Ferchem Misr for Fertilizers & Chemicals Company

(An Egyptian Joint Stock Company)

Financial Statements

For The Financial year ended March 31, 2026

The Limited Review Report

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bakertilly
MOHAMED HILAL & WAHID ABDEL GHAFFAR

C61, Plot# 11, 10th Sector,
Zahraa El Maadi, Cairo.

87 Ramsis Street, Cairo.
Egypt

T: +2 2310 10 31,32,33,34,35
T: +2 2574 48 10
T: +2 2577 07 85

info@bakertillyeg.com
www.bakertillyeg.com

Translation of Auditor's Report
Originally Issued In Arabic

Limited Review Report

To The Members of Boards of Directors Of
Ferchem Misr for Fertilizers and Chemical Co. (S.A.E.)

Introductory

We have reviewed the accompanying financial position of Ferchem Misr for Fertilizers and Chemical Co. (S.A.E.) as at March 31, 2026 and the statement of income, statement of comprehensive income, statement of changes in equity and cash flow statement for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of limited review

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view for the financial position of the Company as of March 31, 2026 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without qualifying our conclusion, the comparative figures for the statements of income, comprehensive income, changes in equity, and cash flows for the financial period ended 31 March 2025, represent Ferchem Misr for Fertilizers and Chemicals on a standalone basis, up to the date of the merger of Aswan for Fertilizers and Chemical Industries and Abu Zaabal for Fertilizers and Chemicals into the Company on 23 March 2025— Note (34).

Cairo: May 24, 2026.
Auditor

Tarek Salah

Tarek Salah
B.T. Mohamed Hilal & Wahid Abdel Ghaffar

MOHAMED HILAL & WAHID ABDEL GHAFFAR
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محمد هلال & وحيد عبد الغفار
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Ferchem Misr for Fertilizers & Chemicals Company "S . A . E "
Statement of financial position as of March 31, 2026
(All amounts are in Egyptian Pound)

	Note No.	31/3/2026	31/12/2025
Non current assets			
Fixed assets	(4)	1 352 516 184	1 378 219 245
Right of use of assets	(5)	25 618 867	64 328 942
Projects in progress	(6)	2 631 171 552	2 485 854 453
Investment in associate	(7)	25 081 384	23 384 600
Total non current assets		**4 034 387 987**	**3 951 787 240**
Current assets			
Inventory	(8)	5 253 699 484	3 275 782 366
Trades and notes receivable	(9)	429 558 521	619 334 160
Debtors and other debit balances	(10)	1 415 872 349	1 092 921 976
Treasury bills	(11)	--	377 838 831
Cash and cash equivalents	(12)	1 522 635 311	1 112 969 476
Total current assets		**8 621 765 665**	**6 478 846 809**
Total assets		**12 656 153 652**	**10 430 634 049**
Equity			
Issued and paid up capital	(14)	800 000 000	800 000 000
Reserves	(15)	686 024 138	686 024 138
Retained earnings		2 360 076 224	175 790 346
Net profit for the period / year		218 194 809	2 184 285 878
Total equity		**4 064 295 171**	**3 846 100 362**
Non current liabilities			
Long-term loans	(16)	659 401 498	621 508 400
End of service indemnity	(17)	2 919 652	2 944 970
Deferred tax liability	(18)	206 536 937	242 483 522
Lease contracts liability	(19)	31 413 393	31 452 524
Total non current liabilities		**900 271 480**	**898 389 416**
Current liabilities			
Provisions	(20)	202 674 462	203 311 662
Lease contract liability - current portions	(19)	8 133 702	8 133 702
Bank facilities	(21)	3 991 698 585	3 127 439 433
Long term loans - current portions	(16)	190 847 817	182 684 904
Suppliers and notes payable	(22)	2 084 611 283	1 214 217 992
Creditors and other credit balances	(23)	460 876 817	295 850 312
Current tax payable		752 744 335	654 506 266
Total current liabilities		**7 691 587 001**	**5 686 144 271**
Total liabilities		**8 591 858 481**	**6 584 533 687**
Total equity and liabilities		**12 656 153 652**	**10 430 634 049**

The accompanying notes are an integral part of these financial statements.
The Limited Review Report is attached.

Head of Accounting Division	Vice Chairman and CEO	Chairman
Mr. Mohamed Soliman	Chem. Samir Abdel Nabi	Eng. Ali Maher Ghonim

FERCHEM MASR
FERTILIZERS AND CHEMICALS
C. R : 5318 CAIRO INVESTMENT

Originally issued in Arabic

Ferchem Misr for Fertilizers & Chemicals Company "S . A . E "

Statement of income for the period ended March 31, 2026

(All amounts are in Egyptian Pound)

	Note No.	31/3/2026	31/3/2025
Sales	(24)	2 034 711 136	1 467 295 918
Less:			
Cost of sales		(1 472 675 702)	(712 608 057)
Gross profit		**562 035 434**	**754 687 861**
Add / (less):			
Less/ Add			
Company's share in result of associates	(7)	1 696 784	3 550 335
Net income (loss) of vocational training activity	(25)	75 618	(20 161)
Capital gain		1 199 232	--
Credit interest		13 022 235	23 068 886
Other income		23 563 881	--
Treasury bills return		20 169 827	--
General and administrative expenses	(26)	(87 316 363)	(12 593 615)
Board members remunerations and attendance allowances		(199 693)	(263 870)
Reversal of expected credit losses	(13)	15 024 608	685 130
Provisions and impairment formed		(17 962 443)	--
End of service indemnity provision	(17)	(154 532)	(588 371)
Finance expenses		(98 333 830)	(30 867 027)
Foreign exchange differences		(147 557 515)	(16 596)
Net profit for the period before tax		**285 263 243**	**737 642 572**
(Less) \ add:			
Current income tax	(27)	(103 015 019)	(169 556 271)
Deferred tax	(18 - A)	35 946 585	823 958
Net profit for the period after tax		**218 194 809**	**568 910 259**
Basic earnings per share in the profit for the period	(28)	**0.55**	**10.96**

The accompanying notes are an integral part of these financial statements.

Head of Accounting Division	Vice Chairman and CEO	Chairman
Mr. Mohamed Soliman	Chem. Samir Abdel Nabi	Eng. Ali Maher Ghonim

FERCHEM MASR
FERTILIZERS AND CHEMICALS
C. R : 5318 CAIRO INVESTMENT

Ferchem Misr for Fertilizers & Chemicals Company "S.A.E"
Statement of comprehensive income for the period ended March 31, 2026
(All amounts are in Egyptian Pound)

	31/3/2026	31/3/2025
Net profit for the period	**218 194 809**	**568 910 259**
Other Comprehensive income		
Actuarial gains	--	380 066
Total other comprehensive income after tax	--	**380 066**
Total comprehensive income for the period	**218 194 809**	**569 290 325**

The accompanying notes are an integral part of these financial statements.

Ferchem Misr for Fertilizers & Chemicals Company "S . A . E "

Statement of changes in equity for the period ended March 31, 2026

(All amounts are in Egyptian Pound)

	Issued and Paid up capital	Reserves	Retained earnings	Net profit for the period	Total
Balance at 1/1/2025	**35 100 000**	**12 281 228**	46 674 942	51 545 663	145 601 833
Transfer to capital reserve	--	809 950	--	(809 950)	--
Transferred to legal reserve	--	2 536 786	--	(2 536 786)	--
Dividends of the year 2024	--	--	--	(4 948 369)	(4 948 369)
Transferred to retained earnings	--	--	43 250 558	(43 250 558)	--
Impact of the Merger of Abu Zaabal Fertilizers Company and Aswan *Fertilizers Company into the Company	764 900 000	670 156 873	2 341 455 036	--	3 776 511 909
Profit of the merged companies for the period from January 1, 2025, to the deregistration date in the commercial register**	--	--	161 302 801	--	161 302 801
Total comprehensive income for the period	--	380 066	--	568 910 259	569 290 325
Balance at 31/3/2025	**800 000 000**	**686 164 903**	**2 592 683 337**	**568 910 259**	**4 647 758 499**
Balance at 1/1/2026	**800 000 000**	**686 024 138**	**175 790 346**	**2184 285 878**	**3 846 100 362**
Transferred to retained earnings***	--	--	2 184 285 878	(2 184 285 878)	--
Total comprehensive income for the period	--	--	--	218 194 809	218 194 809
Balance at 31/3/2026	**800 000 000**	**686 024 138**	**2 360 076 224**	**218 194 809**	**4 064 295 171**

* On March 23, 2025, the merger was registered in the commercial register with the merge of Aswan for Fertilizers and Chemical Industries (Merged Company 1) and Abu Zaabal for Fertilizers and Chemicals (Merged 2) into the Company. - Note (1).

