ezzsteel REPORTS CONSOLIDATED FY 2013 RESULTS

Cairo, 14 May 2014 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 December 2013. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Million	FY2012	FY 2013	YoY (+/-)
• **Net sales**	19,799	**21,294**	+8%
• **Gross profit**	1,690	**2,331**	+38%
• **EBITDA***	1,851	**2,302**	+24%
• **Net profit before tax and minority interest**	520	**985**	+89%
• **Net profit after tax and minority interest**	8	**134**	
• **Earnings per share ****	0.02	**0.25**	
• **Net debt to equity**	1.39x	**1.29x**	

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

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

Comment

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

"In 2013, we have experienced a third consecutive year of political disruption and economic slowdown in Egypt, coupled with global weakness in the international steel market. Despite these adverse conditions, we were able to achieve excellent operational performance; improve our profitability; and secure the financing for the restart of our investment plan. We are continuing to implement the strategic industrial vision that has been the key for our success over the past 20 years."

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About ezzsteel

ezzsteel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 5.8million tonnes of finished steel.

In 2013, the Company produced 3.7 million tonnes of long products (typically used in construction) and 990 thousand tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales

Consolidated net sales for 2013 were EGP 21.3 billion, representing an increase of 8 per cent year on year. This increase in sales is due to stronger prices for both long and flat products in the domestic market –with long product prices increasing by 10per cent and flat products prices by 6 per cent year on year. International flat steel prices were up by 5 per cent, while long product prices were stable.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	6,031	9,183	1,421	**16,635**
Flat		4,401		**4,401**
Others		252	6	**258**
Total	**6,031**	**13,836**	**1,427**	**21,294**

Long steel products accounted for EGP 16.6 billion or 78 per cent of sales in 2013, while flat steel products represented 21 per cent of sales at EGP 4.4 billion. The domestic market continued to remain strong, with private house building rebounding following the impact of the curfew in Q3 2013.

Long product exports accounted for 9per cent of total long sales value. Flat product exports accounted for 45per cent of total flat sales, marginally higher than the 44 per cent recorded in 2012. The domestic market continued to witness a reasonable level of demand, accounting for 55 per cent of sales by value.

Sales Value EGPMn	**Domestic**	**per cent**	**Export**	**per cent**
Long	15,152	91	1,483	9
Flat	2,437	55	1,965	45

Long steel sales volumes reached 3.74 million tonnes during 2013, a decrease of 4% compared to the same period of 2012. While the local market declined 10 per cent year on year, due to the market disruption earlier in the year, on a quarter on quarter basis, sales volumes rebounded by 7

per cent to 834 thousand tonnes in Q4. Long product export sales volumes were up by 181 per cent year on year.

While flat steel sales volumes increased by 12 per cent to 999 thousand tonnes in 2013, this is still low from a historical perspective, due to the switching of production at EFS to long products, to meet higher local and international demand and to secure more commercial pricing. Once the DRI facility at EFS is completed, it is expected that full flat production at EFS will recommence on much more sustainable margins than are currently achievable.

The group's consolidated sales volume reached a total of 4.74 million tonnes in 2013, essentially flat on the 4.77 million tonnes sold in 2012, with a small fall in domestic sales volumes offset by increased export demand.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2013 were 28 per cent, 65 per cent, and 7 per cent respectively.

Production

Long steel production volumes reached 3.7 million tonnes during 2013, a 5 per cent decrease from the 3.9 million tonnes in 2012, while flat production grew by 11 per cent to 990 thousand tonnes. However, on a quarter on quarter basis, long steel production actually grew by 4 per cent to 892 thousand tonnes, while flat production grew by 12 per cent to 256 thousand tonnes. Long capacity utilisation was 83 per cent, while flat was 99 percent throughout 2013.

Cost of Goods Sold

Consolidated Cost of Goods Sold for the year ending 31 December 2013 were 89 per cent of sales, reflecting an improvement in gross profit margin. Raw material costs per tonne, the most significant portion of COGs, only increased by 4 per cent, largely due to the high level of vertical integration at EZDK. At EFS, which is currently reliant on scrap inputs, raw material costs were still too high to restart commercial production of the flat rolling mill. This will be addressed once the DRI facility comes on stream later in the year.

	Standalone figures			**Consolidated**
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	6,414	13,808	1,906	21,293
COGS	6,145	11,437	2,238	18,963
COGS/Sales	**96%**	**83%**	**-117%**	**89%**

Gross profit

Gross profit of EGP 2.3 billion was recorded for FY 2013, an increase of 38 per cent from the EGP 1.7 billion recorded in the previous year.

EBITDA

EBITDA for the year ending 31 December 2013 amounted to EGP 2.3 billion, representing an increase of 24 per cent from EGP 1.9 billion recorded in 2012. This reflects the company's strong operational cash flows.

Tax

Commensurate with the company's greater profitability, the company's tax charge increased by 68 per cent from EGP 270 million for 2012 to EGP 452 million in 2013.

Net profit after tax and minority interests

Net profit after tax and minority interests was EGP 134million for FY2013, in comparison to a profit of EGP8 million for FY 2012.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2.2 billion and net debt of EGP 8.4 billion. The company has a gearing of Net Debt / Equity of 1.29 times.

Outlook

The gradual return of political stability in Egypt; the sustained demand for steel products in the local housing sector; the increase of spending on infrastructure projects announced by the Egyptian Government; and the constant progress in the construction of our DRI plant are all factors which will positively contribute to our improved performance going forward.

Standalone Performance Divisional Overview

EZDK **Sales (EGP):**	**FY 2012**	**FY 2013**	
Value:	11,667	13,808	Mn
Volume: Long: Flat:	 1,922,937 869,673	 2,074,954 999,307	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 7 45	 12 46	
EBITDA:	1,861	2,343	Bn
Production:			
Long Products:	1,962,292	2,042,927	Tonnes
Flat Products:	893,434	989,938	Tonnes
Billets:	2,124,108	2,086,699	Tonnes
ESR/ERM **Sales (EGP):**			
Value:	5,806	6,414	Mn
Volume:	1,355,684	1,357,360	Tonnes
Exports as % of Sales:	0	8	
EBITDA:	129	112	Mn
Production:			
Long Products:	1,333,590	1,359,218	Tonnes
Billets:	803,210	791,369	Tonnes
EFS **Sales (EGP):**			
Value:	2,825	1,906	Mn
Volume: Long: Flat:	 606,022 22,800	 313,901 0	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 56	 0	
EBITDA:	-142	-169	Mn
Production:			
Long Products:	600,822	312,529	Tonnes
Flat Products:	0	0	Tonnes
Billets:	670,663	415,439	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel RebarsS.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 12 month period ending31 December 2013.This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FSA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For the Financial Year Ended December 31, 2013
& Auditor's Report

KPMG

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AUDITOR'S REPORT

To The Shareholders of Ezz Steel Company

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as of December 31, 2013 and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of matter

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

1- As explained in Note No. (35-1) to the consolidated financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

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

   During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, The session was scheduled on April 6, 2013 and it was postponed to July 2, 2014 as a date set for the expert committee to submit its report.

   It is difficult in the present time to determine the final result that may result from this case till the final decision taken by the judicial authorities.

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

2- As detailed in Note No. (32-3-1) of the notes to the consolidated financial statements. The tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company – a subsidiary company – amounted to LE 219 million according to the forms received from the Tax Authority on February 17, 2011 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute provided that the company should pay LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million fell due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts till December 31, 2013 amounting to LE 224.6 million, including delay interest amounting to LE 5.2 million.

The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No.405 of 2011. A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No.693 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit and it was postponed to the session that is to be held on May 31, 2014. However, the said delegated expert has not commenced his task up to this date.

3- As detailed in Note No. (20-1) and (36-2) of the notes to the consolidated financial statements there is a dispute raised between Al Ezz El Dekheila for Steel - Alexandria (EZDK) company and the Sales Tax Authority about the amount of the additional tax on materials stevedoring category amounting to LE 127.5 million till June 28 2012, on October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks. The Sales Tax Authority is of the opinion that there is a necessity to be committed to the settlement of the additional tax in order to cease all the procedures that were previously mentioned. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year, along with its right to maintain a reservation on the settlement, Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority.

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

4- As mentioned in details in note No. (35-3) of the notes accompanying the consolidated financial statements, The Cairo Economic court issued its ruling on November 6, 2013 concerning the indictments against some officers of Ezz Steel company and some companies of Ezz group in relation to the violation of competition law and anti-competitive practices during the period from May 16, 2005 until December 31, 2006 and the total amount of the penalties imposed "jointly" on Ezz group companies stated in the said ruling reached LE 200.5 million. Based on the opinion of the legal advisor of the group, the management of Ezz Steel company is of the opinion that the aforementioned appeal ruling is most probable to be vacated due to lack of justification, the erroneous implementation of law and violation of what was proved in the case documents in case of being appealed against before the court of cassation. However, the management of Ezz group companies is currently taking the necessary legal actions to appeal against the said ruling before the court of cassation, hence, it is difficult at present to determine the liabilities that may be imposed on Ezz Steel company in relation to the said ruling, if any, until a judgment is issued to this effect before the court of cassation.

