add / (Less):			
Other operating revenues	(4)	80 094	105 669
Selling and marketing expenses	(5)	(948 077)	(603 787)
Administrative and general expenses	(6)	(1 403 979)	(1 517 361)
Other operating expenses	(7)	(1 177 238)	(227 940)
Operating profit (loss)		**10 321 103**	**(1 023 610)**
Add / (Less):			
Finance income	(8)	136 838	94 847
Finance cost	(8)	(3 391 597)	(3 899 231)
Foreign currency exchange (losses) gains	(8)	105 425	(135 282)
Net finance cost		**(3 149 334)**	**(3 939 666)**
Net profit (loss) for the year before income tax		**7 171 769**	**(4 963 276)**
(Less)/Add:			
Income tax		(929 832)	(35 539)
Deferred tax	(31-2)	(844 186)	313 958
Total Income Tax		**(1 774 018)**	**278 419**
Net loss for the year		**5 397 751**	**(4 684 857)**
Attributable to:			
Owners of the holding company		3 521 623	(3 119 045)
Non-controlling interest		1 876 128	(1 565 812)
Net profit (loss) for the year		**5 397 751**	**(4 684 857)**
Basic and diluted profit (loss) per share for the year (LE/share)	(9)	**6.61**	**(5.84)**

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

Ezz Steel Company

(S.A.E)

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December :

	31/12/2021	31/12/2020
	LE (000)	LE (000)
Net profit / (loss) for the year	5 397 751	(4 684 857)
(Less)/Add:		
Other comprehensive income items		
Realized portion of modification surplus of fixed assets (transferred to retained losses during the year)	(171 184)	(174 467)
Actuarial (losses) /earnings from pension scheme	(4 227)	3 907
Total comprehensive income	**5 222 340**	**(4 855 417)**
Attributable to:		
Owners of the holding company	3 407 920	(3 229 786)
Non-controlling interest	1 814 420	(1 625 631)
	5 222 340	**(4 855 417)**

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

Translation from Arabic

Ezz Steel Company
(S.A.E)

Consolidated Statement of Changes in Equity
For The Financial Year Ended December 31, 2021

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Treasury stocks LE (000)	Foreign entites translation reserve LE (000)	Total / (Deficit in) holding company shareholders equity LE (000)	Non-controlling interest share in the capital increase of the subsidiary LE (000)	Non-controlling interest LE (000)	Total / (Deficit in) shareholders' equity LE (000)
Balance as of 1/1/2020(Modified)	2 716 325	182 090	1 334 264	(13 914 083)	(71 921)	2 778 780	(6 974 545)	1 109 514	1 629 194	(4 235 837)
Comprehensive income										
Net (loss) for the year	—	—	—	(3 119 045)	—	—	(3 119 045)	—	(1 565 812)	(4 684 857)
Other Comprehensive income										
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the year)	—	—	(113 244)	—	—	—	(113 244)	—	(61 224)	(174 468)
Actuarial losses from defined benefits pension schemes	—	—	—	2 503	—	—	2 503	—	1 404	3 907
Total comprehensive income	—	—	(113 244)	(3 116 542)	—		(3 229 786)	—	(1 625 632)	(4 855 418)
Realized portion of modification surplus of fixed assets (transferred to retained losses during the year)	—	—	—	113 244	—	—	113 244	—	61 224	174 468
Transactions with company's shareholders										
The non-controlling interest share in subsidary company's dividends of year 2019	—	—	—	—	—	—	—	—	(2 920)	(2 920)
The share of the company and the non-controlling interest in the employees and Board of Directors dividends of the subsidiary companies for year 2019	—	—	—	(2 028)	—	—	(2 028)	—	(1 509)	(3 537)
The non-controlling interest share in increasing the capital of subsidiaries	—	—	—		—	—	—	(1 109 514)	1 109 514	—
The effect of change the functional currency for Al Ezz Flat Steel Company (EFS)- subsidiary company	—	—	—	3 235 054	—	(3 260 974)	(25 920)	—	(13 917)	(39 837)
The effect of the change in the percentage of the contribution in the subsidiary companies during the year	—	—	225 595	(1 842 868)	—	482 194	(1 135 079)	—	1 135 079	—
Total transactions with the company's shareholders	—	—	225 595	1 390 158	—	(2 778 780)	(1 163 027)	(1 109 514)	2 226 247	(46 294)
Balance as of 31/12/2020	2 716 325	182 090	1 446 615	(15 527 223)	(71 921)	—	(11 254 114)	—	2 291 033	(8 963 081)
Balance as of 1/1/2021	2 716 325	182 090	1 446 615	(15 527 223)	(71 921)	—	(11 254 114)	—	2 291 033	(8 963 081)
Comprehensive income										
Net profit for the year	—	—	—	3 521 623	—	—	3 521 623	—	1 876 128	5 397 751
Other comprehensive income items										
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the year)	—	—	(110 995)	—	—	—	(110 995)	—	(60 189)	(171 184)
Actuarial losses from defined benefits pension schemes	—	—	—	(2 708)	—	—	(2 708)	—	(1 519)	(4 227)
Total comprehensive income	—	—	(110 995)	3 518 915	—	—	3 407 920	—	1 814 420	5 222 340
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the year)	—	—	—	110 995	—	—	110 995	—	60 189	171 184
Transactions with company's shareholders										
The non-controlling interest share in subsidary company's dividends of year 2020	—	—	—	(847)	—	—	(847)	—	(1 436)	(2 283)
Purchase treasury stocks	—	—	—	—	(10 381)	—	(10 381)	—	—	(10 381)
Purchase treasury stocks in subsediary company	—	—	—	(3 093)	—	—	(3 093)	—	(1 734)	(4 827)
Total transactions with the company's shareholders	—	—	—	(3 940)	(10 381)	—	(14 321)	—	(3 170)	(17 491)
Balance as of 31/12/2021	2 716 325	182 090	1 335 620	(11 901 253)	(82 302)	—	(7 749 520)	—	4 162 472	(3 587 048)