** The profits of the merged companies represents in the net profit of Aswan Fertilizers and Chemical Industries Company ('Merged Entity 1') for the period from January 1, 2025, to the deregistration date in the Commercial Registry on March 23, 2025, as well as the net profit of Abu Zaabal Fertilizers and Chemicals Company ('Merged Entity 2') for the period from January 1, 2025, to the deregistration date in the Commercial Registry on March 20, 2025.

*** The proposed dividend distribution was approved by the Ordinary General Assembly of the Company held on April 30, 2026.

The accompanying notes are an integral part of these financial statements.

Ferchem Misr for Fertilizers & Chemicals Company "S . A . E "
Statement of cash flows for the period ended March 31, 2026
(All amounts are in Egyptian Pound)

	Note No.	The end of period to 31/3/2026	31/3/2025
Cash flows from operating activities			
Net profit period before tax		**285 263 243**	**737 642 572**
Adjustments to reconcile net profit to cash provided by operating activities			
Fixed assets depreciation	(4)	53 683 843	16 554 345
Right use of assets deprecation	(5)	38 710 075	691 553
Company's share in result of associates	(7)	(1 696 784)	(3 550 335)
Finance expenses		98 333 830	30 867 027
Reversal of expected credit losses	(13)	(15 024 608)	(685 130)
End of service indemnity provision	(17)	154 532	588 371
Provisions and impairment formed		17 962 443	--
Credit interest		(13 022 235)	--
Capital (gain)		(1 199 232)	--
Operating profits before changes in working capital		**463 165 107**	**782 108 403**
Change in:			
Inventory		(1 995 879 561)	152 352 212
Trades and notes receivables		205 649 868	(736 159 429)
Due from related parties		--	(7 993 818)
Debtors and other debit balances		(325 920 427)	14 751 255
Due to related parties		--	(133 542 238)
Supplier and notes payables		870 393 291	199 178 126
Creditors and other credit balances		164 209 455	(222 883 364)
Cash flows (used in) provided by operating activities		**(618 382 267)**	**47 811 147**
Income tax paid		(4 776 950)	--
Proceeds from credit interest		13 022 235	--
Finance expenses paid		(98 333 830)	(30 867 027)
Net cash flows (used in) provided by operating activities		**(708 470 812)**	**16 944 120**
Cash flows from investing activities			
(Payments) for purchase of fixed assets and projects in progress		(174 497 881)	(6 856 320)
Proceeds from selling of fixed assets		2 399 232	--
Net cash flows (used in) investing activities		**(172 098 649)**	**(6 856 320)**
Cash flows from financing activities			
Dividends paid		--	(4 948 369)
(Payment) for lease contract liability		(39 131)	--
Proceeds (Payment) from banks facilities		864 259 152	(192 609 585)
Proceeds for long term loans		46 056 011	114 428 215
Net cash flows provided by (used in) financing activities		**910 276 032**	**(83 129 739)**
Net change in cash and cash equivalents during the period		**29 706 571**	**(73 041 939)**
Cash and cash equivalents at the beginning of the period		1 498 665 325	67 229 806
Cash and Cash Equivalents Transferred to the Company as a Result of the Merger		--	1 783 024 640
Cash and cash equivalents at end of the period	(12)	**1 528 371 896**	**1 777 212 507**

The accompanying notes are an integral part of these financial statements.

1- COMPANY'S BACKGROUND

1-1 The International Company for Fertilizers and Chemicals "FERCHEM" (Abdel Salam Abdel Salam El-Gabaly & Partner), a general partnership, was established on January 28, 2001 in accordance with the provisions of Law No. 8 of 1997 regarding Investment Guarantees and Incentives and its Executive Regulations.

On December 19, 2004, the commercial register was updated to change the company's name to Ferchem Misr for Fertilizers and Chemicals (Abdel Salam Abdel Salam Mostafa El-Gabaly & Partners). On January 28, 2007, the commercial register was further updated to change the company's name to Ferchem Misr for Fertilizers and Chemicals (Engineer Abdel Salam Abdel Salam Mostafa El-Gabaly & Partners).

On August 6, 2007, the commercial register was updated to change the company's name to Ferchem Misr for Fertilizers and Chemicals and to convert the company's legal form into an Egyptian Joint Stock Company subject to the provisions of Law No. 8 of 1997. The duration of the company is twenty-five (25) years starting from the date of registration in the commercial register. The company's financial year begins on January 1 and ends on December 31 of each year.

Based on the Extraordinary General Assembly meeting held on January 4, 2026, it was approved to extend the duration of the Company for twenty-five (25) years starting from January 28, 2026 till January 27, 2051. It was registered in the commercial register on February 4, 2026.

1-2 Company's objective

The company's purpose was to establish and operate a plant for blending and packaging fertilizers, chemicals, agricultural and insecticides, hormones, and agricultural growth regulators.

The Extraordinary General Assembly held on May 18, 2019, approved the amendment of the Company's purpose to include the following:

- Establishing and operating a plant for blending and packaging chemical fertilizers, blending and packaging powdered and liquid compound fertilizers (N.P.K), blending, granulating, and packaging granular compound fertilizers (N.P.K), agricultural and insecticides, hormones, and agricultural growth regulators, as well as providing blending, manufacturing, and packaging services for third parties.
- Trading in all of the company's products, seeds, and seedlings.
- Importing and exporting fertilizers and agricultural nutrients.
- Leasing storage spaces and capacities necessary for the company's operations, and subleasing any excess storage spaces and capacities to third parties.
- The company is required to maintain separate accounts and a distinct financial position for each activity.

The amendment was registered in the commercial register on July 11, 2019.

Based on the resolution of the Extraordinary General Assembly of the Company held on October 21, 2024, it was approved to amend the Company's purpose to include the following activities:

- Establishing, managing, and operating a plant for the preparation, grinding, and sale of mineral raw materials.
- Establishing, managing, and operating a plant for blending and packaging chemical fertilizers, agricultural nutrients, agricultural and insect pesticides, hormones, and plant growth regulators, as well as providing blending, manufacturing, and packaging services for third parties.
- Establishing, managing, and operating a plant for blending, packaging, and manufacturing powdered compound NPK fertilizers.
- Establishing, managing, and operating a plant for blending, packaging, and manufacturing liquid compound NPK fertilizers.
- Establishing, managing, and operating a plant for blending, packaging, and granulating compound NPK fertilizers.
- Establishing, managing, and operating a plant for manufacturing, preparing, grinding, and selling mineral raw materials and phosphate fertilizers.
- Establishing, managing, and operating technical education schools and institutes.
- Establishing, managing, and operating a plant for manufacturing magnesium sulfate fertilizers and urea phosphate fertilizers.
- Executing and managing industrial projects related to fertilizers, chemicals, and agricultural nutrients, as well as undertaking technical and administrative restructuring for factories operating in the fields of fertilizers, mining, agricultural nutrients, pesticides, and all chemical industries.
- Prospecting, exploiting, extracting, and concentrating mineral resources of all types from mines and quarries.
- Extracting phosphate, and purifying, storing, supplying, distributing, and trading in sulfur oxide, superphosphate, and other fertilizers and their derivative compounds.
- Leasing storage spaces and capacities necessary for the Company's operations, and subleasing any excess storage capacity to third parties.
- Import and export.
- Investing in all fields related to fertilizers and chemicals of all types, and agricultural and chemical nutrients.
- Providing consulting and technical services in all production, financial, administrative, and marketing areas for companies and factories (excluding activities related to securities markets, legal consultations, and studies related to capital increases, acquisitions, and financial advisory services regarding securities as specified under Article 27 of the Capital Market Law and its Executive Regulations).
- Trading in the Company's products, seeds, seedlings, sulfur oxide, superphosphate, other fertilizers, and derivative compounds.
- General trading in all legally permitted fields, particularly chemicals, ores, solvents, industrial plastics, plastic raw materials, fertilizers, and all types of agricultural nutrients, including all related agricultural equipment and supplies.

All the above activities are to be conducted in accordance with applicable laws, regulations, and decisions in force, and subject to obtaining the necessary licenses to carry out such activities. The Company may also have an interest in or participate in any manner with companies or entities engaged in similar activities or those which may assist in achieving its objectives, whether inside or outside Egypt. It may also merge with, acquire, or affiliate with such entities in accordance with applicable laws and regulations.

1-3 The financial statements were approved for issuance by the Board of Directors in its meeting held on May 24, 2026.