KPMG

Hazem Hassan

5- As detailed in Note No. (33-4) of the notes to the consolidated financial statements, and In the light of the current economic circumstances in the Arab Republic of Egypt and the scarcity of foreign currencies in the official banking markets, and the impact thereof on increasing the exchange rate risk and operational risk, the Company's and its subsidiaries' management applies extraordinary procedures to face such risks, and that by providing some of its requirements of cash in foreign currency at exceptional exchange rates, that differ from the official exchange rates declared in the official banking markets after approving them and their related internal documents by the Company's and its subsidiaries' Board of Directors and top management, as the best assessment of the exchange rates from its point of view.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 13, 2014

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of December 31, 2013

	Note No.	31/12/2013 LE(000)	31/12/2012 LE(000)
Long Term Assets			
Fixed assets (net)	(4)	11 287 009	11 126 883
Projects under construction	(5)	3 177 523	2 754 687
Financial investments in associates	(6-1)	115	115
Financial investments available-for-sale	(6-2)	109 880	109 880
Long term lending to others	(7-1)	31 160	22 587
Sales tax installments	(8)	172 333	167 959
Goodwill	(3-8)	315 214	315 214
Deferred tax Assets	(26-1)	—	2 998
Total long term assets		15 093 234	14 500 323
Current Assets			
Inventory	(9)	3 225 266	3 620 097
Trade and notes receivable	(10)	167 112	51 875
Debtors and other debit balances	(11)	1 108 358	923 525
Suppliers - advance payments		68 297	58 788
Investments in treasury bills	(3-7)	43 124	47 009
Cash and cash equivalents	(13)	2 153 736	1 289 977
Total current assets		6 765 893	5 991 271
Current Liabilities			
Banks - overdraft	(14)	2 851 680	2 061 381
Loan installments and facilities due within one year	(15)	3 781 904	4 203 239
Bonds loan due within one year	(25)	437 798	220 000
Installments due within one year	(20-2)	56 100	—
Trade and notes payable	(16)	1 687 555	1 412 682
Trade receivables - advance payments		267 489	286 897
Creditors and other credit balances	(17)	494 069	358 544
Income tax		400 949	275 195
Liability of the supplementary pension scheme	(18)	1 233	—
Provisions	(19)	197 312	205 184
Total current liabilities		10 176 089	9 023 122
Increase of current liabilities over current assets		(3 410 196)	(3 031 851)
Total investment		11 683 038	11 468 472
Financed as follows:			
Shareholders' Equity			
Issued and paid - up capital	(22-2)	2 716 325	2 716 325
Reserves	(23)	3 978 919	3 966 993
Retained earnings		1 281 430	1 408 519
Net profit for the year		134 361	8 381
Treasury stocks	(24)	(71 921)	(71 921)
Translation difference adjustments		404 226	273 693
Company's share in employees interm dividends & board of directors remunerations of EZDK-subsidiary company- during the year		(51 844)	(43 719)
		8 391 496	8 258 271
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 599 573)	(3 599 573)
Total holding company shareholders' equity		4 791 923	4 658 698
Non-controlling interest		1 732 182	1 648 762
Total Shareholders' equity		6 524 105	6 307 460
Long Term Liabilities			
Long-term loans	(15)	3 426 968	3 377 141
Other liabilities	(20)	892 816	779 280
Bonds loan	(25)	—	215 598
Deferred tax liabilities	(26-1)	839 149	788 993
Total long term liabilities		5 158 933	5 161 012
Total equity and long term liabilities		11 683 038	11 468 472

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

Auditor's Report "attached"

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Income
For the Financial Year Ended December 31, 2013

	Note No.	2013 LE(000)	2012 LE(000)
Sales (net)	(3-17)	21 293 953	19 799 227
Less :			
Cost of sales	(27)	18 963 368	18 108 919
Gross profit		2 330 585	1 690 308
Less:			
Selling and marketing expenses	(28)	144 559	101 753
General and administrative expenses	(29)	561 258	372 637
Impairment loss on assets	(12)	6 812	3 923
Provisions	(19)	8 713	1 599
Total expenses		721 342	479 912
Results from operating activities		1 609 243	1 210 396
(Less) Add :			
Net finance cost			
Interest & finance expenses		(862 057)	(879 803)
Interest income		98 049	42 069
Amortization of bonds issuance expenses		(2 200)	(2 200)
Foreign exchange differences		37 221	117 217
		(728 987)	(722 717)
Reversal of impairment loss on assets	(12)	13 792	2 480
Provisions no longer required	(19)	4 429	—
Other revenues		85 643	31 599
Capital gains (losses)		759	(1 432)
		(624 364)	(690 070)
Net profit for the year before income tax		984 879	520 326
(Less) Add :			
Current income tax for the year	(3-19)	(400 949)	(275 195)
Deferred tax	(26-2)	(51 295)	5 265
Net profit for the year		532 635	250 396
Attributable to:			
Equity holders of the holding company		134 361	8 381
Non-controlling interest		398 274	242 015
Net profit for the year		532 635	250 396
Earnings (losses) per share for the year (LE/share)	(34)	0.06	(0.15)

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity

For the Financial Year Ended December 31, 2013

	Capital	Reserves	The difference resulting from the acquisition of subsidiaries within the group	Retained earnings	Translation difference adjustments	Treasury stocks	Employees and board of directors' share in interim distributions	Net profit	Total holding company Shareholders	Non-controlling interest	Total shareholders' equity
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE(000)	LE (000)	LE (000)	LE (000)
Balance as of 1/1/2012	2 716 325	3 961 284	(3 599 573)	1 438 393	183 836	(71 921)	–	202 400	4 830 744	1 830 224	6 660 968
Setting off profit of year 2011 in retained earnings	–	–	–	202 400	–	–	–	(202 400)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2011	–	–	–	(76 522)	–	–	–	–	(76 522)	(67 221)	(143 743)
Setting off EZDK company's share & non-controlling interst in employees and the board of directors' share in Contra Steel Company dividends of 2011	–	–	–	(1 476)	–	–	–	–	(1 476)	(1 228)	(2 704)
Transferred to legal reserve	–	5 709	–	(5 709)	–	–	–	–	–	–	–
Dividends for the year 2011 to employees and shareholders in Ezz Steel	–	–	–	(148 567)	–	–	–	–	(148 567)	–	(148 567)
Dividends for the year 2011 to non-controlling interest in EZDK Company	–	–	–	–	–	–	–	–	–	(242 770)	(242 770)
Company's share in employees and the board of directors' share in the interim dividends of 2012	–	–	–	–	–	–	(43 719)	–	(43 719)	(38 152)	(81 871)
Non-controlling share in EZDK Company interim dividends of 2012	–	–	–	–	–	–	–	–	–	(121 385)	(121 385)
Translation difference adjustments	–	–	–	–	89 857	–	–	–	89 857	47 279	137 136
Net profit for the year 2012	–	–	–	–	–	–	–	8 381	8 381	242 015	250 396
Balance as of 31/12/2012	2 716 325	3 966 993	(3 599 573)	1 408 519	273 693	(71 921)	(43 719)	8 381	4 658 698	1 648 762	6 307 460

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the Financial Year Ended December 31, 2013

	Note No.	Capital LE (000)	Reserves LE (000)	The difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Employees and board of directors' share in interim distributions LE (000)	Net profit LE (000)	Total holding company Shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2013		2 716 325	3 966 993	(3 599 573)	1 408 519	273 693	(71 921)	(43 719)	8 381	4 658 698	1 648 762	6 307 460
Adjustment to retained earnings	(17)				(31 839)					(31 839)		(31 839)
Setting off profit of year 2012 in retained earnings		–	–	–	8 381	–	–	–	(8 381)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2012		–	–	–	(43 719)	–	–	43 719	–	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2012		–	–	–	(47 304)	–	–	–	–	(47 304)	(41 134)	(88 438)
Setting off EZDK company's share & non-controlling interst in employees and the board of directors' share in Contra Steel Company dividends of 2012		–	–	–	(649)	–	–	–	–	(649)	(540)	(1 189)
Transferred to legal reserve		–	11 926	–	(11 926)	–	–	–	–	–	–	–
Dividends for the year 2012 to non-controlling interest in EZDK Company		–	–	–	–	–	–	–	–	–	(121 385)	(121 385)
Result of Disposal of Ezz Algeria company according to its liquidation		–	–	–	(33)	–	–	–	–	(33)	(29)	(62)
Company's share in employees and the board of directors' share in the interim dividends of 2013		–	–	–	–	–	–	(51 844)	–	(51 844)	(45 801)	(97 645)
Non-controlling share in EZDK Company interim dividends of 2013		–	–	–	–	–	–	–	–	–	(182 078)	(182 078)
Translation difference adjustments		–	–	–	–	130 533	–	–	–	130 533	76 113	206 646
Net profit for the year 2013		–	–	–	–	–	–	–	134 361	134 361	398 274	532 635
Balance as of 31/12/2013		2 716 325	3 978 919	(3 599 573)	1 281 430	404 226	(71 921)	(51 844)	134 361	4 791 923	1 732 182	6 524 105