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

Translation from Arabic

Ezz Steel Company
(S.A.E)

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

	Note No.	12/31/2021 LE(000)	12/31/2020 LE(000)
Cash flows from operating activities			
Net Profit / (loss) for the year before income tax		7 171 769	(4 963 276)
Adjustments to reconcile Net losses to net cash used in operating activities			
Depreciation	(11-1)	1 446 902	1 431 468
Amortization of other assets	(15)	5 123	5 123
Amortization of accrued interest on treasury bills		(29 485)	(22 286)
Amortization of the difference from the change in the fair value of the long term		(1 838)	(3 363)
Capital (losses)	(4)	(900)	(493)
Impairment loss on assets	(7)	52 820	2 524
Interest & finance costs	(8)	3 391 597	3 899 231
Provisions formed during the year	(7)	340 990	130 625
Differences of changing in liability of the supplementary pension	(26)	31 687	28 578
Financial grants for the development of the gas station		(909)	(897)
Foreign currency exchange differences		(81 236)	86 452
		12 326 520	**593 686**
Changes in working capital			
Inventory		(2 839 863)	1 150 320
Trade receivables, debtors and other debit balances		1 767 179	(9 802 808)
Trade payables, creditors and other credit balances		(3 366 935)	11 218 256
Change in lending to employees		(2 382)	12 840
Liability of the supplementary pension scheme		(7 070)	(7 795)
Net		**7 877 449**	**3 164 499**
Finance interests paid		(3 761 191)	(2 894 371)
Income tax paid		(34 304)	(69 276)
Used impairment of assets		-	(1 348)
Used provisions		(400)	(3 092)
Net cash flows provided by operating activities		**4 081 554**	**196 412**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(1 730 340)	(377 719)
Proceeds from sale of fixed assets		855	-
Payments for purchase of investments in subsidiaries		(900)	(636)
Payments for purchase treasury stocks		(15 208)	-
Proceeds from retrieval of financial investments (treasury bills)		722 246	506 650
Payments for purchase of financial investments (treasury bills)		(578 540)	(637 043)
Net cash flows (used in) investing activities		**(1 601 887)**	**(508 748)**
Cash flows from financing activities			
Payments for credit facilities		(1 671 756)	(2 043 715)
Proceeds from loans and other liabilities		404 681	2 726 274
Finance lease payments		(66 029)	(39 161)
Change in time-deposits and restricted current accounts		8 214	37 565
Paid dividends to non-controlling interest		(2 162)	(2 920)
Paid dividends to employees and Board of Directors		(2 781)	(3 536)
Net cash (used in) / provided by financing activities		**(1 329 833)**	**674 507**
Change in cash and cash equivalents during the year		**1 149 834**	**362 171**
Cash and cash equivalents at the beginning of the year	(20)	**1 926 864**	**1 567 109**
Translation differences of financial statements of foreign entities		-	(2 416)
Cash and cash equivalents at the end of the year	(20)	**3 076 698**	**1 926 864**

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

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2021

1. BACKGROUND

1.1 Basic Information

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

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company and its subsidiaries

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

The following is an analysis of investments in the subsidiary Companies of Ezz Steel Company which are included in the Consolidated Financial Statements:

	31/12/2021 Percentage Share %	31/12/2020 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	64.061 (Direct and Indirect) through Al Ezz El Dekheila	64.061 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	64.06 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	57.657 (Indirect) Through Al Ezz El Dekheila	57.657 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	55.16 (Indirect) Through Al Ezz El Dekheila	55.16 (Indirect) Through Al Ezz El Dekheila

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

- The subsidiaries company have incurred retained losses amounted to L.E 11.901 Billion as of December 31, 2021 included in company's consolidated statement of financial position, also its liabilities exceed its assets (Deficit in Shareholder's Equity) with an amount of L.E 3.587 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- has incurred accumulated retained losses till December 31, 2021 with an amount of LE 9.489 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 563 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till December 31, 2021 amounted to LE 5.991 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 508.6 Million, hence the total amount of these deferred tax assets is amounted to LE 1.071 Billion stated in deferred tax assets in the consolidated statement of financial position at that date. The company`s management has prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

1.4 Issuance of Consolidated Financial Statements

- These Consolidated Financial Statements were approved by the company's BOD for issuance on March 2, 2022.

2. Basis for the preparation of the consolidated financial statements

2.1 Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with Egyptian Accounting Standards and in light of Egyptian laws and regulations related to.

2.2 Basis of measurement

These Consolidated Financial Statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

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

2.3 Functional and presentation currency

These Consolidated Financial Statements are presented in thousands of Egyptian pounds

2.4 Use of estimates and judgments

The preparation of the Consolidated Financial Statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the actual results may differ from these estimates.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the current circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Any differences to accounting estimates are recognized in the year in which the estimate is revised if these differences affect the year of the revision and future periods then these differences are recognized in the year of the revision and future periods.

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	2021 LE (000)	2020 LE (000)
Raw Materials		38 395 588	21 679 432
Salaries & wages		2 262 206	2 025 044
Fixed assets depreciation	(11-1)	1 405 384	1 386 805
Other assets amortization	(15)	5 123	5 123
Supplementary pension scheme cost		24 865	22 442
Manufacturing overhead expenses		12 819 555	11 324 271
Manufacturing cost		**54 912 721**	**36 443 117**
Change in inventory–finished products and work in process		(864 508)	962 286
		54 048 213	37 405 403

4. OTHER OPERATING REVENUES

	2021 LE (000)	2020 LE (000)
Capital gains	900	493
Other revenues	79 194	105 176
	80 094	**105 669**

5. SELLING & MARKETING EXPENSES

	Note No.	2021 LE (000)	2020 LE (000)
Salaries & wages		120 851	101 635
Advertising expenses		92 845	106 432
Fixed assets depreciation	(11-1)	686	578
Supplementary pension scheme cost		1 758	1 587
Other expenses		731 937	393 555
		948 077	**603 787**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	2021 LE (000)	2020 LE (000)
Salaries & Wages		827 765	904 991
Spare parts and maintenance expenses		8 415	11 402
Fixed assets depreciation	(11-1)	40 832	44 085
Supplementary pension scheme cost		5 068	4 549
Other expenses		521 899	552 334
		1 403 979	1 517 361