1-4 Merger of Abu Zaabal Fertilizers and Chemicals and Aswan Fertilizers and Chemical Industries (Merged Companies) into Ferchem Misr for Fertilizers and Chemicals (Merging Company)

Based on the resolution of the Extraordinary General Assembly of the Company held on October 21, 2024, the following resolutions were approved:

a- Approval of the report issued by the Committee formed to verify the preliminary valuation of assets and liabilities of Ferchem Misr for Fertilizers and Chemicals S.A.E. (Merging Company), Abu Zaabal Fertilizers and Chemical Industries S.A.E. (Merged Company), and Aswan Fertilizers and Chemical Industries S.A.E. (Merged Company), The report was issued by the Economic Performance Sector of the General Authority for Investment and Free Zones (GAFI) and approved by its CEO on August 1, 2024. The report determined the book value of shareholders' equity as at September 30, 2022, which is the merger reference date, without revaluation of any financial statement items, as follows:

(a)-1 Total book value of shareholders' equity of the merged and merging companies amounted to EGP 691,592,000, distributed as follows:

- Ferchem Misr for Fertilizers and Chemicals (Merging Company): EGP 39,408,720
- Aswan Fertilizers and Chemical Industries (Merged Company): EGP 31,589,220
- Abu Zaabal Fertilizers and Chemical Industries (Merged Company): EGP 620,594,060

(a)-2 Distribution of total equity is based on a valuation ratio reflecting the fair market value of each company:

- 6.12% for Ferchem Misr (Merging Company)
- 1.35% for Aswan Fertilizers (Merged Company)
- 92.53% for Abu Zaabal Fertilizers (Merged Company)

(a)-3 Consideration of the capital increase in Abu Zaabal Fertilizers amounting to EGP 199,878,727, recorded in the Commercial Register on September 27, 2023.

b- Approval of the merger of Aswan for Fertilizers and Chemicals industries and Abu Zaabal for Fertilizers and chemicals into Ferchem Misr, based on the book value of shareholders' equity of these companies as at September 30, 2022, and allocation of total equity in accordance with the valuation ratios outlined in the Committee's report that issued by the Economic Performance Sector of the General Authority for Investment and Free Zones (GAFI). The total post-merger equity was set at EGP 891,470,727, distributed as follows:

- 6.12% of the total book value of shareholders' equity, equivalent to EGP 42,325,430, was allocated in favor of Ferchem Misr for Fertilizers and Chemicals S.A.E. (the merging company), to be distributed among the company's shareholders in proportion to their ownership percentages as of the merger implementation date.
- 1.35% of the total book value of shareholders' equity, equivalent to EGP 9,336,492, was allocated in favor of Aswan for Fertilizers and Chemicals Industries S.A.E. (the merged company), to be distributed among the company's shareholders in proportion to their ownership percentages as of the merger implementation date.
- 92.53% of the total book value of shareholders' equity, equivalent to EGP 839,808,805, was allocated in favor of Abu Zaabal for Fertilizers and Chemicals S.A.E. (the merged company), including the capital increase of EGP 199,878,727 made subsequently to the merger base date to be distributed among the company's shareholders in proportion to their ownership percentages as of the merger implementation date.

c- Approval of the transfer of all rights and obligations of the merged companies (Abu Zaabal and Aswan) to Ferchem Misr, which shall assume all legal rights and obligations, tangible and intangible assets, and liabilities of the merged companies. All existing contracts of the merged companies shall remain in force, with Ferchem Misr assuming the contractual position of the merged entities.

d- Approval of the distribution of Ferchem Misr's post-merger equity based on the book values of September 30, 2022, as per the committee's report that issued by the Economic Performance Sector of the General Authority for Investment and Free Zones (GAFI).

e- Approval of the detailed merger agreement and its annexes.

f- Approval of the Board of Directors' proposal to amend the authorized capital to EGP 2,000,000,000 and to increase the issued capital to EGP 800,000,000, divided into 400,000,000 shares at a nominal value of EGP 2 per share, and to amend the company's purpose in connection with the merger.

g- Approval of amendments to Articles (3), (6), and (7) of the Company's Articles of Association.

h- Approval of the continued listing of Ferchem Misr shares on the Egyptian Exchange after the merger.

i- Approval of the lock-up of 51% of the shares owned by the major shareholders, provided that it shall not be less than 25% of the total company shares after the merger, in accordance with the Financial Regulatory Authority's requirements. The lock-up period will extend until audited financial statements reflect profitability as defined in item No. (8) of Article (7) of the Listing Rules, or 24 months from the listing of the merger shares.

On December 23, 2024, the General Authority for Investment and Free Zones issued Decision No. 722/2 of 2024, which included the following:

Article One:

Approval of the merger of Aswan Fertilizers and Chemical Industries (Merged Company 1) and Abu Zaabal Fertilizers and Chemical Industries (Merged Company 2) into Ferchem Misr for Fertilizers and Chemicals (Merging Company).

Article Two:

The date September 30, 2022, is considered the legal effective date on which the merging company legally substitutes the merged companies in all their rights and obligations, in accordance with the resolutions of the Extraordinary General Assemblies of both the merged and the merging companies. This is without prejudice to the rights of creditors. However, the merger shall not be enforceable against third parties except from the date of registration of the merger decision in the commercial registry.

- On March 20, 2025, the commercial registers of the merged companies — Abu Zaabal Fertilizers and Chemical Industries Co. (S.A.E.) was canceled and written off.
- On March 23, 2025, the commercial registers of the merged companies — Aswan Fertilizers and Chemical Industries Co. (S.A.E.) was canceled and written off.
- On March 23, 2025, the merger was registered in the commercial register of Ferchem Egypt for Fertilizers and Chemicals Co. (S.A.E.).

2- Basis of preparation of Financial Statements

The preparation of financial statements requires specific accounting estimates and requires management to make other accounting estimates about the application of company's accounting policies. Note No. (2-3) from the notes of the financial statements indicates the items and the elements that have significant accounting estimates.

2- 1 Statement of compliance

The financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations. The Egyptian Accounting Standards requires refer to the International Financial Reporting Standards when no Egyptian accounting standard or legal requirements illustrate how to treat specific balances or transaction.

2- 2 Basis of measurement

The financial statements have been prepared using historical cost, except for financial assets and liabilities that are measured at fair value, amortized cost or cost, when appropriate.

2- 3 Critical accounting judgment and key sources of estimation uncertainty

The preparation of financial statements according to the Egyptian Accounting Standard requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

- **Impairment of intangible assets**

  At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

- **Estimated useful lives of fixed assets**

  Management relies on determining the estimated useful life of a fixed asset on the expected use of the asset, the expected physical wear and tear from the use and obsolescence of the asset, the extent of technological developments and prior experience with respect to the similar assets. Any change in the estimated useful life of any fixed asset may affect the depreciation value recognized in the income statement over future periods.

- **Provisions and contingent liabilities**

  Provisions are based on estimates concerning litigation, employee benefits, and other charges - including taxes - in relation to the Company's activities.

  As provisions are not specifically measurable, the amount of the provision may change based on future developments. Changes in the amount of provisions attributable to changes in management estimates are accounted for prospectively and recognized in the period in which the change in estimates arises.

- **Expected credit losses**
  Impairment in customers is estimated by using a simplified expected credit losses method. The Company's management examines the credit position and ability of customers to make payments for their past due debts. Impairment is recognized for amounts due from customers whose credit position, as believed by the management, does not allow them to pay their dues, based on both historical performance as well as expectations for the future.

- **Deferred income tax**
  Measurement of deferred income tax assets and liabilities is based on management judgment. Deferred tax assets are recognized only if the Company is probable to be able to use it. Judging whether or not tax assets can be used depends on whether future taxable profits can be realized to allow for set-off with the deductible temporary difference. To estimate the potential for future use of these temporary differences, estimates are required for several factors, including future taxable profits. Such these tax assets are recognized only when the development stage of the project has commenced and it becomes clear that future taxable profits will often be realized.

  Where actual values differ from estimates, this may result in a change in the assessment of the recoverable amount of deferred tax assets - and the accounting for such a change, if any, will be made prospectively in the financial periods affected by the change.

- **Retirement benefits liability**
  Retirement benefit liabilities are calculated on the basis of various financial and actuarial assumptions. The basic assumptions used to estimate these liabilities are the discount rate, future increases in salaries and pensions, and the likelihood of employees reaching retirement age. The retirement benefit system was applied using a discount rate of 12% and an external expert calculated this liability.

- **Net realizable value of inventory**
  Inventories are measured at cost or net realizable value, and most of the Company's products are actually sold at market prices higher than the cost of manufacturing.

2- 4 Fair value measurement

- The fair value of the financial instruments is determined based on the quoted price for the financial instrument or similar instruments at the financial statement date. The financial assets' value are determined based on the current purchase price for these assets; while the financial liabilities value are determined based on current prices for which these liabilities are settled.
- In the absence of an active market, the fair value is determined using various valuation techniques taking into consideration the transactions recent prices, current fair value for the other similar instruments substantially, discounted cash flows or any other valuation technique which resulting in reliable values.
- When using the discounted cash flow method as a valuation technique, the future cash flows are estimated based on management's best estimates. The used discount rate is determined in the light of the prevailing market price at the date of the financial statements of financial instruments which are similar in nature and terms.

3- SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted in the preparation of the financial statements that have been consistently applied during the financial period presented in these financial statements:

3- 1 Foreign currency Translation

3-1-1 Presentation and Transaction Currency

The Financial Statements are presented in Egyptian pound which represents the company presentation and transaction currency which consider the primary currency of the economic environment in which the entity operates where most of its cash inflows and outflows are made.

3-1-2 Transaction and Balances

The company and its subsidiaries maintain their books in Egyptian pounds. Transactions denominated in foreign currencies during the period are recorded at the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the end of each financial period at the exchange rates declared at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in statement of income in the period in which they arise except for exchange difference on non-monetary items carried at fair value, which are include in the change in its fair value.

3- 2 Fixed assets and depreciation

All fixed assets are carried at historical cost, less accumulated depreciation and impairment losses, if any.

Historical cost includes all costs directly attributable to the acquisition of fixed assets. Subsequent costs are recognized in the carrying amount of the fixed asset or as an independent asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost can be reliably determined. Repair and maintenance expenses are recognized in the statement of income in the period in which they are incurred.

Properties in the course of construction for activity, or administrative purposes or any other undetermined purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of fixed assets when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land and properties under construction are not depreciated. Depreciation expenses are recognized so as to write of the cost (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method and same annual rate as in previous years, as described below. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives are as follows:

Description	Estimated useful lives (year)	Depreciation Rate
Buildings, Constructions & Facilities	10-20	5% - 10%
Machinery & Equipment's	5-20	5% - 20%
Overhaul	4	25%
Vehicles	2.5-5	20% - 40%
Tools & Supplies	2.5-5	20% - 40%
Furniture & office equipment	4-10	10% - 25%

- Fixed assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of fixed assets are determined as the difference between the sales proceeds (after deduction of selling expenses) and the net carrying amount of the asset and is recognized in statement of income.

3- 3 Projects in progress

Projects in progress are stated at cost. Cost includes all expenses related to the processing of the asset to the condition in which it is operated for the purpose for which it was acquired. These expenses include professional fees, assembling and installation costs and employee benefits, directly related to the establishment or acquisition of the asset and the cost of determining whether the asset is operating properly, after deducting net proceeds from the sale of any units produced to make the asset in place and the condition necessary to start it.

The projects in progress are transferred to the fixed assets item when the asset is available for its intended use, and then its depreciation begins on the same basis as the depreciation of the similar fixed assets.

3- 4 Investments in associates

Associates are entities over which the Company has significant influence over their financial and operating policies, but which do not qualify as subsidiaries or joint ventures.

Investments in associates are accounted for using the equity method, whereby the investment is initially recognized at cost, including any directly attributable acquisition-related costs.

Subsequent to initial recognition, the carrying amount of the investment is adjusted to reflect the Company's share of the investee's profit or loss and other comprehensive income.

3- 5 Leases

The Egyptian Standard "Lease Contracts" No. (49) sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

A. periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
B. periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property the Company has elected not to separate non -lease components and account for the lease and non -lease components as a single lease component .

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received .

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right- of- use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability .

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate .

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased .

Lease payments included in the measurement of the lease liability comprise the following :

Fixed payments, including in - substance fixed payments ;

Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;

Amounts expected to be payable under a residual value guarantee ;

and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early .

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment .

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right- of- use asset, or is recorded in profit or loss if the carrying amount of the right- of- use asset has been reduced to zero.

The Company presents right- of- use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

3- 6 **Inventory**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventory is determined using the weighted average method, the cost of inventories shall comprise all costs of purchase of raw material and other materials, and other costs incurred in bringing the inventories to their present location and condition. In the case of finished products inventories, the cost of industrial production is the cost of raw materials, direct labor and indirect industrial expenses, which are determined according to the normal operating capacity of the company.

Following are the inventory kinds:

A. Raw materials, spare parts, tools, and packing materials:

Raw materials, spare parts, tools and packing material are determined using the weighted average method.

B. Work in process

Cost of work in process is determined at industrial cost up to the production stage that has been reached.

C. Finished products

Cost of finished products is determined at which is lower of cost or net realizable value.

D. Inventory quantification variance

Inventories of raw materials, finished goods and work in process are measured by geometrical measurements which resulting in quantification variance within allowed wastage that estimated and formed an allowance of 1.5% of the inventory.

3- 7 **Revenue from contract with customers**

An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service and when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such transfer .

The company recognizes revenue from contracts with customers based on a five-step model as set out in EAS 48 and is given below :

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met ;

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer ;

Step3 - Determine the transaction price: The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties ;

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation ;

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation .

The company satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:
The customer simultaneously receives and consumes the benefits provided by the entity's performance once the company has performed.
Company performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.
The performance of the company does not create an asset with an alternative use for the company, and that the company has an enforceable right to payment for performance completed to date.
For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied .
If the company fulfils the performance obligation by providing the services that have been promised, this creates an asset based on a contract in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees. The company reviews its revenue arrangements against specific criteria to ascertain whether it is acting as principal or agent .
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that revenue and costs, where applicable, can be measured reliably.

3- 8 Impairment of assets value

A. **Financial assets**

The company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized over the expected life of a financial instrument.

B. **Non-Financial assets**

At each reporting date, the Company reviews the carrying amounts of its non- financial assets (other than, investment property, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU s. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

- The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
- An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
- Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
- An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

3- 9 Income tax

The Company's income statement is periodically charged at an estimated tax rate for each financial period, which includes both the current tax (calculated in accordance with the applicable laws, regulations and using tax rates enacted or substantially enacted at the financial position date.) and deferred tax (which is determined using tax rates expected to be applied in the periods in which the obligation is settled or the asset is used and based on tax rates and tax laws applicable at the date of the financial statements).

The income tax is recognized as an expense or an income in the statement of income except for income tax relating to items outside profit or loss that is recognized either in other comprehensive income or recorded directly in equity.

Deferred tax assets and liabilities consist of the expected tax effects arising from the existence of temporary differences between the carrying amounts of the assets and liabilities in accordance with the accounting principles used in the preparation of the separate financial statements and the balances of those assets and liabilities in accordance with the tax bases used in calculating the taxable profit. Deferred tax is determined based on the manner in which the present value of these assets and liabilities is expected to be recovered or settled using tax rates applicable at the date of preparation of the separate financial statements

Generally, all deferred tax liabilities (resulting from future temporary taxable differences) are recognized while Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are classified in non-current assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legal right to set-off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority on the same taxable entity and the company intends to settle the current tax liabilities and assets on a net basis.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Note No. (18) provide additional information on those assets and liabilities.

3- 10 Cash flows statement

Cash flow statement is prepared using the indirect method. For purpose of preparing the statement of cash flows, Cash and cash equivalents include cash and balance at banks.

3- 11 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 an out flow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding that obligation.

And if there is a significant effect of the monetary time value, the provisions are determined after deduction of future cash flow that are related to the obligation of payment by using the relevant deduction rate to take this effect into consideration.

If cash flows are discounted, the carrying amount of the provision increases in each period to reflect the time value of the cash generated from the passage of time. This increase in provision is recognized in financing expenses in the statement of income. Provisions are reviewed at the financial position date and amended when necessary to reflect the best current estimate.

3- 12 Trade receivables, debtors and other debit accounts

Trade receivables, debtors and other debit accounts are stated at amortized cost using the effective interest rate less impairment loss of any amounts expected to be uncollected, debtors and other debit balances are classified as current assets. Amounts that are expected to be collected after more than one period are classified as non-current assets.

3- 13 Treasury bills

Treasury bills are recorded at their nominal value. The unearned interest is recognized as a liability, and treasury bills are presented net of the unearned interest.

3- 14 Employee benefits

3-14-1 Short-term benefits such as wages, salaries, social insurance contributions, annual leave paid and bonuses (due within 12 months of the end of the financial year) and non-monetary benefits for existing employees. The company is obliged to pay its share in the social insurance system of the Social Insurance Authority for the benefit of its personnel in accordance with the social insurance law No. 79 of 1975 and its modifications.

The Company shall charge this contribution and shall be included in the wages and salaries accounts in the statement of income according to the accrual basis. These benefits are accounted for as described below.

When an employee has rendered service to an entity during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or cash refund.

- As an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

3-14-2 Post-employment benefits are long-term benefits that employees are entitled to complete their terms of service in the Company and are entitled to receive retirement benefits in accordance with applicable laws in the countries where the Company's branches are operated separately, these benefits apply to the terms of the defined benefit plan financed by the entity.