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of cash flows
For the Financial Year Ended December 31, 2013

	Note No.	2013 LE(000)	2012 LE(000)
Cash flows from operating activities			
Net profit for the year before income tax & non-controlling interest		984 879	520 326
Adjustments to reconcile net profit to net cash from operating activities			
Depreciation	(4)	676 889	635 117
Amortization of accrued interest		(5 303)	(6 531)
Amortization of bond issuance costs		2 200	2 200
Reversal of impairment loss on assets	(12)	(13 792)	(2 480)
Impairment loss on assets	(12)	6 812	3 923
Provisions	(19)	8 713	1 599
Provisions no longer required	(19)	(4 429)	—
Capital (gain) loss		(759)	1 432
Interest & finance expenses		862 057	879 803
Amortization of the difference resulting from the change in fair value of long term lending		(1 576)	(749)
Differences resulting from the change in liability of the supplementary pension scheme		15 070	—
Foreign currency exchange differences		(61 919)	(119 203)
		2 468 842	1 915 437
Changes in working capital			
- Inventory		426 036	54 126
- Trade receivables, debtors and other debit balances		(464 548)	(75 080)
- Trade payables, creditors and other credit balances		389 364	71 524
- Liability of the supplementary pension scheme		3 597	—
- Used provisions	(19)	(12 156)	(491)
Cash generated from operating activities		2 811 135	1 965 516
Interest paid		(857 335)	(758 882)
Income tax paid		(274 848)	(358 606)
Net cash from operating activities		1 678 952	848 028
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(826 461)	(445 982)
Payments for purchase of financial investment (treasury bills)		(227 838)	(197 798)
Proceeds from reclaim of financial investment (treasury bills)		237 025	219 825
Proceeds from sale of fixed assets		759	699
Payments for fixed assets creditors		(101)	—
Payments for lending others		(32 368)	(53 694)
Proceeds from lending others		16 251	19 068
Net cash used in investing activities		(832 733)	(457 882)
Cash flows from financing activities			
Change in banks - credit facilities		12 884	224 635
Change in long term liabilities		254 189	(101 740)
Change in blocked time-deposits and current accounts		(261 839)	6 452
Payments for loans		(1 417 757)	(1 542 074)
Proceeds from loans		852 930	1 125 081
Payments for bonds loan		—	(220 000)
Dividends paid		(491 613)	(789 996)
Net cash used in financing activities		(1 051 206)	(1 297 642)
Net change in cash and cash equivalents during the year		(204 987)	(907 496)
Cash and cash equivalents at beginning of the year	(13)	(1 061 911)	(157 546)
Translation differences		4 374	3 131
Cash and cash equivalents at the end of the year	(13)	(1 262 524)	(1 061 911)

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the consolidated financial statements
For the Financial Year Ended December 31, 2013

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebnon street– El Mohandseen – Cairo – Egypt. Chairman is Mr. / Paul Philipe Chekaiban.

Subsidiaries

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) - an Egyptian Joint Stock Company was established in 1982 as a joint Investment Company under law No. 43 of 1974 which was replaced by law No. 8 of 1997.

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

Al Ezz Flat Steel Company (EFS) - an Egyptian Joint Stock Company - was established in 1998 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997.

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) – was established according to the decree of the specialized committee in the ministry of economy and foreign trade (corporate fine) under the provisions of law No. 159 of 1981.

Misr for Pipes & Casting Industry Company – was established in August 29, 1992 under the provisions of law No. 159 of 1981.

Translation from Arabic

The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2013 Percentage Share %	31/12/2012 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91	98.91
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	54.59
Al Ezz Flat Steel (EFS)	63.84 (Direct & Indirect)	63.84 (Direct & Indirect)

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

	31/12/2013 Percentage Share %	31/12/2012 Percentage Share %
Al Ezz Flat Steel (EFS)	55	55
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	87 (Indirect)	87 (Indirect)

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Statement of compliance*

This consolidated financial statement has been prepared in accordance with Egyptian Accounting Standard.

2.2 *Basis of measurement*

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

2.3 *Functional and presentation currency*

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

Translation from Arabic

2.4 *Use of estimates and judgments*

- The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

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

2.5 *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, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.

- All inter-Company balances, transactions and unrealized profits were eliminated.

- Non-controlling interest in the net equity and in net earnings of subsidiary companies are included in a separate item "non controlling interest" in the consolidated 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 income statement.

- Al Ezz Algeria company's balances have been excluded from the consolidated balance sheet as of September 30, 2013, and recorded in the consolidated statement of income for the financial period ended March 31, 2013 as a result of the decision taken by the Extraordinary General Assembly Meeting of Al Ezz Steel Algeria company that was held on May 29, 2013 to the effect of liquidating the company and the company was struck off from the Commercial Registry in Algeria on September 3, 2013.

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

	LE (000)
Represent the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group.	3 280 493
Represent the difference between the cost of acquiring 55% of Al Ezz Flat Steel (EFS) capital –subsidiary – on July 2009 through Al Ezz El Dekheila for Steel – Alexandria and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group.	191 918
	3 472 411
Represent the difference between the cost of acquiring additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital – subsidiary – on April 2010 (which represents 1.35% from its capital) and the net carrying amount of these shares since this transaction was made in the presence of the company's control over the subsidiary. the company has purchased these shares from shareholders outside Ezz group.	127 162
	3 599 573

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

The Company maintains its books of account in Egyptian pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the declared exchange rates at that date thereof. The exchange differences resulting from the value of transactions carried during the year and the value of retranslation at the balance sheet date are recorded in the statement of income.

Financial statements of Al Ezz Flat Steel (EFS)

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

Financial statements of Ezz Steel Algeria Company S.P.A

Ezz Algeria company maintains its accounting records in Algeria Dinar For the purpose of preparation of the consolidated financial statements, the assets and liabilities are translated into Egyptian Pound at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pound at the average exchange rate for the year. Exchange differences arising from the translation are recorded in the shareholders equity.

3.2 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation - except rolling rings - is charged to the income statement 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.

Translation from Arabic

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

Asset	Estimated useful life Years
Buildings and constructions	25 – 50
Other buildings	8
Central air conditioning and fixtures	8
Machinery and equipment	5 – 25
Vehicles	2 – 5
Furniture and office equipment	3 – 10
Tools and appliances	4 – 5
Rolling rings	According to actual use (ERM 5-6 based on 3 shifts)
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 statement of income.

3.3 *Cost subsequent to acquisition*

The replacement cost of an asset component is recognized in the asset cost after the elimination of the cost of this component when such cost is incurred by the company and in case it is probable that future economic benefits shall inflow to the company 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 income statement as an expense when incurred .

3.4 *Projects under construction*

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

3.5 *Investments in associates*

Investments in associates are stated at cost less impairment. At each balance sheet date, management assesses the investments' recoverable amount and in case that the recoverable amount is less than the carrying amount then an impairment loss is recognized in the profit or loss. Dividends income is recognized in the profit or loss on the date the Company's right to receive payments is established.

3.6 Available-for-sale investments

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

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

3.7 Investments in treasury bills

Investments in treasury bills are stated in the financial statements at cost, the difference between acquiring cost and the realizable value during the period from acquiring date to maturity date stated by straight line method using actual interest rate and the related income of these investments are realized in accordance with accrual basis.

3.8 Goodwill

Goodwill represents the difference between the acquisition cost and the company share in the fair value of the assets and liabilities of the Al Ezz El Dekheila for Steel – Alexandria – a subsidiary company. Goodwill is tested for impairment annually. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss "If any" is charged to the consolidated income statement for the year.

3.9 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, using the first in first out method.

- Spare parts, materials, and supplies: are valued at cost up to bringing them to warehouses, using the weighted average method.

- Work in process: according to the actual manufacturing cost which includes direct materials and labor cost in addition to share of indirect manufacturing cost incurred until the last production stage reached.

- Finished products: according to the actual manufacturing cost.

3.10 Trade and notes receivables and debtors & other debit balances

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

3.11 Cash and cash equivalents

The Company considers all cash on hand, bank current accounts, short-term deposits with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value with original maturities of three months or less as cash and cash equivalents. The statement of cash flows is prepared according to the indirect method.

3.12 Trade and notes payable and creditors & other credit balances

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

3.13 Impairment

A- Financial assets

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

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

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

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

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

B- Non-financial assets

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

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

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

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

3.14 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 with any difference between cost and redemption value being recognized in the income statement over the year of the borrowings on an effective interest basis.

Borrowing costs of financing fixed assets are capitalized during the construction year till the asset is ready for use from the economical view.