7. OTHER OPERATING EXPENSES

	Note No.	2021 LE (000)	2020 LE (000)
Donations		524 010	76 190
Impairment of assets	(19)	52 820	2 524
Formed provisions during the year	(27)	340 990	130 625
Other expenses		259 418	18 601
		1 177 238	**227 940**

8. FINANCE INCOME AND COST

	2021 LE (000)	2020 LE (000)
Finance and interest income	136 838	94 847
Interest & finance cost *	(3 391 597)	(3 899 231)
Foreign currency exchange differences (losses) gains	105 425	(135 282)
Net finance costs	**(3 149 334)**	**(3 939 666)**

9. BASIC AND DILUTED PROFIT (LOSSES) PER SHARE FOR THE YEAR

	2021	2020
Owners of the company share		
Net Profit /loss for the year (LE 000)*	3 521 623	(3 119 045)
Weighted average number of outstanding shares during the year (share)**	532 891 832	533 802 313
Basic and diluted loss per share for the year (LE / share)*	**6 .61**	**(5.84)**

* There's discount for 10 373 195 shares were eliminated for calculating the weighted average number of outstanding shares during the Year Ended December 31, 2021 which represent treasury stocks (comparing to 9 462 714 shares on December 31, 2020) (Note no. 23).

10. EMPLOYEE BENEFITS

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 1/1/2000 in addition to the annual salary increase.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies for the year ended December 31, 2021 amounted to L.E 31 052 K has been included in salaries and wages in the statement of income (against L.E 30 829 K for year 2020).

11. FIXED ASSETS (NET)

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

	Land LE (000)	Buildings LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leasehold improvments LE (000)	Total LE (000)
Cost:								
As of January 1, 2020	783 733	10 031 991	35 792 987	316 474	466 361	227 554	3 902	47 623 002
Additions during the year	-	80 465	380 780	635	14 487	20 903	-	497 270
Disposals during the year	-	(81)	(70 853)	(3 994)	(1 663)	(428)	-	(77 019)
Translation differences of foreign currency	(4 459)	(118 620)	(270 675)	(31)	(941)	(3 068)	-	(397 794)
As of December 31, 2020	779 274	9 993 755	35 832 239	313 084	478 244	244 961	3 902	47 645 459
As of January 1, 2021	779 274	9 993 755	35 832 239	313 084	478 244	244 961	3 902	47 645 459
Additions during the year	2 867	29 401	273 654	635	17 956	33 134	-	357 647
Disposals during the year	-	(1 174)	(26 683)	(4 816)	(2 008)	(3 046)	-	(37 727)
As of December 31, 2021	782 141	10 021 982	36 079 210	308 903	494 192	275 049	3 902	47 965 379
Accumulated depreciation:								
As of January 1, 2020	-	2 902 465	19 562 871	291 701	242 652	145 949	3 902	23 149 540
Depreciation for the year	-	232 479	1 122 379	10 291	46 695	19 624	-	1 431 468
Accumulated depreciation of disposals during the year	-	(81)	(69 644)	(3 994)	(1 656)	(428)	-	(75 803)
Translation differences of foreign currency	-	(31 357)	(117 541)	(30)	(790)	(1 831)	-	(151 549)
As of December 31, 2020	-	3 103 506	20 498 065	297 968	286 901	163 314	3 902	24 353 656
As of January 1, 2021	-	3 103 506	20 498 065	297 968	286 901	163 314	3 902	24 353 656
Depreciation for the year	-	230 026	1 143 697	6 598	43 884	22 697	-	1 446 902
Accumulated depreciation of disposals during the year	-	(1 174)	(26 613)	(4 816)	(1 999)	(3 046)	-	(37 648)
As of December 31, 2021	-	3 332 358	21 615 149	299 750	328 786	182 965	3 902	25 762 910
Carrying amount:								
As of December 31, 2020	779 274	6 890 249	15 334 174	15 116	191 343	81 647	-	23 291 803
As of December 31, 2021	782 141	6 689 624	14 464 061	9 153	165 406	92 084	-	22 202 469
Fixed assets fully depreciated and still in use as of December 31, 2021	-	534 439	2 203 516	275 285	165 475	114 711	3 902	3 297 328

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

	Note No.	For The year ended 31 December: 2021 LE(000)	2020 LE(000)
Cost of sales	(3)	1 405 384	1 386 805
Selling and marketing expenses	(5)	686	578
Administrative & General expenses	(6)	40 832	44 085
		1 446 902	1 431 468

11.2 **Leased fixed assets:**
Fixed assets include leased assets as of December 31, 2021 as follows:

	Cost at 31/12/2021 LE (000)	Accumulated depreciation at 31/12/2021 LE (000)	Net at 31/12/2021 LE (000)	Net at 31/12/2020 LE (000)
Land *	70 000	-	70 000	70 000
Building **	145 000	20 542	124 458	128 083
	215 000	20 542	**194 458**	**198 083**

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

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

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

	LE (000)
Modification surplus of fixed assets at floating foreign exchange rate date (November 3, 2016)	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till **December 31, 2020**	(869 811)
Net modification surplus of fixed assets at December 31, 2020	**2 240 880**
Recognized portion during the year Ended December 31, 2021	(171 184)
Net modification surplus of fixed assets at December 31, 2021	**2 069 696**
Attributable to:	
Owners of the holding Company	1 335 620
Non-controlling interest	734 076
	2 069 696

12. PROJECTS UNDER CONSTRUCTION

	31/12/2021 LE (000)	31/12/2020 LE (000)
Constructions expansion	4 820	19 572
Machinery under installation	1 565 720	114 186
Advance payments for purchase of fixed assets	14 772	78 902
	1 585 312	212 660