The Company follows the "projected unit credit method" to determine the present value of the defined benefit plans and the related current service cost and the past service cost, if any. The application of this method requires the use of an independent actuarial expert to conduct actuarial valuations at the end of each year in order to obtain a reliable estimate of the amount of benefits earned by the employees for their services rendered in the current and prior periods.

This requires that the entity had to determine the amount of the benefit attributed to the current and prior periods and estimates (actuarial assumptions) about demographic variables (eg. turnover rate and mortality) and financial variables (eg. future salary increases) affect the cost of the benefit. Refer to note (17) for the significant actuarial assumptions and estimates used during the current period.

All actuarial gains and losses that may result from the increase or decrease in the present value of the defined benefit obligation are immediately recognized in the statement of income. Changes in actuarial assumptions such as employee turnover, early retirement rate, death rate, salary growth rate and change in discount rate over actual rates at the end of the year are factors that lead to arising actuarial gains and losses.

The past service cost is immediately recognized in the statement of income when the benefits related with the rendered of the service have been gained or otherwise amortized on a fixed rate basis over the average period established until such benefits become vested.

The defined benefit obligation recognized in the statement of financial position at the end of each year represents the present value of the defined benefits obligation earned by the employees, adjusted for the past service cost that was not recognized by that date.

In this regard, the benefit that employees have earned are defined as the benefits are unconditional on the worker remains in his position for any additional period in the future. While the present value of the defined benefits obligation represents the present value of the expected future payments required to settle the liability arising from the employee's service in the current period and prior periods and without any discount of plan asset- if any.

Current service cost, is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; while past service cost, is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan);

An interest cost is also recognized in each financial period as a result of the increase in the present value of the defined benefit obligation because of the proximity of those benefits from the date of settlement by one financial period.

The actuarial gains or losses include:

- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)
- The effects of changes in actuarial assumptions.

3-14-3 Paid annual leave

Accrual of paid annual leave is recognized in creditors and other credit balance by the value of the leave that the employee has not obtained.

3- 15 Suppliers

Suppliers are recognized at the contractual value of goods and services received from third parties which invoices have been received for it.

3- 16 Contingent liabilities and commitments

Contingent liabilities and commitments shown out of the financial position as it is not represented actual assets or liabilities at the financial position date.

3- 17 Related parties' transactions

Transactions with related parties that are undertaken by the Company in the course of its ordinary transactions are recorded according to the conditions laid down by the company's management on the same bases of dealing with third party.

3- 18 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset shall be capitalized. Capitalization of interest and commission should be ceased when the assets are substantially ready for intended use.

Other borrowing costs shall recognize as an expense in the period in which it incurs them in the finance expenses account using the effective interest rate method.

Capitalization of borrowing costs should be suspended during extended periods in which it suspends active development of a qualifying asset. Capitalization of borrowing costs should be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3- 19 Dividends

Dividend declared to shareholders, employees and Board of Directors shall be recognized in accordance with the provisions of Law No. 159 of 1981 and the Articles of Association of the Company, by deducting from the retained earnings according to the dividend statement and recorded directly as a dividend payables in respect share of the shareholders and the members of the Board of Directors and within the other credit accounts in respect of employees in the period which such dividends are approved by the shareholders of the Company in the General Assembly. No liability is recognized by the Company to the employees from the undeclared profits

3- 20 Legal reserve

According to Law No. 159 of 1981 and the Articles of Association of the Company, 5% of the annual net profit must be transferred to the legal reserve until the balance of the reserve reaches 50% of the issued capital, and when the reserve falls below the defined level, it is necessary to return to the deduction. This reserve may not be used in dividend distributions but shall be used by a decision of the General Assembly on the proposal of the Board of Directors in the interest of the Company.

The legal reserve may also be increased as a result of a capital increase at fair value, provided that the share premium arising from such increase shall be added to the legal reserve until it reaches an amount equal to half of the issued share capital.

Any excess over that amount shall be transferred to a special reserve, which the General Assembly, based on a proposal from the Board of Directors, shall have the right to dispose of in any manner deemed to be in the best interest of the Company, provided that such disposition does not involve its distribution as profit.

This is in accordance with the Executive Regulations of the Companies Law No. 159 of 1981.

3- 21 Financial instruments

Financial Assets

Financial assets are recognized and derecognized on the date of the transaction when the purchase or sale of the financial assets is subject to contractual terms that require the delivery of financial assets within a time frame determined by the market.

These financial assets are initially recognized at fair value plus transaction cost except for financial assets classified at fair value through profit or loss where they are recognized at fair value.

The Company has classified financial assets in the statement of financial position represented by trade receivables, balances due from related parties and other debit balances. This classification depends on the nature of the financial assets and the intention of their acquisition on the date of initial recognition.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs .

Other Financial liabilities

Other financial liabilities including loans, balances due to related parties and other credit balances are initialed measured at fair value (cash received) after deduction of transactions cost, subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period. Upon accelerated payment of financial liability, the difference between the carrying amount of the liability and the amount paid as an accelerated payment is recognized in statement of income.

3- 22 <u>Comparative figure</u>

Comparative figures are reclassified whenever necessary to confirm with the current classification of the financial statements.

(All amounts are in Egyptian Pounds, unless otherwise stated)

4- **Fixed assets**

	Land	Building, constructions & Utilities	Machinery & Equipment	Vehicles	Tools & supplies	Furniture & office equipment	Electrical Appliances& Computers	Total
Cost as of 1/1/2025	**2 633 438**	**25 634 409**	**59 983 997**	**8 056 420**	**1 952 803**	**1 142 339**	**1 955 739**	**101 359 145**
Impact of the Merger – Note (1)	7 296 603	382 432 022	2 127 183 453	60 068 009	39 486 757	22 562 569	14 826 014	**2653 855 427**
Additions during the year	---	617 319	154 821 222	19 733 010	3 291 324	11 442 142	623 016	**190 528 033**
Disposals during the year	---	---	(1 611 576)	---	---	---	---	**(1 611 576)**
Cost as of 31/12/2025	**9 930 041**	**408 683 750**	**2 340 377 096**	**87 857 439**	**44 730 884**	**35 147 050**	**17 404 769**	**2 944 131 029**
Additions during the period	---	---	21 794 697	5 739 999	286 625	976 022	383 439	**29 180 782**
Disposals during the period	---	---	---	(2 250 000)	---	(470)	---	**(2 250 470)**
Cost as of 31/3/2026	**9 930 041**	**408 683 750**	**2 362 171 793**	**91 347 438**	**45 017 509**	**36 122 602**	**17 788 208**	**2 971 061 341**
Accumulated Depreciation as of 1/1/2025	---	**9 298 709**	**45 345 329**	**4 593 504**	**1 331 330**	**734 004**	**1 584 203**	**62 887 079**
Impact of the Merger – Note (1)	7 180 356	197 232 181	1 054 647 822	43 882 957	24 604 882	10 556 416	5 932 086	**1 344 036 700**
Depreciation of the year	---	14 670 349	129 207 377	6 457 523	4 544 316	3 341 474	2 378 542	**160 599 581**
Disposals of accumulated depreciation	---	---	(1 611 576)	---	---	---	---	**(1 611 576)**
Accumulated Depreciation as of 31/12/2025	**7 180 356**	**221 201 239**	**1227 588 952**	**54 933 984**	**30 480 528**	**14 631 894**	**9 894 831**	**1 565 911 784**
Depreciation of the period*	---	4 364 763	43 519 626	2 273 734	1 387 262	1 407 735	730 723	**53 683 843**
Disposals of accumulated depreciation	---	---	---	(1 050 000)	---	(470)	---	**(1 050 470)**
Accumulated Depreciation as of 31/3/2026	**7 180 356**	**225 566 002**	**1 271 108 578**	**56 157 718**	**31 867 790**	**16 039 159**	**10 625 554**	**1 618 545 157**
Net book value as of 31/3/2026	**2 749 685**	**183 117 748**	**1 091 063 215**	**35 189 720**	**13 149 719**	**20 083 443**	**7 162 654**	**1 352 516 184**
Net book value as of 31/12/2025	**2 749 685**	**187 482 511**	**1 112 788 144**	**32 923 455**	**14 250 356**	**20 515 156**	**7 509 938**	**1 378 219 245**

Distribution the depreciation for the year in income statement:	31/3/2026	31/3/2025
Industrial expenses	51 602 060	15 993 192
General and administrative expenses	2 081 783	561 153
Total	53 683 843	16 554 345

(All amounts are in Egyptian Pounds, unless otherwise stated)