3.15 Provisions

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

3.16 Share capital

Repurchase of share capital

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

3.17 Revenues

a) Sales revenues

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

b) Dividends

Dividends income is recognized in the profit or loss on the date the Company's right to receive payments is established.

c) Interest income

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

3.18 Earnings per share

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

3.19 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at the balance sheet date.

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

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

4. FIXED ASSETS (NET)

	Land LE (000)	Buildings & constructions LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leashold improvments LE (000)	Total LE (000)
Cost as of January 1, 2013	653 947	3 806 008	15 112 806	116 376	88 735	55 071	3 902	19 836 845
Reclassification	—	—	—	(221)	—	221	—	—
Additions during the year	—	23 226	240 258	43 423	15 978	2 640	—	325 525
Disposals during the year	—	—	(87 761)	(10 361)	(6 058)	(241)	—	(104 421)
Translation differences	7 360	195 580	440 619	167	1 051	2 803	—	647 580
Cost as of December 31, 2013	661 307	4 024 814	15 705 922	149 384	99 706	60 494	3 902	20 705 529
Accumulated depreciation as of January 1, 2013	—	1 130 300	7 377 110	97 450	68 039	33 161	3 902	8 709 962
Depreciation for the year	—	93 455	561 629	10 772	6 394	4 639	—	676 889
Accumulated depreciation of disposals	—	—	(87 761)	(10 361)	(5 723)	(486)	—	(104 331)
Translation differences	—	24 727	109 106	148	911	1 108	—	136 000
Accumulated depreciation as of December 31, 2013	—	1 248 482	7 960 084	98 009	69 621	38 422	3 902	9 418 520
Carrying amount as of December 31, 2013	661 307	2 776 332	7 745 838	51 375	30 085	22 072	—	11 287 009
Carrying amount as of December 31, 2012	653 947	2 675 708	7 735 696	18 926	20 696	21 910	—	11 126 883
Fixed assets fully depreciated still in use as of December 31, 2013	—	133 339	223 295	83 802	47 409	16 268	2 287	506 400

— The land item includes a piece of land with a total area of 928356.25 m2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value of LE 28 315 million including the Tory's fees amounting to LE 5 million (equivalent to US$ 956 K) for the purpose of establishing an industrial project, however, this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land in the name of the company are being under process.

— The addition of building & constructions and machienry & equipment during the period include the value of machienry & equipment amounting to LE 101 million related to Lime Calcinations factory No.2 as the commercial operation starting from the begining of January 2013 based on the final acceptance certicates to the factory of Al Ezz El Dekheila for Steel – Alexandria Company .

— Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name which amounted to LE 29 636.

— Depreciation for the year charged to statement of income as follows:

	31/12/2013 LE(000)
Operating expenses	666 474
Selling expenses	2 252
General & administrative expenses	8 163
	676 889

Translation from Arabic

5. PROJECTS UNDER CONSTRUCTION

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Constructions expansion		10 269	9 522
Machinery under installation		2 204 254	2 043 106
Capitalized borrowing cost		414 349	252 529
Temporary License for Al Ezz Rolling Mills Company	(35-1)	259 441	243 314
Advance payments for purchase of land		471	471
Design and construction of administrative building		3 930	3 930
Advance payments for purchase of machinery		284 095	201 077
Install fire alarm system		-	657
Advance payments for building		306	-
Design and construction of factory fence		-	81
Advance payments for purchase of furniture		408	-
		3 177 523	2 754 687

6. INVESTMENTS

	Participation Percentage %	Investments cost 31/12/2013 LE (000)	31/12/2012 LE (000)
6-1 Financial investments in associates			
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
		115	115

Translation from Arabic

6.2 Financial investments Available-for-sale	Note No.	Investments cost 31/12/2013 LE (000)	31/12/2012 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"*		109 800	109 800
		127 606	127 606
Less:			
Impairment loss on Arab Company for Special Steel	(12)	17 726	17 726
		109 880	109 880

* This item is represented in the participation of Ezz Rolling Mills Company- a subsidiary company- in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries" by 6 100 000 shares that constitutes a participation percentage of 3.813% and the legal procedures required to transfer the ownership of the said shares in the subsidiary company are currently in process.

7. LONG TERM LENDING TO OTHERS

7.1 Long term lending is represented in the following:

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		8 656	6 465
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(7-2)	17 669	16 122
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(7-4)	1 915	-
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(7-5)	1 303	-
Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a period up to 7 years (interest free)	(7-6)	1 617	-
		31 160	22 587

7.2 Present value of the employees' housing loan installments:

The book value of the employees' housing loan installments :

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Total employees' housing loan		33 441	30 072
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	4 049	3 342
Nominal value of the long term- employees' housing loan		29 392	26 730
Less:			
Differences resulting from the change in the fair value of the employees' housing loan		11 723	10 608
The present value of the employees' housing long term loan installments		17 669	16 122

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

The number of beneficiaries from this loan till December 31, 2013 is 1 350 beneficiary with a total value of LE 33.4 million and the collectible due installments during the year amounted to LE 4.05 million which is recorded under the item of debtors & other debit balance – short term lending, the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

7.4 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 k per employee or LE 18 k per employee with one or more members of his family, in addition to the financial support provided by the company with an amount of LE 600 per employee, LE 900 per employee with one member of his family or LE 1 200 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 provided that the said loan shall be paid over 24 months. Thus, the installments due for collection in one year amounted to LE 2 870 k were recorded under the item of debtors & other debit balances- short term lending (note no.11).

7.5 The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees once in their career with an amount of LE 30 k which the company provide financial support to the employee with an amount of LE 4 k and premium the remaining amount for 6 years according to the Human Resources Manager's decision on March 28, 2013. Thus, the installments due for collection in one year amounted to LE 264 k were recorded under the item of debtors & other debit balances-short term lending (note no.11).

7.6 **Present value of the installments of the employees' housing loan granted to those who were negatively affected by gate No.(8) project:**

The book value of the employees' housing loan installments :

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Total employees' housing loan		2 708	-
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	507	-
Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project		2 201	-
Less:			
Differences resulting from the change in the fair value of the employees' housing loan for those who were negatively affected by gate No.(8) project		584	-
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		1 617	-

The employees' housing loan for those who were negatively affected by gate No.(8) project of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the employees and the negatively affected by gate No.(8) project from apartments No.(6) till No.(15) related to Al Ezz El Dekheila for Steel – Alexandria company, according to Head of Human Resources Department decree on September 18, 2013. This loan was granted by an amount of LE 3 k per year within a maximum limit LE 20 k according to the remaining years for the beneficiary until the retirement age to be paid on installments without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan till December 31, 2013 is 169 beneficiary with a total value of LE 2.7 million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 507 k which is recorded under the item of debtors & other debit balance– short term lending (note no.11), the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

Translation from Arabic

8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 172 333 k as of December 31, 2013 represent in the balance of sales tax installments related to import capital goods (against to LE 167 959 as of December 31, 2012) in Ezz Rolling Mills Company- a subsidiary.

9. INVENTORY

	31/12/2013 LE (000)	31/12/2012 LE (000)
Raw materials and supplies	1 159 556	1 185 989
Work in process	183 877	417 087
Finished products	464 605	649 625
Spare parts and supplies	1 324 722	1 266 355
Goods in transit	68 356	88 458
Letter of credit	24 150	12 583
	3 225 266	3 620 097

Write-down of inventory by an amount of LE 3 969 k against to same amount as of 31/12/2012.

10. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Trade receivables		178 876	68 157
Notes receivable		17 893	13 377
		196 769	81 534
Less:			
Impairment loss on trade receivables	(12)	29 657	29 659
		167 112	51 875

Translation from Arabic

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Deposits with others		246 425	238 578
Tax Authority *		558 131	454 068
Tax Authority – usufruct **		127 477	80 000
Customs Authority		3 241	8 992
Accrued revenues		1 325	331
Prepaid expenses		35 393	38 019
Alexandria Port Authority		42 489	42 489
Short - term lending – employees' housing loan	(7-2)	4 049	3 342
Short - term lending – employees' loans		9 823	7 194
Short - term lending – employees' Umrah loans	(7-4)	2 870	-
Short - term lending – employees' Hajj and Jerusalem visit loans	(7-5)	264	-
Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project	(7-6)	507	-
Letters of guarantee cash margin		135	4 835
Due from related parties	(21-1)	42 532	32 964
Advance payment under the account of employees' dividends for year 2012		63 034	29 558
Other debit balances***		32 736	42 836
		1 170 431	983 206
Add:			
Notes receivable		7 800	10 500
		1 178 231	993 706
Less:			
Impairment loss on debtors and other debit balances	(12)	69 873	70 181
		1 108 358	923 525

* The Tax Authority balances include an amount of LE 224.6 million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary – with respect to the flat steel projects according to what is mentioned in detail in Note No.(32-3-1) in addition to an amount of LE 50 million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008.

** Tax Authority – usufruct balances represents the value of advance payments of additional sales tax usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 million Note No.(36-2).