13. LONG TERM INVESTMENTS

	31/12/2021 LE (000)	31/12/2020 LE (000)
13-1 Investments in subsidiaries (Not included in the Consolidated Financial Statements)		
- Al Ezz for medical industries (30% owned by Ezz Steel company and 30% by Al Ezz El Dekheila for Steel – Egypt (EZDK)	1 500	600
The subsidiary company was established on August 11, 2020, 25% of the capital was paid, the company did not practice any activities yet to date, and the company hasn't prepared any financial statements yet.		
13-2 Investments in associates		
- Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	90	90
- Al Ezz El Dekheila for Steel – Egypt (EZDK) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	25	25
- EZDK Steel UK LTD – (Note no. 38-1) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	1	1
13-3 Investments available-for-sale		
- Arab Company for Special Steel (SAE) (1% owned by Ezz El Dekheila for Steel – Alexandria).	4 263	17 726
- The Egyptian Company for Cleaning and Security Services (30.80% owned by Al Ezz Steel Company)	80	80
- Atlantic Pacific Transport Ltd. (5% owned by Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)).	4 016	4 016
	9 975	**22 538**
Less:		
- Impairment loss in Arab Company for Special Steel	4 263	17 726
- Impairment loss in EZDK Steel UK LTD	1	1
- Impairment loss in Egyptian German Co. for Flat Steel Marketing (Franco) L.L.C (under liquidation)	90	90
Impairment loss in long term investments (Note no.19)	4 354	17 817
	5 621	4 721

14. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Employees' advance payments		77 172	75 623
Employees' loans present value		28 469	31 241
		105 641	106 864
Less:			
Employees' loans and advances due within the year	(18)	(48 538)	(52 143)
Long term employees' loans and advances		57 103	54 721
Less:			
Differences resulted from change in the fair value of long-term employees' loans		(9 471)	(9 341)
		47 632	45 380

15. OTHER ASSETS

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

	LE (000)
Cost at January 1, 2021	35 858
(Less):	
Amortization for the year	5 123
Net at December 31, 2021	30 735

16. INVENTORY

	31/12/2021 LE (000)	31/12/2020 LE (000)
Raw materials and supplies	4 524 310	2 324 738
Work in process	704 873	319 757
Finished products	2 221 314	1 741 922
Spare parts and supplies	1 835 844	1 980 166
Goods in transit	160 923	281 397
Letters of credit	71 690	28 776
	9 518 954	6 676 756

17. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Trade receivables		2 771 711	1 682 047
Trade receivables – Related parties	(32-1)	9 048	8 731
Notes receivable		2 055 788	1 215 125
		4 836 547	2 905 903
Less:			
Impairment loss on trade receivables	(19)	(40 559)	(30 121)
		4 795 988	2 875 782

18. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Deposits with others		1 272 913	1 231 024
Tax Authority	(18-1)	1 892 355	1 224 017
Tax Authority – usufruct	(18-2)	127 477	127 477
Tax Authority – VAT		1 227 071	862 167
Customs Authority		182 728	22 503
Accrued revenues		761	587
Prepaid expenses		68 648	69 041
Alexandria Port Authority		19 570	19 570
Employees' loans and advance payments due within a year	(14)	48 538	52 143
Letters of credit cash margin		7 212	4 491
Letters of guarantee cash margin	(33-1)	1 315	135
Due from related parties	(32-2)	34 849	20 531
Advance payment under the account of employees' dividends		53 522	35 816
The Cairo Economic Court	(18-3)	35 060	35 060
Other debit balances	(18-4)	970 643	750 651
		5 942 662	4 455 213
Less:			
Impairment loss on debtors and other debit balances	(19)	(92 891)	(50 509)
		5 849 771	4 404 704

18-1 The Tax Authority balances include an amount of LE 254.2 Million represents an advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (35-3-1) in addition to an amount of LE 215 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. and amount of LE 25 Million paid under the income tax account from 2014 to 2017.

18-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax for the usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 Million – (Note no. 38-2).

18-3 The Cairo Economic Court balance represents the amount due to the company in the previously paid amounts after deducting the penalties that judged in the misdemeanour No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.

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

19. IMPAIRMENT LOSS ON ASSETS

Impairment loss on:	Note No.	1/1/2021 LE (000)	Formed during the year LE (000)	disposals during the year LE (000)	31/12/2021 LE (000)
Long term investments	(13)	17 817	-	(13 463)	4 354
Trade and notes receivable	(17)	30 121	10 438	-	40 559
Debtors and other debit balances	(18)	50 509	42 382	-	92 891
Advance payments for suppliers		2 332	-	-	2 332
		100 779	**52 820**	**(13 463)**	**140 136**

20. CASH AND CASH EQUIVALENTS

	31/12/2021 LE (000)	31/12/2020 LE (000)
Banks - time deposits	243 960	232 370
Banks – current accounts	3 069 795	1 867 530
Cheques under collection	115 492	59 091
Cash on hand	49 908	64 095
	3 479 155	2 223 086
Less:		
Banks – overdraft	(270 398)	(155 949)
Restricted time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(132 059)	(140 273)
Cash and cash equivalents in the statement of cash flows	3 076 698	1 926 864

21. CAPITAL

21.1 Authorized capital

The company's authorized capital is LE 8 Billion.

21.2 The issued and paid in capital

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

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

Shareholder	31/12/2021			31/12/2020
	Number of Shares	Par Value L.E	Contribution %	Contribution %
- Al Ezz Group holding for industry and investment (Ezz industries) *	-	-	-	38.403
- Engineer / Ahmed Abd El Aziz Ezz*	356 933 139	1 784 665 695	65.701	27.298
- Al Ezz for Rolling mills (subsidiary company)	9 462 714	47 313 570	1.742	1.742
- Others	176 869 174	884 345 870	32.557	32.557
	543 265 027	**2 716 325 135**	**100**	**100**

* Some subsidiaries of "Al Ezz Group Holding company for Industry & Investment "Ezz Industries" have sold their shares in Ezz steel company on April 21 2020, which represent a percentage of contribution of 27.29% for Eng/ Ahmed Abdelaziz Ezz, consequently the percentage of the mentioned company contribution (direct and indirect) in Ezz steel company after this transaction is 38.403% on December 31 2020, rather than 65.25% until April 2020.