5- Right of use assets

	Land	Phosphate Mine	Total
Cost at 1/1/2026	66 522 618	88 119 125	154 641 743
Additions	---	---	---
Cost at 31/3/2026	66 522 618	88 119 125	154 641 743
Accumulated depreciation at 1/1/2026	42 633 856	47 678 945	90 312 801
Deprecation of the period	2 074 659	36 635 416	38 710 075
Accumulated depreciation at 31/3/2026	44 708 515	84 314 361	129 022 876
Net book value at 31/3/2026	21 814 103	3 804 764	25 618 867
Net book value at 31/12/2025	23 888 762	40 440 180	64 328 942

6- Projects in progress

	31/3/2026	31/12/2025
Machinery and equipment under installation	2 038 536 507	1 926 330 367
Buildings under construction	446 952 208	407 017 350
Land of 1900 square meter – Sadat City	1 325 626	1 325 626
Unit of energy rationalization	1 987 820	1 987 820
Advance payments	116 641 269	123 039 848
Letter of credit to purchase an asset	27 715 942	28 141 262
	2 633 159 372	2 487 842 273
Less: Impairment in project in progress	(1 987 820)	(1 987 820)
	2 631 171 552	2 485 854 453

7- Investment in associates

Company	Ownership Percentage	No. of Shares	Balance as of 31/3/2026	Balance as of 31/12/2025
Arabian Oils, Grains & Chemicals Complex*	20.58 %	118 392	25 081 384	23 384 600
			25 081 384	23 384 600

Summarized financial information in respect of Arabian Oils, Grains & Chemicals Complex is set out below:

	31/3/2026	31/12/2025
Current assets	112 918 342	94 629 953
Non-current assets	86 261 590	88 477 353
Non-Current liabilities	(65 691 941)	(64 635 168)
Current liabilities	(11 640 155)	(4 867 449)
Net assets	121 847 836	113 604 689

	31/3/2026	31/3/2025
Revenue	28 331 884	33 377 321
Net profit after tax	12 696 046	17 247 878
Company's share in result	1 696 784	3 550 335

*The financial information of Arab Complex for Oils, Grains and Chemicals as at 31 March 2026, has been prepared based on unaudited management financial statements.

(All amounts are in Egyptian Pounds, unless otherwise stated)

8- Inventory

	31/3/2026	31/12/2025
Raw materials	1 138 306 545	1 184 177 807
Fuel	11 486 934	12 289 908
Spare parts and fittings	788 343 196	704 449 876
Packing materials	33 418 331	37 374 546
Work in process	208 020 654	111 545 519
Finished goods	1 676 541 531	529 649 175
Letters of credit for purchasing raw materials and spare parts	1 523 367 164	804 117 963
	5 379 484 355	**3 383 604 794**
Less:		
Impairment in inventory within the allowed limits*	(45 343 031)	(27 380 588)
Impairment in value of the inventory	(80 441 840)	(80 441 840)
Total impairment in inventory	**(125 784 871)**	**(107 822 428)**
	5 253 699 484	**3 275 782 366**

* Impairment in inventory within the allowed limits is calculated as 1.5% from inventory (Note No.3 - 6 - D).

9- Trade and notes receivable

	31/3/2026	31/12/2025
Trade receivables*	98 918 401	298 451 627
Notes receivable*	366 571 548	372 688 190
	465 489 949	**671 139 817**
Less:		
Expected credit losses – Note (13)	(35 931 428)	(51 805 657)
	429 558 521	**619 334 160**

* The trade and notes receivable as of March 31, 2026, include an amount of EGP 364 806 914 , representing balances due from related parties compared to EGP 438 730 737 as of December 31, 2025. These balances arose from sales of fertilizers and acids to related parties.

10- Debtors and other debit balances

	31/3/2026	31/12/2025
Advances to suppliers*	481 292 310	225 073 328
Tax authority – VAT	777 557 615	739 173 459
Tax authority – Withholding tax	52 060 146	38 468 038
Advance payment - Tax authority	5 199 716	5 199 716
Deposit with other	80 675 993	80 600 993
Prepaid expenses	19 264 580	9 993 620
LGs cover	6 850 871	6 850 871
Advances and petty cash	18 906 511	11 882 594
Other debit balances	2 666 220	1 310 916
	1 444 473 962	**1 118 553 535**
Less:		
Expected credit losses – Note (13)	(28 601 613)	(25 631 559)
	1 415 872 349	**1 092 921 976**

* Advances to suppliers as of March 31, 2026, include an amount of EGP None, representing balances due from related parties compared to EGP 49 044 500 as of December 31, 2025. These balances represent the payments made in advance to those parties.

(All amounts are in Egyptian Pounds, unless otherwise stated)

11- Treasury Bills

	31/3/2026	31/12/2025
Treasury bills (mature in 90 days)	--	400 000 000
Less:		
Unearned returns	--	(20 166 727)
	--	**379 833 273**
Less: Expected credit losses – Note (13)	--	(1 994 442)
	--	**377 838 831**

12- Cash and cash equivalent

	31/3/2026	31/12/2025
Banks – current accounts – foreign currency	533 659 308	657 306 907
Banks – current accounts – local currency	976 696 478	459 196 317
Cash on hand	18 016 110	2 328 828
Cash and cash equivalent for purpose of statement of cash flow	**1 528 371 896**	**1 118 832 052**
Less: Expected credit losses – Note (13)	(5 736 585)	(5 862 576)
	1 522 635 311	**1 112 969 476**

Cash and cash equivalents for cash flows statement purposes

	31/3/2026	31/12/2025
Cash in banks and on hand before the expected credit loss	1 528 371 896	1 118 832 052
Treasury bills	--	379 833 273
Cash and cash equivalents for cash flows statement purposes	**1 528 371 896**	**1 498 665 325**

* Procedures are currently underway to transfer the bank accounts of Abu Zabal Fertilizers & Chemicals Company (a merged entity) and Aswan Fertilizers & Chemical Industries Company (a merged entity), into the name of Ferchem Misr for Fertilizers and Chemicals Company (the merging company)

13- Expected credit losses

	Trade and notes receivable	Debtors and other debit balances	Treasury Bills	Cash and cash equivalents	Total
Balance at 1/1/2026	**51 805 657**	**25 631 559**	**1 994 442**	**5 862 576**	**85 294 234**
Charged to statement of income	(15 874 229)	2 970 054	(1 994 442)	(125 991)	(15 024 608)
Balance at 31/3/2026	**35 931 428**	**28 601 613**	**--**	**5 736 585**	**70 269 626**

14- Capital

- The authorized capital was initially set at EGP 100 million, while the issued and paid-up capital amounted to EGP 35 100 000, distributed over 17 550 000 shares with a nominal value of EGP 2 per share, all of which are fully paid in cash.
- Pursuant to the resolution of the Company's Ordinary General Assembly held on October 21, 2024, it was approved to amend the authorized capital to EGP 2 000 000 000 and to increase the issued capital to EGP 800 000 000, distributed over 400 000 000 shares with a nominal value of EGP 2 per share, fully paid based on the report of the committee formed to verify the preliminary valuation of the assets and liabilities of each of: Ferchem Misr for Fertilizers and Chemicals S.A.E. (merging company), Abu Zaabal for Fertilizers and Chemicals S.A.E. (merged company), and Aswan for Fertilizers and Chemical Industries S.A.E. (merged company), issued by the Economic Performance Sector of the General Authority for Investment and Free Zones (GAFI) and approved by GAFI's Chief Executive Officer on August 1, 2024. The valuation was based on the book value of the merging and merged companies as of September 30, 2022, which is the date adopted for the merger. The merger was officially registered in the commercial registry on March 23, 2025 – Note (1).
- The company's shares are centrally held with Misr for Central Clearing, Depository and Registry (MCDR), and are traded through the Nile Stock Exchange (NILEX). On June 18, 2025, the Listing Committee of the Egyptian Exchange (EGX) resolved to amend the listing and registration data of the Company's shares to be transferred to the main market.