*** Other debit balances caption includes the investment in Ezz Steel Algeria Company amounted to LE 8 293 k, Also the impairment loss on debtors and other debit balances includes the impairment loss on investment in Ezz Steel Algeria Company amounted to LE 6 722 k, that is according to the decision of the Extraordinary General Assembly Meeting on May 29, 2013 for Ezz Steel Algeria Company to dissolve and liquidate Ezz steel Algeria Company, On September 3, 2013 the company was deleted from the Commercial Registry in Algeria Governorate.

Translation from Arabic

12. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2013 LE (000)	Adjustment on retained earnings LE (000)	Charged to the statement of income for the year LE (000)	Reversal of Impairment LE (000)	Balance as of 31/12/2013 LE (000)
Impairment loss on trade receivables	(10)	29 659	-	-	(2)	29 657
Impairment loss on debtors and other debit balances	((21-1),(11))	70 181	6 760	6 722	(13 790)	69 873
Impairment loss on advances to suppliers		5 448	-	90	-	5 538
Impairment loss on investments available for sale	(6-2)	17 726	-	-	-	17 726
Write-down of inventory	(9)	3 969	-	-	-	3 969
		126 983	6 760	6 812	(13 792)	126 763

13. CASH AND CASH EQUIVALENTS

	31/12/2013 LE (000)	31/12/2012 LE (000)
Banks – Deposits	181 166	48 577
Banks – current accounts	1 935 695	1 216 652
Cheques under collection	34 912	22 678
Cash on hand	1 068	1 257
Investment funds*	895	813
	2 153 736	1 289 977
Less:		
Cheques under collection	34 912	22 678
Banks – overdraft	2 851 680	2 061 381
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	529 668	267 829
Cash and cash equivalents in the statement of cash flows	(1 262 524)	(1 061 911)

* Represents a number of 4 853 investment deeds with accumulated daily interest.

14. BANKS - OVERDRAFT

This item represented within the current liabilities caption amounting to LE 2 851 680 K as of December 31, 2013 in banks – overdraft in Egyptian pound and US Dollars (against LE 2 061 381 K banks – overdraft as of December 31, 2012).

Translation from Arabic

15- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate	Payment terms	Period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Collateral
Ezz Steel									
Banks - credit facilities			Average 11 % for the Egyptian Pound			1 663 475	—	1 663 475	Without guarantees within a limit of LE 2 billion.
Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory		Lending rate for one night from central bank before 2 working days beginning from every interest period (3 month) in addition to the margin.	Unequal quartely installments	1-5 years	—	1 514 669	1 514 669	Within a limit of LE 2.82 billion granted by group of real estate mortgages and commercial location mortgage
Banks - credit facilities			0.5% over corridor on the uncovered portion from the limit			48 192	—	48 192	Without guarantees within a limit of LE 50 million.
Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Variable interest	Lending rate & discount + 0.5% -1.5% Avarge corridor lending and deposit + 2.25%	Semiannual installments fully paid in one installment on its due date	2-6 years	359 285	1 219 101	1 578 386	
Loans - foreign currency		Fixed interest Variable interest	3% - 5.5% 3%-4% over monthly Libor	Semiannual installments fully paid in one installment on its due date	2-8 years	232 617	693 198	925 815	
Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez		Variable	Semiannual installments	August18, 2004 until February18, 2013	68 302	—	68 302	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts.
Loans - foreign currency						671 163	—	671 163	
Banks - credit facilities			Based on an interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			738 870	—	738 870	Possession mortgage on inventories amounted to LE 726 million which is equivalent to US Dollars 104 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Balance as of December 31, 2013						3 781 904	3 426 968	7 208 872	
Balance as of December 31, 2012						4 203 239	3 377 141	7 580 380	

15.1 Al Ezz El Dekheila for Steel - Alexandria

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the Board of Directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed in March 2009, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of December 31, 2013 amounts to LE 2.515 billion, As of December 31, 2013 the balance of the loan amounted to LE 1.078 billion after the deduction of the amounts of 8 installments paid till December 31, 2013. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for six months and the loan will be fully paid on August 2016 (Note No. 15), an amount of LE 359 million is recorded as long term liabilities installments due within one year.

- In April 2010, Al Ezz El Dekheila for Steel - Alexandria acquired a revolving medium term loan from Arab African International Bank that amounted to US$ 40.3 million in a manner that did not exceed the equivalent of an amount of LE 225 million for the purpose of restructuring of the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016), with interest rate of 0.5% above corridor- lending announced by the Centeral Bank for the Egyptian pound and 3.5% above libor for one month for US Dollar.

  On July 1st, 2012 the company concluded an addendum of the medium term finance contract to amend the interest rate of the US Dollar from 3% to 3.65% above libor for one month in respect of the amounts withdrawn in foreign currency and 1.5% above corridor- lending announced by the Centeral Bank.

  On March 28th, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 1.5% above corridor- lending announced by the Centeral Bank and 3.5% above libor for one month in respect of the amounts withdrawn in foreign currency. The balance as of December 31, 2013 is LE 286 million equivalent to US$ 41 million.

- In June 2010, the company acquired a medium term loan from Audi Bank amounted to US$ 100 million for the purpose of restructuring the company's debt with the banking sector and the loan will be paid by eight semiannual increasingly installments ended June 30, 2014. With interest rate of 3.5% above libor for six months but not less than 5.5% at anytime and the balance as of December 31, 2013 is LE 174.5 million equivalent to US$ 25 million is recorded as long term liabilities installments due within one year.

- In April 2008, the company acquired a medium term loan from Qatar National Bank - Al Ahly – (previously named as National Societe Generale Bank) amounted to LE 150 million or its equivalent in foreign currencies the loan is to be fully paid in one installment on its due date December 31, 2013, and the balance as of December 31, 2013 is LE 171 million equivalent to US$ 25 million is recorded as long term liabilities installments due within one year.

  On July 1, 2012 the company concluded an addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 1.5% above corridor- lending announced by the Centeral Bank and 3% above libor for one month in respect of the amounts withdrawn in foreign currency.

  On December 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 2% above corridor- lending announced by the Centeral Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency.

  In addition, the date and method of the installment payment were amended, thus, instead of paying it as a lump sum amount at the end of the loan term, it shall be paid in 3 annual payments and every annual payment shall be divided into three monthly equal installments that shall become due in September, October and November starting from September 2013 until November 2015. and the balance as of December 31, 2013 is LE 116.3 million equivalent to US$ 16.67 million an amount LE 58.2 million equivalent to US$ 8.3 million is recorded as long term liabilities installments due within one year.

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

  On July 1st, 2012 the company concluded an addendum of the medium term finance contract to amend the interest rate of the US Dollar from 3% to 3.65% above libor for one month in respect of the amounts withdrawn in US Dollar and 1.5% above corridor – lending announced by the Central Bank.

  On December 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 2% above corridor- lending announced by the Centeral Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency. The balance as of December 31, 2013 is LE 349 million equivalent to US$ 50 million.

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

On July 30, 2012 the company concluded an addendum of the medium term finance contract thus the balance of medium term loan amounted to LE 600 million provided that the outstanding balance amounted to US$ 58.9 million shall be paid within 3 months starting from the commencement of utilizing the available limit of finance in Egyptian pound in addition to amending the interest rate of the Egyptian Pounds from 1.25% to 2.25% above corridor-lending and deposit for one night announced by the Central Bank with respect to the amounts withdrawn in Egyptian Pounds.

On January 2, 2014 Al Ezz El Dekheila for Steel - Alexandria company signed a joint guarantee contract with the National Bank of Egypt to the benefit of Al Ezz Flat Steel Company with an amount LE 200 million in addition to its interest, commissions and expenses. Accordingly, the bank reduced the medium term loan limit to be LE 200 million. The balance as of December 31, 2013 is LE 501 million.

15.2 Al Ezz Flat Steel

The Inter-creditor Agent is The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank for Al Ezz Flat Steel Company - a subsidiary. It acts also as agent for the international syndicated loans in which 9 banks participated. According to the loan agreements the National Bank of Egypt acts as the Onshore Security Agent, and Royal Bank of Scotland acts as the Offshore Security Agent. The main securities provided are real estate mortgage and commercial pledge on the land, and all tangible and intangible assets of the company, the inventory, assignment of the company's rights under the steel making complex supply & construction contracts, technical support agreement and insurance policies in favor of the lenders.

The interest on local loans in US Dollar and the syndicated commercial loan is calculated by using variable interest rate based on LIBOR. Interest on local loans in Egyptian pound is calculated based on the Central Bank of Egypt Lending discount rate. The company agreed with the lenders to reschedule loan installments during September 2004. The company has started paying the rescheduled amount regularly as of August 2004 till August 2010 and the company will deal with the banks to reschedule loans installments.