* As part of the restructuring Al-Ezz Holding Co. for Industrial and Investment (Al- Ezz Holding Group) on 7/6/2021 sold its shares, which represented a contribution rate of 38.403% to Eng/ Ahmed Ezz.

22. RESERVES

	31/12/2021 LE (000)	31/12/2020 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital) **	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital	(3 796 829)	(3 796 829)
	182 090	**182 090**

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

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

23. TREASURY STOCKS

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

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

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

24. TRADE AND NOTES PAYABLE

	31/12/2021			31/12/2020
	Due within one year LE (000)	Long term Note No. (30) LE (000)	Total LE (000)	Total LE (000)
Trade payables	3 743 039	-	3 743 039	3 719 194
Notes payable	1 683 867	2 075 696	3 759 563	5 238 598
	5 426 906	**2 075 696**	**7 502 602**	**8 957 791**
Deferred interest	(125 295)	(264 013)	(389 308)	(840 163)
	5 301 611	**1 811 683**	**7 113 294**	**8 117 629**

As of December 31, 2021, trade and notes payable include an amount of installments due to the Electricity and natural gas supplying Companies, the company and its subsidiaries made an agreement with the mentioned companies to reschedule the payment of dues which amounted to L.E 3339.5 Million to be paid on maximum of 48 monthly installment beginning from the date of the agreement, in addition to an annual interest stated on the rescheduling agreement mentioned above.

25. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Accrued interest		259 026	631 889
Accrued expenses		1 720 718	1 239 703
Tax Authority		223 923	417 820
Performance guarantee retention		90 217	58 621
Sales tax instalments		96 483	96 483
Dividends payable		1 609	1 606
Due to related parties	(32-3)	71 324	109 183
Deferred revenue for grants	(30-3)	750	817
Other credit balances		222 242	182 072
		2 686 292	**2 738 194**

26. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

As of the first of January 2013, according to decision of the Board of Directors of Al Ezz El Dekheila for Steel - Alexandria dated December 27, 2012, the Company resolved to grant the employees of the company the benefit of supplementary pension scheme as well as Contra Steel company, for the benefit of any case of retirement at the age of sixty, death or occupational disability of any employee as the company grants all the employees a fixed monthly pension at the age of sixty for ten years and the pension amount is determined based on the year of disbursement and the subscription is collected from the employees of the company based on their age categories while the company bears the remaining cost. The cost of the supplementary pension scheme during the year ended December 31, 2021 amounted to L.E 31.7 Million charged to the consolidated financial statement according to the actuary's report issued annually.

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Balance at the beginning of January		**217 500**	**196 732**
Add:			
Present service cost		2 825	2 841
Return cost		28 866	25 737
Amounts recognized in the consolidated statement of income		31 691	28 578
		249 191	225 310
Actuarial (profits) losses from the defined benefits pension scheme		4 077	(3 907)
Employees paid subscriptions during the year		8 486	7 982
		261 754	229 385
Less:			
Paid pensions during the year		(15 411)	(11 885)
Total liabilities of supplementary pension scheme		246 343	217 500
Distributed as follows:			
Included in current liabilities		25 101	20 771
Included in long-term liabilities	(30)	221 242	196 729
		246 343	217 500

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

	31/12/2021	31/12/2020
Average assumptions to determine the liabilities of the benefits		
A- Average discount rate	14.7 %	14. 6 %
B- Average inflation rate	6.3 %	4.5 %
Average assumptions to determine the net cost of the benefits	**31/12/2021**	**31/12/2020**
A- Average discount rate	14.6 %	14 %
B- Average inflation rate	4.5 %	3.63 %

27. PROVISIONS

	1/1/2021 LE (000)	Formed during the year LE (000)	Used during the year LE (000)	31/12/2021 LE (000)
Tax and claims provision	352 108	340 990	(15 276)	677 822
Employees Lawsuits provision	1 955	-	-	1 955
	354 063	340 990	(15 276)	679 777

28. LOANS

	Short term portion LE (000)	Long term portion LE (000)	Total LE (000)
Loans - local currency	939 328	5 724 874	6 664 202
Loans - foreign currency	1 226 579	1 741 359	2 967 938
Banks - credit facilities	19 966 305	4 966 363	24 932 668
Balance as of December 31, 2021	22 132 212	12 432 596	34 564 808
Balance as of December 31, 2020	22 812 438	11 634 621	34 447 059

28.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly instalment, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015 with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company got the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till December 31, 2021 deducted from the loan balance.
- The instalments paid until December 31, 2021 amounted to LE 988 Million (against LE 895 Million December 31, 2020).
- The company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and it's appendixes, related to the precautious procedures against the effect of corona virus pandemic.
- During the year 2020 and after the end of the period of postponing payment of the interest according to the Central Bank initiative, the banks which granted the loans have modified the instalments with an amount of L.E 152 479 K according to an appendix of the loan, the amount represents the accrued interest on the loan balance for the period from 3/11/2019 to 31/12/2020` to pay the loan plus interest in 16 quarterly instalments starting from March 31, 2021 to December 31, 2024 , the interest rate was modified to 1.5% above the Corridor rate for the first year and 2% above the Corridor rate starts from second year from the date of activating the loan appendix.