15- Reserves

	31/3/2026	31/12/2025
Legal reserve	255 589 136	255 589 136
Statutory reserve	427 434 516	427 434 516
Capital reserve	2 798 898	2 798 898
Actuarial losses reserve	201 588	201 588
	686 024 138	**686 024 138**

16- Long term loan

	31/3/2026	31/12/2025
Arab Investment Bank		
– A loan of EGP 150 million to finance the permanent part of the company's strategic stock. The loan is paid in installments every 7 months for a period of 8 years, provided that it is the first installment after the end of the period to use. – A long-term loan of EGP 400 million to finance the permanent part of the company's strategic stock. The loan is paid installments every 7 months for a period of 8 years, provided that it is the first installment after 3 months of the period to use.	236 865 751	236 865 751
Industrial Development Bank		
A loan in the amount of €5,850,000 or its equivalent in US dollars to finance 90% of the investment cost of the company's development and environmental rehabilitation projects. The loan is paid in 10 equal semi-annual installments for a period of 7 years from the date of the start of the withdrawal	95 297 655	85 275 050

Industrial Development Bank		
A loan in the amount of €2 million or its equivalent in US dollars to finance 90% of the investment cost of the company's development and environmental rehabilitation projects. The loan is paid in 10 equal semi-annual installments.	64 495 903	57 712 767
Agricultural Bank of Egypt		
Loan of EGP 50 million to finance the Company's strategic inventory of the raw materials related to its operation and the loan is repaid in 10 equal semi-annual installments for a period of 6 years starting from the third month of the withdrawal.	19 283 271	24 104 088
Commercial international bank		
-A loan facility of EGP 30 million and €4.495 million under the Industrial Pollution Control Program – Phase III, repayable in 10 equal installments." -A term loan of €2.7 million under the Industrial Pollution Control Program – Phase III, repayable in 10 equal semi-annual installments, beginning 31 December 2025 and ending 30 June 2030.	386 101 268	345 494 388
Qatar National Bank		
Loan Facility in the amount of USD 3.5 million under the Industrial Pollution Control Program – Phase III, with a second tranche denominated in Egyptian pounds amounting to EGP 20 million, repayable after 7 years from the date of the first disbursement, which concludes on 31 March 2022.	48 205 467	54 741 260
Total	**850 249 315**	**804 193 304**

Current portion of long-term loans:	**31/3/2026**	**31/12/2025**
Arab Investment Bank	108 585 451	108 585 451
Industrial Development Bank	28 810 951	25 780 857
Agricultural Bank of Egypt	9 710 776	9 710 776
Commercial international bank	16 944 768	15 162 660
Qatar National Bank	26 795 871	23 445 160
Total loans – current portions	**190 847 817**	**182 684 904**
Long term loan included in non-current liabilities	**659 401 498**	**621 508 400**
Total long-term loan	**850 249 315**	**804 193 304**

17- End of service indemnity

The balance of the service termination bonus obligation that is included as non-current liabilities on March 31, 2026 is 2 919 652 Egyptian pounds.

The company assigned an independent actuarial expert who is registered in the register of actuarial experts at the Egyptian Financial Supervisory Authority to determine the present value of defined benefit plan as well as the current service cost and past service cost related to the plan using the projected unit credit method, which are detailed in Note (3-14) within the accounting policies. The following are the significant demographic data and actuarial assumptions used in relation to the plan of end of service indemnity implemented by the Company in March 31, 2026:

(All amounts are in Egyptian Pounds, unless otherwise stated)

Demographic data

Employees number	1 815
remaining service period	15.67
Average age	43,66
Expected compensation during the financial year 2026	262 220
Expected compensation during the financial year 2027	538 045

The main assumptions used for actuarial valuations are as follows:

Description	
Discount rate	%19.53
Life table used	A49/52

The amounts recognized in the statement of financial position arising from the Company's obligation with respect to these defined benefit plans are as follows:

Description	**31/3/2026**
Present value of defined benefit obligation	2 919 652
	2 919 652

This amount is presented as a separate line item in the statement of financial position under end of service indemnity included in non-current liabilities

Recorded amounts recognized:

Description	**Actual 31/3/2026**	**Estimated 31/12/2026**	**Estimated 31/12/2027**
Liability recognized at the beginning of the period/year	2 944 970	2 944 970	3 300 877
Current service and interest cost	154 532	618 128	671 523
Benefits paid by the Company	(179 850)	(262 220)	(538 045)
Net defined benefit obligation at the end of the year	**2 919 652**	**3 300 878**	**3 434 355**

18- Deferred tax liability

	Assets 31/3/2026	**(Liabilities) 31/3/2026**	**Assets 31/12/2025**	**(Liabilities) 31/12/2025**
Fixed assets	--	(167 989 086)	--	(170 735 230)
Foreign exchange translation differences	--	(38 547 851)	--	(71 748 292)
Deferred tax asset (liabilities)	--	**(206 536 937)**	--	**(242 483 522)**
Net deferred tax (liabilities)	--	**(206 536 937)**	--	**(242 483 522)**

A- Deferred tax included in statement of income representing in:

	31/3/2026	**31/3/2025**
Fixed asset	2 746 144	823 958
Foreign exchange translation differences	33 200 441	--
	35 946 585	**823 958**

19- Lease contracts liability

	Due during Year	**Due more than one year**	**Balance at 31/3/2026**
Rent of lands	8 133 702	31 413 393	39 547 095
	8 133 702	**31 413 393**	**39 547 095**

(All amounts are in Egyptian Pounds, unless otherwise stated)

20- Provisions

	Balance as of 1/1/2026	Formed during the period	Used during the period	Balance as of 31/3/2026
Provision for claims *	**203 311 662**	--	(637 200)	**202 674 462**
	203 311 662	--	**(637 200)**	**202 674 462**

* The provision for claims as at March 31, 2026 represents the total provision for legal claims and any other specific claims against the Company. The management believes that, after obtaining the necessary technical advice, the amount of such claims will not exceed the value of the provision as at March 31, 2026. The management reviews these provisions periodically and amends the amount of the provision according to the latest updates, discussions and agreements with other parties.

21- Bank facilities

The balance of the credit facilities on March 31, 2026 amounted to EGP 3 991 698 585 compared to EGP 3 127 439 433 on December 31, 2025, represented in the credit facilities obtained by the company from certain local banks, with the guarantee of solidarity guarantees from Polyserve for the Fertilizers and Chemicals.

22- Suppliers and notes payable

	31/3/2026	31/12/2025
Suppliers*	1 861 128 264	938 886 548
Notes payable*	223 483 019	275 331 444
	2 084 611 283	**1 214 217 992**

* Suppliers and notes payable as of March 31, 2026, include an amount of EGP 43 379 393, representing balances due from related parties compared to EGP 31 496 540 as of December 31, 2025. These balances arose from the purchase of raw material and shipping and transportation services provided from related parties.

23- Creditors & other credit balances

	31/3/2026	31/12/2025
Deposit to others	120 974 858	107 676 474
Tax authority	12 220 957	14 317 826
Social insurance authority	6 923 972	5 566 469
Accrued expenses	84 392 578	71 954 378
Accrued interest	2 553 221	2 303 394
Associations and unions	29 630 381	25 392 838
Customer – advance payment*	204 099 000	68 535 151
Other credit balances	81 850	103 782
	460 876 817	**295 850 312**

* Customers – advance payments as of March 31, 2026, include an amount of EGP 17 630 177, representing balances due to related parties compared to EGP 24 454 818 as of December 31, 2025.

(All amounts are in Egyptian Pounds, unless otherwise stated)

24- Sales

	31/3/2026	31/3/2025
Local sales	1 176 502 517	613 975 869
Export sales	851 083 846	853 320 049
	2 027 586 363	**1 467 295 918**
Revenue from operating to others	7 124 773	--
	2 034 711 136	**1 467 295 918**

25- Net earnings (losses) of vocational training activity

	31/3/2026	31/3/2025
Revenue of vocational training	385 000	--
Expenses of vocational training	(309 382)	(20 161)
	75 618	**(20 161)**

Based on the cooperation protocol between the Company and the Productivity and Vocational Training Department of the Ministry of Trade and Industry, a training center was established at the Company to provide practical training for students starting from the 2022/2023 academic year.

26- General and administrative expenses

	31/3/2026	31/3/2025
Salaries and wages	35 137 848	430 630
Social insurance	2 323 997	83 152
	37 461 845	**513 782**
Other administrative expenses	49 854 518	12 079 833
	87 316 363	**12 593 615**

27- Income tax

	31/3/2026	31/3/2025
Current income tax	98 981 054	169 556 271
Treasury bills tax	4 033 965	--
Income tax at statement of income	**103 015 019**	**169 556 271**

27-1 Effective tax rate

	31/3/2026	31/3/2025
Profit before tax	285 263 243	737 642 572
Tax rate	%22.5	%22.5
Tax at the domestic	**64 184 230**	**165 969 579**
Depreciation	4 676 235	3 456 126
Tax exempt	(8 570 351)	(952 979)
Non-deductible expenses	38 690 940	1 082 545
Current income tax	**98 981 054**	**169 556 271**
Treasury bills tax	4 033 965	--
	103 015 019	**169 556 271**
	%37,82	**%22,99**

(All amounts are in Egyptian Pounds, unless otherwise stated)

28- Basic earnings per share

	31/3/2026	31/3/2025
Net profit for the period	**218 194 809**	**568 910 259**
Average of shares number available during the period	**400 000 000**	**51 927 528**
Basic Earnings per Share for the period	**0.55**	**10,96**

29- Contingent liabilities

Description	Currency	Balance as of 31/3/2026	Loan \ Liability limit
Contingent liability – LGs			
LGs issued from Ahli United Bank to others*	L.E	859 296	70 000 000
LGs from Saib Bank	L.E	1 366 179	1 715 469
LGs from QNB Bank	L.E	1 638 762	2 138 762
LGs from Export Development Bank	L.E	1 760 000	120 000
LGs from BDC Bank	L.E	2 000 000	--
LGs from commercial international Bank	USD	690 000	20 427 000

*The limits granted by Ahli United Bank a multi-use limit available for use in a current account, letters of guarantee or LCs.