The loan installments due within a year according to the loans agreements amount to US$ 106 million equivalent to LE 740 million representing the loan installments due since stopping date till December 31, 2013

15.3 Ezz Rolling Mills

The loan balance represents as follows:-

	31/12/2013 LE (000)	31/12/2012 LE (000)
Total loan balance	1 506 158	1 008 377
Capitalized interest on project under construction	28 261	19 879
Unamortized borrowing cost	(19 750)	(27 234)
Net long term loan for the year	1 514 669	1 001 022

16. TRADE AND NOTES PAYABLE

	31/12/2013 LE (000)	31/12/2012 LE (000)
Trade payables	1 654 791	1 281 364
Notes payable	32 764	131 318
	1 687 555	1 412 682

17. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Fixed assets – creditors		8 887	23 165
Accrued interest		64 206	99 156
Accrued expenses		151 527	87 061
Accrued claims*		32 102	–
Tax Authority		96 801	42 947
Performance guarantee retention		14 159	7 522
Sales tax installments		23	23
Tax Authority – sales tax		33 537	39 643
Dividends payable		1 561	1 561
Due to related parties		89	13
Alexandria Port Authority		5 013	4 678
Alexandria Port Authority - sales tax	(20-1)	3 973	3 973
Other credit balances		82 191	48 802
		494 069	358 544

* Accrued claims equivalent to US dollars 4 600 k represents the value of claims in Ezz Steel company related to the settlement of dispute arised during previous years due to non-execution of contract with a foreign supplier as a result of conflict on the terms of the contract. The claim is recorded during the year as an adjustment on the retained earnings for previous years.

18. Liability Of The Supplementary Pension Scheme

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

The balance of the subscriptions share paid till December 31, 2013 amounted to LE 4.7 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 1.076 million till December 31, 2013 while the value of the supplementary pension scheme cost reached during the financial year ended as at December 31, 2013 the amount of LE 15.1 million which was charged to the consolidated income statement according to the report prepared by the actuary that was issued on July 25, 2013.

	31/12/2013 LE (000)
Present value of the non-financed scheme liabilities	81 019
Less:	
Unrecognized cost of Previous service benefit scheme*	62 352
Long term loan at the end of the year	18 667

Total liability Of The Supplementary Pension Scheme and distributed as follow:

Recorded in current liabilities	1 233
Recorded in long term liabilities	17 434
	18 667

* This item is represented in the previous service benefits cost till December 31, 2013 that is not due and amortized based on straight-line method over the average period during which the said benefits become due, that reached 17.6 years according to the calculation made by the actuary and for which an actuarial certificate was issued on July 25, 2013.

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

	31/12/2013 LE (000)
Balance at the beginning of the financial year	-
Present service cost	4 732
Return cost	6 592
Present value of the non-financed liabilities for previous service periods	66 097
Employees paid subscriptions	4 674
	82 095
Less:	
Paid pensions during the year	1 076
	81 019

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

	31/12/2013 LE (000)
Current service cost	4 732
Return cost	6 592
Previous service cost installment recognized during the year	3 745
	15 069

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

	31/12/2013 LE (000)
Average assumptions to determine the assets of the benefits	
A- Average discount rate	10 %
B- Average inflation rate	6.45 %
Average assumptions to determine the liabilities of the benefits	
A- Average discount rate	10 %
B- Average inflation rate	6.45 %

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

	Discount rate 9.75 %	Discount rate 10 %	Discount rate 10.25 %
Liability current cost	68 290	66 097	63 999
Service cost	4 457	4 302	4 156

The expected liabilities of the supplementary pension scheme

	31/12/2013 LE (000)
Expected compensations during the year	356
	356

19. PROVISIONS

	Balance as of 1/1/2013 LE (000)	Charged to the statement of income for the year LE (000)	Used during the year LE (000)	Provisions no Longer Required LE (000)	Balance as of 31/12/2013 LE (000)
Tax provision and claims	203 229	8 713	(12 156)	(4 429)	195 357
Lawsuits and claims provision	1 955	-	-	-	1 955
	205 184	8 713	(12 156)	(4 429)	197 312

20. OTHER LIABILITIES – LONG TERM

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Fixed assets- creditors		322 851	448 221
Alexandria Port Authority	(20-1)	36 019	33 155
Sales tax installments –Import capital goods		104 090	104 090
New temporary license installments	(20-2) ,(35-1)	153 841	193 814
Liability of the supplementary pension scheme	(18)	17 434	-
lending from others	(20-3)	258 581	-
		892 816	779 280

20.1 Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority inspit of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities due within one year represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between the Port and Tax Authorities about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court. And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 19, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit No. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment, However, the lawsuit was postponed for the session held on September 17, 2012, and a ruling was issued to the effect of rejecting the company's Lawsuit.

The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 million in addition to tax amounting to LE 127.5 million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks. Consequently, the company filed an appeal against the ruling under No. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action No.54 for the judicial year No.35 Supreme Constitutional court is constitutionally settled, and the constitutional action was considered on November 10, 2013 before the Board of State Commissioners, The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (Note No. 36-2).

Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El – Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax. Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly ,Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority (Note No. 36-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

Translation from Arabic

20.2 New Temporary License for Al Ezz Rolling Mills – Subsidiary Company:

	Note No.	31/12/2013 LE (000)	31/12/2012 LE (000)
Total value of license	(35-1)	330 000	330 000
Less:			
Paid amount from the license	(35-1)	49 500	49 500
		280 500	280 500
Less:			
Differences resulting from the change in the fair value of the license		70 559	86 686
Installments due within one year		56 100	-
Present value for the license installments		153 841	193 814

20.3 Al Ezz Flat Steel Company borrowed US$ 37 054 K equivalent to LE 258 581 K from Daniele Company based on a contract dated September 27,2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

21. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales transactions of products in favor of those companies which amounted to LE 114 995 K in addition to rent amounted to LE 1 255 K which resulted in the following balances

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance as of 31/12/2013 LE (000)	Balance as of 31/12/2012 LE (000)	Balance Sheet Caption
Al Ezz for Trading and Distributing Building Materials	Sales	113 183	-	(13)	Creditors and other credit balances – due to related parties
		-	1 121	(10)	Trade receivable / Trade receivable - advance payments
Al Ezz for Ceramics and Porcelain (GEMMA)	Sales	1 812	33 669	30 890	Debtors and other debit balances – due from related parties
	Rent	1 255			

Translation from Arabic

21.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	31/12/2013 LE (000)	31/12/2012 LE (000)
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	33 669	30 890
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	2 086	2 069
Gulf of Suez Development Company	Affiliated company	17	5
Ezz Steel Algeria*		6 760	-
		42 532	32 964

* The due amount from related parties has been decreased by the value of the due amount from Ezz Steel Algeria company that amounted to LE 6 760 k. the impairment loss was recorded under the item of impairment loss on debtors and other debit balances caption. (Note No.11)

22. CAPITAL

22.1 Authorized capital

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

22.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 k (two billion, seven hundred and sixteen million, three hundred and twenty five thousand Egyptian pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with no. 1176 Menouf on October 30, 2008.

23. RESERVES

	31/12/2013 LE (000)	31/12/2012 LE (000)
Legal reserve*	245 949	234 023
Premium share **	3 732 970	3 732 970
	3 978 919	3 966 993

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

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

**This item represents premium share resulted from capital increase from the acquisition of Al Ezz El Dekheila – Alexandria for Steel shares and bonds converted to shares.

24. TREASURY STOCKS

Treasury stocks as of December 31, 2013 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

25. BONDS LOAN

	31/12/2013 LE (000)	31/12/2012 LE (000)
The balance of bonds loan granted to the company according to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1 100 million (one thousand and one hundred million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that was due on June 30, 2010) with the value of LE 110 million per installment.	440 000	440 000
These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts from certain some banks.		
These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008*.		
Less:		
- Installments due within one year	(440 000)	(220 000)
- Bonds issuance cost balance within one year	(2 202)	-
- Installments due within one year recorded in the current liabilities in the balance sheet.	437 798	220 000
Less:		
- Bonds issuance cost balance more than one year	-	(4 402)
Bonds loan balance at the end of the year	-	215 598

* The bondholders resolved in their meeting dated October 15, 2011 the continuation of bonds after adjusting their interest rate to be of fixed annual interest rate of 13.5% payable every six months starting from 1/7/2011 till 30/6/2012 and to be reconsidered the rate when the credit rating certificate for the year 2011 is issued, on August 6, 2012 the bondholders resolved in their meeting the continuation of bonds after adjusting their interest rate to be of fixed annual interest rate of 14.5% payable every six months starting from 1/7/2012 till 30/6/2013 and to be reconsidered the rate when the credit rating certificate for the year 2012 is issued.

On June 9, 2013 the bondholders resolved in their meeting the continuation of bonds and postponement of the installments due on 30/6/2013 and 31/12/2013 each amounted to LE 110 million to the year 2014, thus the installment due on June 30, 2014 shall be LE 220 million and the installment due on December 31, 2014 shall be LE 220 million. Thus, the company shall pay the accrued interest on its due date during the years 2013, 2014. In addition to amending the interest rate to be of fixed annual interest rate of 16.5% payable every six months starting from 1/7/2013 till the payment of all installments in full. (Thus, the installment due on 31/12/2013 is classified as long term installments).