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million for 3 years ending in October 17, 2021 and the balance as of December 31, 2021 is LE 796.59 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted to LE 1.5 Billion or its equivalent in foreign currencies. Its balance amounted to LE 1432.15 Million as at December 31, 2021 whose due date is January 2022.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2022, amounted to LE 600 Million or its equivalent in foreign currency. Its balance amounted to LE 150.88 Million as at December 31, 2021 and a portion of foreign currency amounted to LE 160.74 Million equivalent to USD 10.18Million as of December 31 2021.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2023 with a total amount of USD 158 Million or its equivalent in local currency. Its balance amounted to LE 893.12 Million as of December 31, 2021 and a part in foreign currency amounted to L.E 544.1 Million equivalent to USD 34.48 Million as of December 31, 2021.
- The Company obtained from a revolving medium term credit facility from Bank Misr and National Bank of Egypt to finance the working capital of Al Ezz Rolling Mills Company and Al Ezz Flat Steel Company (subsidiaries companies), that Bank Misr is the security agent and National Bank of Egypt as the revenue calculation bank (Indirect contributor through Alahly Capital company for investments) whose due date is 13/2/2022 renewable annually, its balance amounted to L.E 2983.7 Million as of December 31, 2021.

- The company obtained a medium-term loan from Qatar National Bank – Al Ahly for the purpose of restructuring part of the outstanding debt by USD 69.5 Million. The loan is to be paid in 26 quarter annual instalment ending at Aug 31, 2025. The balance as of December 31, 2021 is amounted to USD 40.92 Million equivalent to LE 645.64 Million
- The company obtained a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with an amount of USD 61.5 Million and the loan is to be paid in twenty-eight quarter annual instalment ending at November 28, 2025. The balance as of December 31, 2021 amounted to USD 35.2 Million equivalent to LE 555.41 Million.
- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalment ending at January 15, 2026. The balance as of December 31, 2021 is amounted to USD 33.38 Million equivalent to LE 526.64 Million.
- The company obtained a medium-term loan from HSBC to finance the development and construction of the second direct reduction plant at an amount of EURO- 12.5 Million and LE 80 Million. the loan is to be paid in 12 Semi-annual instalments ending on January 15, 2026, the balance as of December 31, 2021 is amounted to LE 38.36 Million and a portion of foreign currency amounted to USD 9.08 Million equivalent to LE 143.27 Million.
- The company obtained a medium-term loan from NBK for the purpose of restructuring part of the outstanding debt by USD 20 Million. The loan is to be paid in 26 quarter annual instalment ending at August 28, 2026. The balance as of December 31, 2021 is amounted to USD 14.63 Million equivalent to LE 230.84 Million.

28.3 **Al Ezz Flat Steel (Subsidiary)**

- The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated. According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent, The most significant guarantees provided are represented in real-estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory pledge on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favour of the banks.
- The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt.
- The balance of loan installments due in the course of on year on loan agreements is EGP 730 Million consisting of instalments due from the stoppage date to December 31, 2021
- The Banks-credit facilities amounting to L.E. 1.48 Billion on 31/12/2021 is represented in the amount used from the facilities granted by the local banks in the Egyptian pound against several guarantees, the most significant of which is a pledge on the inventory, and joint guarantee from Al-Ezz El-Dekheila Steel Alexandria, assignment of all export proceeds to the banks and depositing all local sales revenues at banks, as well as concluding insurance policy covering theft and fire of inventory in favour of the banks, as well keeping some financial ratios and indicators, during the facility period based on an interest rate related to Corridor rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.
- During year 2020, the above-mentioned credit facilities were rescheduled to be paid in 24 unequal quarterly installments according to specific percentages of the facility's balance starting from 31/3/2021 and ending on 31/12/2026.

28.4 Al Ezz Rolling Mills (Subsidiary)

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

29. Finance lease

	Future lease payments		Deferred Interest		Present value of lease payments	
	31/12/2021 LE (000)	31/12/2020 LE (000)	31/12/2021 LE (000)	31/12/2020 LE (000)	31/12/2021 LE (000)	31/12/2020 LE (000)
Due within one	115 347	115 347	42 026	50 781	73 321	64 566
Add						
Long term	357 095	473 904	65 884	107 910	291 211	365 994
Total	**472 442**	**589 251**	**107 910**	**158 691**	**364 532**	**430 560**

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

30. LONG TERM LIABILITIES

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Notes payable	(24-1)	20 75 696	3 531 106
Liability of the supplementary pension scheme	(26)	221 242	196 729
lending from others	(30-1)	583 230	584 342
Fixed asset purchase creditors	(30-2)	820 440	-
Deferred revenue for grants	(30-3)	-	750
		3 700 608	4 312 927
Unamortized portion of present value of the notes payable		(264 013)	(595 303)
Present value for the long-term liabilities		3 436 595	3 717 624

30.1 Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to LE 582 Million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks virtue of the guarantee of SACE, thereof the interests of the loan are calculated based on variable interest rate related to LIBOR.

30.2 Fixed asset purchase creditors represented in the due to Danilli, on 27/1/2021 the company agreed with the mentioned supplier to reschedule the payment of the dues and the added interest according to the following:

The liability due to the supplier according to the purchase invoices in addition to the calculated interest on it starting from 1/11/2020 is paid in quarterly installments ends in 2026.

The settlement agreement includes that the supplier will waive the right to due interest which calculated on the liability of supplying machinery and equipment during the prior years for the period from the invoice due date until 31/10/2020, this is in case of the company paying all the quarterly installments based on the settlement agreement.

The company and Al Ezz El Dekheila for Steel- Alexandria signed joint guarantees in favor of the above-mentioned supplier to guarantee that the mentioned subsidiary companies would pay its dues stated in the settlement agreement.

According to the settlement agreement, the part due to be paid during the year 2022 will be equivalent to the amount of LE 154 Million.

30.3 Deferred revenues represent the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K, deferred revenues due within one year is amounted to LE 750 K (Note no. 25).