30- Capital commitments

	31/3/2026	31/12/2025
Acid Projects	8 071 587	54 860 972
Fertilizers Projects	10 841 097	14 677 735
Specialized Fertilizers Projects	17 042 321	29 156 142
Utilities projects	62 668 185	21 910 721
	98 623 190	**120 605 570**

(All amounts are in Egyptian Pounds, unless otherwise stated)

31- Related Parties Transactions

The Company deals with related parties. These transactions consist of sales and purchases between each cf them, the significant transactions are as follow:

Description	Nature	Sales		Purchase \ Services		Gross balances Debit / (credit)	
	Of relation	31/3/2026	31/3/2025	31/3/2026	31/3/2025	31/3/2026	31/12/2025
International Co. for Fertilizers & Chemical	Related party	557 171 290	285 280 245	14 125 366	127 843	113 596 098	174 766 733
Al Safa for Fertilizers & Chemicals	Related party	--	13 305 383	--	--	(335 459)	--
Smad Misr Company	Related party	7 072 912	687 991	--	--	(603 245)	(1 130 847)
International Agricultural Crops	Related party	279 585 303	168 489 955	--	6 300	98 097 798	154 997 848
Alamiya Co. for Fertilizers	Related party	19 950 715	7 005 711	--	--	(3 755 318)	(4 375 109)
Oltech Egypt Co.	Related party	--	--	58 053	22 800	--	--
Sanabel Shipping, Transport and Trading	Related party	--	--	23 419 582	6 021 400	(22 986 164)	(12 386 374)
Polyserve for Trading, Import & Export	Related party	--	--	--	--	--	(1 209 518)
Mid Fert Egypt Investment Co.	Related party	--	--	--	--	7 401	7 401
El –Safa International Co	Related party	134 424 806	100 522 069	253 637	--	126 468 709	126 894 063
Sea services shipping and stevedoring	Related party	--	--	15 660 233	--	(6 692 476)	(5 740 318)
Agrin Serve Co	Related party	1 077 300	--	--	--	--	--

(All amounts are in Egyptian Pounds, unless otherwise stated)

32- Financial instruments fair value and risk management

The financial instruments consist of financial assets and liabilities. Financial assets include cash on hand and at banks, trade and notes receivables, due from related parties and other receivables. Financial liabilities include credit facilities, suppliers and notes payables, due to related parties and other credit balances.

Financial risk factors

The activities of the Company expose it to a Company of financial risks, which are credit risks, liquidity risks, market risks, which include (interest rate risks, foreign currency risks and risks of fair value resulting from the financial instruments held by Company). The company uses internal techniques to monitor these risks in order to avoid the excessive accumulation of these risks.

The nature of these risks and the techniques used to manage them are as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and all kind of receivables.

The company's management has established a credit policy under which each customer is analyzed individually for creditworthiness and these limits are reviewed on an on-going basis

The maximum exposure to credit risk at the date of the financial statements as follows:

	Note No.	31/3/2026	31/12/2025
Trade and notes receivables	(9)	429 558 521	619 334 160
Debtors and other debit balances	(10)	1 415 872 439	1 092 921 976
		1 845 430 870	**1 712 256 136**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all or part of its financial obligations as they fall due. The Company manages liquidity risk by maintaining an acceptable level of cash and matching the different financing sources to provide financing to meet the liabilities when they fall due. The Company also ensures that sufficient cash is available upon request to meet expected operating expenses for an appropriate period including the financial obligations.

(All amounts are in Egyptian Pounds, unless otherwise stated)

Foreign currency risk

Foreign currency risk is the fluctuations in foreign exchange rates that may affect payments and receipts in foreign currency as well as the valuation of assets and liabilities in foreign currency. With respect to monetary liabilities denominated in foreign currency transactions, the Company ensures that its net exposure to currency risk is guaranteed at an acceptable level through cash flows generated through the Company's core operations.

The following is a list of the net foreign currency positions as of the financial statements date:

	31/3/2026
	Surplus/(deficit)
USD	(35 065 787)
Euro	(9 674 722)
GBP	5 712

Capital Management

The Company management policy is to maintain strong capital in order to maintain the trust of investors, creditors and the market as well as to meet the future developments of the activity. The board of directors of the company monitors the return on capital. There are no changes in the Company's capital management strategy during the period.

33- Tax position

First: Corporate Income Tax

The company submits its tax returns within the legal dates.

- For the years from the start of operations until 2014, the tax examination was completed, assessments were issued, and payments were made.
- The years 2015–2016 were not selected for tax audit samples.
- The year 2017 was examined, settled, and paid.
- The years 2018, 2019, and 2020 were not selected for tax audit samples.
- The year 2021 was examined and settled.
- The years 2022/2024 have not yet been examined.

Second: Payroll Tax

- The company was examined from the start of operations until 2017, and assessments were issued and paid.
- The years 2018–2019 were examined and are pending the decision of the internal committee.
- The years 2020 - 2024 the tax were examined and assessed.
- The year 2020-2021, the tax was paid, and awaiting payment claims from the tax authority for years 2022-2024.
- The year 2025, The tax has been paid and the tax returns have been submitted within the legal dates.

Third: Stamp Duty

- The company was examined from the start of operations until 2020, and assessments were issued and paid.
- The years 2021–2022 are currently under examination.

Fourth: Value Added Tax (VAT)

- The company has been submitting VAT returns within the legal dates and up to date.
- The company was examined from the start of operations until 2017, and assessments were issued and paid.
- The years 2018 to 2025 are currently being prepared for examination.

Fifth: Real Estate Tax

- The company has paid all real estate taxes due up to December 31, 2022.
- The company is exempt from real estate taxes for the years 2023 and 2025.

Tax Status of the Merged Companies
Aswan for Fertilizers and Chemical Industries Company

First: Corporate Income Tax:

- The Tax Authority conducted an estimated assessment for the years 2015/2016, and the company filed an appeal within the legal deadlines.

Second: Payroll Tax:

- The company was examined, assessed, and paid from inception until the year 2021.
- The year 2022, the tax due was paid and the tax return was submitted within the due dates.

Third: Stamp Duty:

- The company was examined for the period from inception until December 31, 2021.

Fourth: Value Added Tax (VAT):

- The period from the start of operations until October 2022 was examined and settled.

Fifth: Real Estate Tax

- The company is exempt from the real estate tax.

Abu Zaabal for Fertilizers and Chemicals Company

First: Corporate Income Tax:

- For the period from 1 July 2004 to 31 December 2004, Tax Form No. (19) was reissued and appealed. The Appeals Committee decided to return the file to the Tax Authority to review the exemption claimed by the company. The matter was discussed with the Authority, and supporting documents were submitted in accordance with the law. The dispute was resubmitted to the Appeals Committee, but no response has been received to date.
- The years from 2005 to 2019 have been examined and settled.
- The years from 2020 to 2025 under inspection.

(All amounts are in Egyptian Pounds, unless otherwise stated)

Second: Payroll Tax:

- The period from 1 July 2004 to 31 December 2022 has been examined and settled.
- The year 2023, the tax due was paid and the tax return was submitted within the due dates.

Third: Stamp Duty:

- The period from 1 July 2004 to 31 December 2022 has been examined and settled.

Fourth: Sales Tax / Value Added Tax (VAT):

- The period from 1 July 2004 to 30 November 2020 has been examined and settled.
- The period from 1 December 2020 to 31 December 2023 has been examined and no claims were received for this period.

Fifth: Real Estate Tax:

- The real estate tax due up to 2021 has been regularly paid. Partial payments were made for the year 2022 until Prime Ministerial Decree No. 61 of 2022 was issued, under which the Ministry of Finance assumed the real estate tax liabilities on industrial properties for three years starting from 1 January 2022.

34- Comparative figures

The comparative figures for the statements of income, comprehensive income, changes in equity, and cash flows for the financial period ended 31 March 2025, represent Ferchem Misr for Fertilizers and Chemicals on a standalone basis, up to the date of the merger of Aswan for Fertilizers and Chemical Industries and Abu Zaabal for Fertilizers and Chemicals into the Company on 23 March 2025— Note (1).

Head of Accounting Division	Vice Chairman and CEO	Chairman
Mr. Mohamed Soliman	Chem. Samir Abdel Nabi	Eng. Ali Maher Ghonim

FERCHEM MASR
FERTILIZERS AND CHEMICALS
C. R : 5318 CAIRO INVESTMENT