26. DEFERRED TAX

26.1 Recognized deferred tax assets and liabilities

	31/12/2013		31/12/2012	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred tax				
Fixed assets	-	(1 619 906)	-	(1 493 614)
Provisions	25 689	-	25 858	-
Impairment loss on debtors	11 801	-	15 209	-
Impairment loss on investments	4 432	-	4 432	-
Write-down of inventory	992	-	992	-
Tax losses carried forward	737 843	-	661 128	-
Total deferred tax	780 757	(1 619 906)	707 619	(1 493 614)
Netting off	(780 757)	780 757	(704 621)	704 621
Net deferred tax (liability) asset	-	(839 149)	2 998	(788 993)

- The deferred tax that is presented as deferred tax assets in Ezz Steel Company and its subsidiaries separate financial statements is recorded in the same caption in the consolidated financial statements ,also the deferred tax that is presented as deferred tax liabilities in Ezz Steel Company and its subsidiaries separate financial statements is recorded in the same caption in the consolidated financial statements.

26.2 Recognized deferred tax charged to statement of income.

	31/12/2013 LE (000)	31/12/2012 LE (000)
Net deferred tax	(839 149)	(785 995)
Less:		
Translation difference	(1 859)	(799)
Previously charged deferred tax	(785 995)	(790 461)
Deferred tax charged to statement of income	(51 295)	5 265

26.3 Unrecognized deferred tax assets

	31/12/2013 LE (000)	31/12/2012 LE (000)
Receivables , debtors	14 466	11 113
Provisions	23 639	25 437
	38 105	36 550

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the company can utilize the benefits therefrom.

27. COST OF SALES

	2013 LE (000)	2012 LE (000)
Raw Materials	15 057 790	14 809 373
Salaries & Wages	846 204	631 083
Fixed assets depreciation	666 474	627 402
Supplementary pension scheme cost	9 876	-
Manufacturing overhead	1 964 794	1 914 222
Manufacturing cost	18 545 138	17 982 080
Change in inventory – finished product and work in process	418 230	126 839
Cost of sales	18 963 368	18 108 919

28. SELLING & MARKETING EXPENSES

	2013 LE (000)	2012 LE (000)
Salaries & Wages	61 612	41 678
Advertising	2 359	2 084
Fixed assets depreciation	2 252	903
Supplementary pension scheme cost	987	-
Others	77 349	57 088
	144 559	101 753

29. GENERAL & ADMINISTRATIVE EXPENSES

	2013 LE (000)	2012 LE (000)
Salaries & Wages	346 925	234 184
Maintenance expenses	11 018	9 163
Fixed assets depreciation	8 163	6 812
Supplementary pension scheme cost	4 207	-
Others	190 945	122 478
	561 258	372 637

30. CONTINGENT LIABILITIES

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

	31/12/2013 (000)	31/12/2012 (000)
Letters of guarantee		
Egyptian Pound	1 379	8 079
US Dollar	1 100	1 100
	2 479	9 179
Letters of credit		
US Dollar	110 372	14 514
Euro	4 182	3 657
	114 554	18 171

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

31. CAPITAL COMMITMENTS

The capital commitments as at December 31, 2013 are represented in the amount of LE 6.3 million being the value of the development of the power plant, manufacturing and supplying melting pots, establishing the billet storage yard in the steel factory (No.1), supplying and installing a ventilation system in the flat steel factory in addition to dust collection filters – roller tables area – steel factory (No.1), and dust emission measurement as well as other projects for Al Ezz El Dekheila for Steel – Alexandria Company. And the amount of 4.90 million Euro (equivalent to LE 47 million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.

32. TAXATION

32.1 Ezz Steel Company

32.1.1 Corporate tax

- The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2004 and there is no taxes dues.
- The Tax Authority inspected the Company's books for years from 2005 till 2009 and there is an objection by form No. (19) and the dispute is submitted to the Appeal Committee.
- The Company submitted tax returns for years 2010 until 2012 according to the provisions of Law No. 91 of 2005.

32.1.2 Sales tax

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

32.1.3 Salary tax

The Tax Authority inspected the Company's books until year 2011 and there is no any due amounts on the company.

32.2 Al Ezz Rolling Mills Company

32.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.The Tax Authority inspected the Company's books and a settlement was made until 2006 and the taxes due were paid.
- The Tax Authority inspected the Company's books for years until 2008 and the taxes due were paid.
- The Tax Authority inspected the Company's books for years 2009 until 2011 and the dispute is currently finalized in the Internal Committee.
- The company submitted tax returns for years 2005 until 2012 according to the provisions of Law No. 91 of 2005.

32.2.2 Sales tax

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

32.2.3 Salary tax

- The Company's books have been inspected by the Tax Authority till year 2009 and the taxes due were paid.
- The Company's books are currently inspected by the Tax Authority For the years 2010 and 2011.

32.3 Al Ezz El Dekheila for Steel – Alexandria Company

32.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.

- Tax inspection was made for the company for the years 2000/ 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005.

  The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee, and on June 12, 2010 the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004.The due tax was paid in full and form No. (9) paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.

  The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million.

  These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

  The Tax Authority has garnished the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute provided that the company should pay LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts till December 31, 2013 amounting to LE 224.6 million, including delay interest amounting to LE 5.2 million, The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011.

A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No.693 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit and it was postponed to the session that is to be held on May 31, 2014. However, the said delegated expert has not commenced his task up to this date.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 94.56 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the Appeal Committee.
- The company filed the lawsuit No.245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, in addition to referring the lawsuit to the Ministry Of Justice experts office for perusal of the lawsuit file that which shall be considered before court in the session that is to be held on April 30, 2014.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 25.8 million, and the company appealed against these forms on the legal due dates. The said differences are currently considered by the Internal committee.
- The company submitted its tax returns for the years 2009-2012 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns. The Company's books for years 2009-2010 are currently being inspected and the company did not notify with any forms.
- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit No.936 for the year 2013, And a session shall be held on June 8, 2014 to consider the said matter.

32.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The years from 1990 to 1994 were tax inspected and the resolution of the appeal committee was issued to the effect of having due tax amounting to LE 19 million in addition to delay interests, The dispute was referred to the court, and the ruling of the Court of Appeal was issued on August 17, 2011 to the effect of confirming the resolution of disputes dispersal committee, the previous tax assessment was cancelled and a tax re-assessment was carried out in addition to a delay interests with the amount of LE 2.1 million that was paid in full.

- The tax inspection for the years 2005-2007 was finalized and the company was notified of form No. (38 – Salaries) with tax differences amounting to LE 11.6 million, and objection was made thereto, and the dispute was referred to the Internal Committee which decided that there is due tax amounted to LE 3.9 million which the company paid in full.
- Tax inspection was made for the years 2008-2010 and the company has not been notified of the results up to this date.

32.3.3 Sales Tax

- The company submits its monthly tax returns regularly on the specified legal due dates.

- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified us of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.3 million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to law No. 9/2005 and the ministerial decrees Nos. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.
- However the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling, On August 29, 2013 the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and the session for considering the said appeal has not been determined up to this date.

- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the large tax payer center.
  And points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 million and the dispute is represented in the amount of LE 7 million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company paid an amount of LE 4.5 million, And the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.

32.3.4 Sales Tax on imports of iron oxide ore

The Egyptian Customs Authority claimed the amount of LE 1.9 billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.

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

- The company filed lawsuit No.9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and a session to consider the said lawsuit was determined to be held on April 26, 2014.

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

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority to that effect without prejudice to the lawsuit No. 797 for the year 2010 that re-registered under No. 5804 for the year 2012 Civil Court, and a ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date - note No. (36.2).

32.3.6 Service Charges Paid to the Customs Authority

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

On February 27, 2011 a ruling was issued by Alexandria Civil Court with respect to lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement. The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, Currently the executive version of the ruling is in the process of being issued. and to notify the Customs Authority thereof, However, it is currently in the process of following up the issuance of a letter from the State Litigation Authority stating that there is no objection to disbursement, taking into consideration that the company announced on 22/1/2013 that is filed the appeal No.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company and on November 6, 2012 the ruling of the Court of Appeal was issued in favor of the company to the effect of conforming the ruling issued by the Court of First Instance. And the executive version of the ruling was extracted by the legal affairs department which follows up the reimbursement process. However, the Tax Authority appealed against the issued ruling.

32.4 Al Ezz Flat Steel Company

32.4.1 Corporate tax

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

32.4.2 Salary tax

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

32.4.3 Sales tax

- The Tax Authority inspected the Company's books until 30/6/2010 and the company paid the due amount.
- The Tax Authority inspected the Company's books for the period from July 1, 2010 until December 31, 2012 and the dispute points were referred to the Internal Committee.

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

33.1 Financial instruments

The Company's financial instruments are represented in cash and cash equivalents, debtors, investments, trade payable, notes payable, creditors, loans, and banks-overdraft balances. The book value of these financial instruments does not materially differ from its fair value at the balance sheet date.