31. DEFERRED TAX

31.1 Recognized deferred tax assets and liabilities

	31/12/2021		31/12/2020	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Fixed assets	–	(3 536 054)	-	(3 601 513)
Provisions and assets impairment	107 722	–	47 472	-
Finance lease liabilities	20 487	–	25 455	-
Tax losses	1 095 701	–	2 013 633	-
Losses from foreign currency translation	34 143	–	34 143	-
Unpaid dividends in subsidiary companies	–	(66 426)	-	-
Gains from foreign currency translation	–	(41 006)	-	(60 437)
	1 258 053	(3 643 486)	2 120 703	(3 661 950)
Net deferred tax (liability)		(2 385 433)		(1 541 247)

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

	31/12/2021 LE (000)	31/12/2020 LE (000)
Net deferred tax	(2 385 433)	(1 541 247)
Less/ (Add):		
Translation differences	–	21 267
Previously charged deferred tax	(1 541 247)	(1 876 472)
Deferred tax	**(844 186)**	**313 958**

31.3 Unrecognized deferred tax assets

	31/12/2021 LE (000)	31/12/2020 LE (000)
Impairment loss on Receivables and debtors	10 850	8 498
Provisions	101 084	65 619
Tax losses	1 017 681	660 068
	1 129 615	**734 185**

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

32. RELATED PARTIES TRANSACTIONS

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

	Nature of Transaction	Transaction Volume during the year LE (000)	Balance as of 31/12/2021 Debit/(credit) LE (000)	Balance as of 31/12/2020 Debit/(credit) LE (000)
32.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)		2 490	9 048	8 731
			9 048	**8 731**
32.2 Items included in debtors and other debit balances				
- Gulf of Suez Development Company (Affiliated company)		–	91	49
- Al Ezz for Ceramics and Porcelain (GEMMA) (affiliated company)	Rent	928	24 175	20 482
-	Sales	77		
	Purchases	99		
- Al Ezz for medical industries (subsidiary)			10 583	–
			34 849	**20 531**
32.3 Items included in creditors and other credit balances				
- Al Ezz Group Holding Company for Industry & Investment (Shareholder)			(71 294)	(109 164)
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(30)	(19)
			(71 324)	(109 183)

33. CONTINGENT LIABILITIES

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

	31/12/2021 Equivalent LE (000)	31/12/2020 Equivalent LE (000)
Letters of guarantee		
Egyptian Pound	7 825	18 253
US Dollar	17 347	17 380
Letters of credit		
US Dollar	2 621 632	2 268 841
Euro	69 762	425 814

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on December 31, 2021 amounted to LE 1 315 K (against LE 135 K as of December 31, 2020 fully covered) (Note no.18).

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

34. CAPITAL COMMITMENTS

- The capital Commitments of El Ezz El Dekhaila as of December 31, 2021 amounted to LE 33 Million, (whereas the amount as of December 31, 2020 is LE 88 Million).

35. TAX POSITION

35.1 Ezz Steel Company

35.1.1 Corporate tax

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

35.1.2 Sales tax and VAT

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

35.1.3 Salary tax

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

35.1.4 Stamp tax

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

35.1.5 Property tax

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

35.2 Al Ezz Rolling Mills Company

35.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.

- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company, the tax inspection has resulted in approved tax losses amounting to LE 73 862 K in 2016 and LE 1 321 347 K in 2017
- The tax return was submitted on its legal date for years 2018 till 2020 according to the income tax law No. 91 for 2005 and its amendments,

35.2.2 Sales tax and VAT

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

35.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no outstanding dues on the company.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and disputes are being resolved by the Internal Committee.
- The company deducts and submits its tax for year 2019 and 2020.

35.2.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues.
- The tax inspection hasn't been requested for year 2019 and 2020 yet.

35.2.5 Property tax

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

35.3 <u>**Al Ezz El Dekheila for Steel – Alexandria Company**</u>

35.3.1 Corporate Tax

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

35.3.2 Salary Tax

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

35.3.3 Sales Tax and VAT

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

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

35.3.4 Stamp Tax

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

35.3.5 Property tax

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

35.4 Al Ezz Flat Steel Company

35.4.1 Corporate tax

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

35.4.2 Salary Tax

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

35.4.3 Sales tax and VAT

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

35.4.4 Stamp tax

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

35.4.5 Real Estate Tax

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

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

***36.1* Financial instruments**

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

***36.2* Interest rate risk**

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities, finance lease liabilities and some rescheduled suppliers liabilities which amounted to LE 35 620 632 K as of December 31, 2021 (LE 37 585 797 K as of December 31, 2020). Financing interest and expenses related to these balances amounted to LE 3 391 597 K during the year (LE 3 899 231 K during the previous year). Restricted time-deposits and current accounts amounted to LE 514 358 K as of December 31, 2021 (LE 372 643 K as of December 31, 2020), interest income related to these time-deposits and current accounts amounted to LE 136 838 K during the current year (LE 94 847 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

36.3 Credit risk

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

	Note No.	31/12/2021 LE (000)	31/12/2020 LE (000)
Long term lending to others	(14)	47 632	45 380
Trade and notes receivables	(17)	4 795 988	2 875 782
Debtors and other debit balances	(18)	5 849 771	4 404 704
Suppliers - advance payments		802 659	331 373
Cash and cash equivalents	(20)	3 429 247	2 158 991

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 2 540 800 K and LE 8 143 496 K respectively on December 31, 2021.

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

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(338 443)
Euro	(14 333)
Swiss Frank	14
Sterling Pound	(118)
Japanese Yen	(40 647)
AED	3

As shown in (Note no. 40-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the financial position date.

Foreign currencies rates as of the financial position date are as follows:

	Closing rates as of:	
	31/12/2021	31/12/2020
US Dollars	15.7400	15.7700
Euro	17.8791	19.4113
Swiss Frank	17.2285	17.9184
Sterling Pound	21.2742	21.5828
AED	4.2854	4.2935

37. THE LITIGATION STATUS

37.1 Workers Lawsuits Regarding Profits

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

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

37.2 Lawsuits before Court Concerning the Trespass on The Company's land

Some of infringements occurred by some individuals and companied on a part of the company lands ,an area 17 acres purchased from the stare property protection Authority – Alexandria Governorate within large area approximately 108 acres which was allocated and received by the company according the handover report dated 13 December 1998 issued by the governor Alexandria no. 80 of year 1993 . The company paid the full price of that land in accordance with the agreement between the company and state property protection authority dated 19 June 2008 , where the infringements were removed on 12 September 2017 , and the company received the land according to the handover report from the state property protection authority and Al.Ajami neighborhood after removing the infringements by direct method , The company was registered the plot of the land where located in the ware houses of row materials in the southern land of the company .