33.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduction of bonds issuance cost), loans and credit facilities which amounted to LE 7 648 872 K as of December 31, 2013 (LE 8 020 380 K as of December 31, 2012). Financing interest and expenses related to these balances amounted to LE 862 057 K during the year (LE 879 803 K during the previous year).

Time-deposits and investment fund amounted to LE 182 061 K as of December 31, 2013 (LE 49 390 K as of December 31, 2012), interest income related to these balances amounted to LE 98 049 K during the year (LE 42 069 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

33.3 Credit risk

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

33.4 Foreign currency risk

Due to the current economic circumstances in the Arab Republic of Egypt, the Company's management faces market risks that are represented in difficulty of providing cash in foreign currency declared at official prices, that is due to the shortage of foreign currency supplies in the official banking markets. As a result this had negatively affected the company's ability to supply its operating requirements in foreign currencies to ensure the continued operation / production process on a regular basis.

the Company's management resorted to, within the framework of applying exceptional policies to deal with the market and operation risks, by providing some of its requirements of cash in foreign currency at exceptional exchange rates, that differ from the official exchange rates declared in the official banking markets, in the light of the current circumstances after approving them and their related internal documents by the Company's top management, as the best assessment of the exchange rates from its point of view.

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 023 182 K and LE 5 919 992 K respectively, as of the Balance sheet date.

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

Foreign Currency	**(Deficit)/Surplus In thousand**
US Dollars	(625 008)
Euro	(50 416)
Swiss Frank	14
Sterling Pound	(680)
Japanese Yen	(3 015)
Algeria Dinar	1

As shown in note no. (3-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the balance sheet date.

34. EARNINGS (LOSSES) PER SHARE

	2013	2012
Net profit for the year (LE 000)	134 361	8 381
Less:		
Holding Company's share in employees and the board of directors' share from subsidiaries dividends	104 630	90 476
	29 731	(82 095)
Average number of outstanding shares during the year	533 802 313	533 802 313
Earnings (Losses) per share for the year (LE / share)	0.06	(0.15)

35. THE LITIGATION STATUS

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

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

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

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

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, The session was scheduled on April 6, 2013 and it was postponed to July 2, 2014 as a date set for the expert committee to submit its report.

It is difficult in the present time to determine the final result that may result from this case and that till the final decision taken by the judicial authorities.

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

35.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

35.2.1 Workers Lawsuits Regarding Profits Differences

Some workers whose services for the company came to an end filed 71 lawsuits claiming the calculation of the profits differences based on the gross salary at a percentage of 10% of the profits and they laid down the grounds of their lawsuits based on the stipulation of the first article of labor law No. (12) for the year 2003 and the stipulation of article No. (41) of the Joint-Stock Companies Law No. 159 of 1981.

The rulings were issued in regard to (67) lawsuits ranging between refusal and dropping as the company complied with the core of the law when calculating the employees' share in profits according to the authority vested thereto by virtue of the stipulation of article No. (12) of the Arab and Foreign Capital Investment Law No. (43)/1974 and article No. (52) of the company's Articles of Association issued by virtue of decree No. (90)/1981 which authorize the board of directors and the General Assembly of the company to determine the percentage, the criterion and the manner of the profits appropriation.

However, the Court of Appeal confirmed the issued rulings of refusal or dropping in six lawsuits, and there are (21) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of resjudicata due to the lapse of the date of appeal thereof, while the remaining lawsuits are still being considered before the court.

Some workers of Al Ezz Dekheila Steel Company Alexandria filed 6 lawsuits concerning the financial differences of the social allowances for the years from 1996 until 2010, in which the company insisted on adhering to the agreement that was concluded between the company and the workers on July 7, 2011 which resulted in the fact that the company paid the said financial differences of the social allowances , and a ruling was issued in that respect as follow:

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

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

35.2.2 The lawsuits Referred to the Criminal Court

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

On March 6, 2013 a ruling was issued by the court of criminal justice and sentences against some company officials have been issued including custodial penalties and pecuniary penalties in addition to dismissal from office against those who were convicted.

- On December 14, 2013, the court of cassation issued its ruling to the effect of nullification of the previously issued ruling and to refer the lawsuit to Giza criminal court, thus the session will be considered on June 9, 2014.

The Legal advisor of the company is of the opinion that:

1- On legal basis the ruling does not affect its stipulation regarding the principal penalties that are represented in the detentive penalties and the financial penalties imposed on the activity of the company or its financial standing due to the fact that the judicial person of the company is legally separate from the financial standing and the juridical person of the shareholders and the company's employees whereas the penalty is personal whether it is a detentive penalty or a principal financial penalty and such aspect does not affect the funds of the company or its assets in general as it did not impose any obligations on the part of the company.

2- The ruling stipulated consequential penalties that are represent in discharge from the position and reimbursement of the amounts of money for those who were convicted, and this aspect also does not negatively affect the financial standing of the company based on the above mentioned paragraph, and the dues to the employees, against whom the penalties of discharge and reimbursement were issued, were suspended until studying the legal consequences regarding the said dues taking into consideration that the company is currently appealing against the said ruling before the Court of Cassation.

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

Some individuals and companies trespassed a part of the company's lands with an area of approximately 19 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated. December 13, 1998 issued by virtue of decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. Accordingly, the company took legal procedures against the trespassers who made the above mentioned violations on such lands and the said lawsuits are still considered before court.

35.3 Lawsuits before Court Concerning The Monopoly of Steel Bars productd:

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

The Legal advisor of the company is of the opinion that:

1. The fines stipulated in the court ruling must be executed unless the court of cassation issues a ruling to the effect of cessation thereof.

2. The liability of Ezz Steel company and some other companies of Al-Ezz Group as jointly liable has to be within the limit of one third of the total amount stipulated in the ruling.

3. The aforementioned appeal ruling is most probable to be vacated in case of being appealed against in the court of cassation due to the lack of justification and erroneous implementation of law and violation of what has been proved in the case documents as the General prosecutor office filed charges based in an internal report prepared by an internal committee formed to probe the reasons behind the increase of Steel bars prices for the period starting from 2002 until 2006 which has been left a file by the board of directors of Non-competition Authority in its capacity as the technical body competent to determine the extent of violation occurrence, Whether existent or not according to the law that ended up with the lack of violation existence.

In addition, the appeal judgment didn't observe the implementation of the most proper law rule that represents a constitutional rule concerning the punishment as the period of accountability occurs during the years 2005/2006 and the law that must be implemented in such case is the article No.(22) of law No.(3) for the year 2005 concerning the non-competition and monopoly practices where the maximum limit of the fine is LE 10 million and such fine is not affected by the amendment of law No.190 for the year 2008 which intensified the punishment through the increase of the maximum limit to be LE 300 million because the said law is subsequent to the incident attributed to the officers of the company and doesn't apply on them.

Taking into consideration that the Economic court, economic misdemeanors, issued its ruling in the session held on June 30, 2013 to the effect of being not guilty of all the charges attributed to them in regard to what was proved to the court concerning the fact that the actual dominance on steel bars production inside the Egyptian market was realized for Al-Ezz Group when taking into consideration that the said group owns a share exceeds 25% of the said market and has an effective impact on prices and enjoys pricing leadership in addition to the least production cost and the highest profit margin as well as the best quality and the largest production capacity. The matter that doesn't represent in itself a violation of no-competition and anti-monopoly practices or the misusage of dominance status leading to being confined to the distribution of the Group's product or binding the traders dealing with the group to purchase the Group's steel without dealing with the other plants or event preventing imports from abroad, and the court reached the conclusion that the case documents don't include the contracts stating the proof of violation, the matter that makes the charge concerning the limitation of distributing the steel product of your company as being grounded without real or legal justification.

However, the management of Al-Ezz Group Companies are currently taking the necessary legal actions to appeal against the said ruling.

36. OTHER TOPICS

36.1 EZDK Steel UK limited Company

On July 11, 2011, a ruling was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD, a subsidiary company, to be under the managerial control of BDO LLP England Institute in the United Kingdom due to its insolvency and based on the fact that the shareholders reached an agreement in regard to the procedures necessary to be taken to the effect of the company's liquidation.
However, the company still under the managerial control that Institute till the financial statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

36.2 Alexandria Port Authority

On June 19, 2011 Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011.

The amounts kept at the banks under attachment reached the amount of LE 66 million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012.

And a judgment was issued to the effect of dismissing the case and an appeal against the lawsuit No. 747 for 2012, the session will be held on March 25, 2013 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 is constitutionally settled and the constitutional lawsuit will be considered on November 10, 2013 before the Board of State Commissioners. The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (note No.20-1).

The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 million in addition to tax amounting to LE 127.5 million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El – Dekheila Port

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

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

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

36.3 Al Ezz El Dekheila - EZDK Company Interim Dividends

The Ordinary General Assembly of Al Ezz El Dekheila for Steel – Alexandria Company's shareholders has agreed in their meeting dated October 12, 2013 on the distribution of dividends for the period ended June 30, 2013 with an amount of LE 501 785 k including employees' and board of directors' share by LE 30 per share.