- The legal procedures have been completed to register the purchased plot land from Alexandria governorate in Omzaghia , and its area is 109 acres , 11 carat , 23 share after excluding regulatory losses, according to the final sale contract registered with no. 486 year 2021 dated at 13/9/2021 – public notary Alexandria , which was previously allocated the company at 18/4/1999.

38. OTHER TOPICS

38.1 EZDK Steel UK limited Company (Subsidiary company)

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

The legal liquidator ask to pay sterling pound 350 K which is the final payment to settle the liquidation, the was paid and the final settlement is being extracted and permission to settle the company legally.

38.2 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 to ensure what may be decided against the port of Alexandria regarding the tax assessment amounts for the sales tax, the company filed a lawsuit No. 1409 for the year 2011 in implementation of the request to lift the reservation in the session of September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year, No.35 the lawsuit deliberation was settled and the report has not been filled yet.
- The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 Million in addition to tax amounting to LE 127.5 Million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El Dekheila Port.

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

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

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

- The company filled lawsuit No.1609 for year 2014 civil which numbered 36522 for year 69 J Alexandria Administrative Judiciary against both of the Port Authority and the Tax Authority requesting refund of what was collected from company under the name of sales tax for the period beginning from February 15, 2003 till December 31, 2013 in an amount of L.E 249.525 Million , On November 28, 2018 session the court appointed an expert in the lawsuit, He submitted a report in which he concluded the amounts paid by the company or not to the court because it is a legal issue and the case is postponed to the session of May 19, 2021. The company also filed a lawsuit No. 8971 for the year 72 J Administrative Judiciary - Alexandria requesting a refund of 34. 7 K Egyptian pounds, the value of what was collected under the name of sales tax on the license fee for the period from January 2014 until September 2016, the end of the general sales tax law. Based on the fact that the license fee for usufruct is not subject to the general tax on sales, and the lawsuit was referred to the State Commissioners Authority that deposited an opinion report in which it ended with the assignment of an expert in the case to examine the company's requests, the expert proceeded and deposited a report in which he concluded that the amounts paid by the company were counted, and the lawsuit was postponed to the session of January 26, 2022 for documentation.

39. SIGNIFICANT EVENTS

39-1 During the first quarter of year 2020 most of the world countries, including Egypt, were exposed to the novel coronavirus (Covid-19) pandemic which its effect still exists, and caused disturbances in the majority of commercial and economic activities in general. So, it is possible to have a material impact on the elements of assets, liabilities and its recoverable value thereof, and the results of operations in the group's Consolidated Financial Statements for the current year and the subsequent periods, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operations, the demand on the group's products, and the available liquidity. Currently, the group is assessing and determining the size of this impact on its current Consolidated Financial Statements, the management doesn't expect in the meantime, based on the latest available information, any significant impact on the current Consolidated Financial Statements and its going concern, due to instability and uncertainty as a result of the current events, the magnitude of that event depends mainly on the expected time frame, in which these events and their consequences, are expected to be ended, which is difficult to determine in the meantime.

39-2 Regarding to the company's future investment plan, and in light of the inevitability of sustainable growth to maximize investments and deepen production integration, and since the company adopts a growth strategy based on the constant pursuit of benefiting from available investment opportunities as a primary way to continue regional and international presence and to avoid the risks of deflation and stunting, the BOD agreed in its meeting on December 9, 2021 On the acquisition of 2,287,500 shares, which represents the share of Mr. Ahmed Hamdy Abu Hashima from the shares of the Egyptian Steel Company for the management of steel factories Projects (SAE), with a total investment cost of LE 2.5 billion. The transaction was started during January 2022 according to for what is agreed upon.

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

40.1 Foreign currency translation

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

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

40.2 *Fixed assets and depreciation*

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

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

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

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

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

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

40.3 Cost subsequent to acquisition

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

40.4 *Projects under construction*

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

40.5 *Other assets*

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

40.6 Investments in associates

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

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

40.7 Investments available-for-sale

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

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

40.8 Investments in treasury bills

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

40.9 Goodwill

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

40.10 Inventory

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

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

40.11 Trade and notes receivables and debtors

Trade and notes receivable and debtors are initially stated at their fair value and subsequently measured by depreciated cost using the effective interest rate and reduced by estimated impairment losses from its value.

40.12 Cash and cash equivalents

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

40.13 Trade and notes payable and creditors

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

40.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

40.15 Interest-bearing borrowings

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

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

40.16 Provisions

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

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) **Revenue Recognition.**

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

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

- Egyptian Accounting Standard No. (48) defines a comprehensive framework for determining the value and timing of revenue recognition, and this standard replaces the following Egyptian accounting standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts").

- Revenue is recognized when the Trade Receivables is able to control the goods or services. Determining when to transfer control over a period of time or at a point in time requires a degree of personal judgment.

- The incremental costs of obtaining a contract with a Trade Receivables are recognized as an asset if the company expects to recover those costs.

The potential impact on the financial statements

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

b) **Dividends**

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

c) **Interest income**

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

40.19 lease contracts

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

40.22 Grants related to assets

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

40.23 Employee benefits

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

40.24 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.24.1 Credit risk

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

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

- *Trade receivable & other debtors*

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

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

- *Cash and cash equivalents*

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

40.24.2 Liquidity risk

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

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

40.24.3 Market risk

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

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

- ***Currency risk***

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

- ***Interest rate risk***

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

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

- ***Other market prices risk***

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

40.24.4 Capital management

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

41 Egyptian Accounting Standard No. (47) Financial Instruments

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

A- Classification & Measurement Of Financial Assets & Financial Liabilities

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

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

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

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

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

Fair value through profit or loss.

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

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

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

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

D- Impairment

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