

Ferchem Misr for Fertilizers & Chemicals Company
(An Egyptian Joint Stock Company)
Financial Statements
For The Financial period ended June 30, 2026
The Limited Review Report

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*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 June 30, 2026 and the statement of income, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of 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 June 30, 2026 and of its financial performance and its cash flows for the six 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 30 June 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 (35).

Cairo: August 13, 2026
Auditor

Tarek Salah, CPA

B.T. Mohamed Hilal & Wahid Abdel Ghaffar

ADVISORY • ASSURANCE • TAX

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

Statement of financial position as of June 30, 2026

(All amounts are in Egyptian Pound)

	Note No.	30-6-2026	31-12-2025
Non current assets			
Fixed assets	(4)	1 356 678 009	1 378 219 245
Right of use of assets	(5)	19 739 444	64 328 942
Projects in progress	(6)	2 772 624 708	2 485 854 453
Investment in associate	(7)	17 305 813	23 384 600
Total non current assets		4 166 347 974	3 951 787 240
Current assets			
Inventory	(8)	5 658 698 823	3 275 782 366
Trades and notes receivable	(9)	453 469 722	619 334 160
Debtors and other debit balances	(10)	1 360 723 004	1 092 921 976
Treasury bills	(11)	--	377 838 831
Cash and cash equivalents	(12)	1 466 097 804	1 112 969 476
Total current assets		8 938 989 353	6 478 846 809
Total assets		13 105 337 327	10 430 634 049
Equity			
Issued and paid up capital	(14)	800 000 000	800 000 000
Reserves	(15)	904 663 469	686 024 138
Retained earnings		1 547 862 078	175 790 346
Net profit for the period / year		510 458 290	2 184 285 878
Total equity		3 762 983 837	3 846 100 362
Non current liabilities			
Long-term loans	(16)	1 300 625 970	621 508 400
End of service indemnity	(17)	2 789 414	2 944 970
Deferred tax liability	(18)	224 616 249	242 483 522
Lease contracts liability	(19)	31 923 277	31 452 524
Total non current liabilities		1 559 954 910	898 389 416
Current liabilities			
Provisions	(20)	191 515 510	203 311 662
Lease contract liability - current portions	(19)	8 133 702	8 133 702
Bank facilities	(21)	4 964 846 415	3 113 325 565
Long term loans - current portions	(16)	490 619 801	196 798 772
Suppliers and notes payable	(22)	1 078 289 888	1 214 217 992
Creditors and other credit balances	(23)	374 893 598	295 850 312
Dividends Payable		500 000 000	--
Current tax payable		174 099 666	654 506 266
Total current liabilities		7 782 398 580	5 686 144 271
Total liabilities		9 342 353 490	6 584 533 687
Total equity and liabilities		13 105 337 327	10 430 634 049

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

Chief Financial Officer

Mr. Mohamed Soliman

Vice Chairman and CEO

Chem. Samir Abdel Nabi

Chairman

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 income for the period ended June 30, 2026

(All amounts are in Egyptian Pound)

		<u>The period</u>	<u>The period</u>	<u>The period</u>	<u>The period</u>
	<u>Note</u>	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>No.</u>	<u>To 30/6/2026</u>	<u>To 30/6/2025</u>	<u>To 30/6/2026</u>	<u>To 30/6/2025</u>
Sales	(24)	4 146 165 456	4 549 451 435	2 111 454 320	3 082 155 517
Less:					
Cost of sales	(25)	(3 169 567 187)	(2 596 117 921)	(1 678 929 042)	(1 883 509 864)
Gross profit		976 598 269	1 953 333 514	432 525 278	1 198 645 653
Add / (less):					
Less/ Add					
Company's share in result of associates	(7)	547 427	3 231 061	(1 149 357)	(319 274)
Net income (loss) of vocational training activity	(26)	(83 832)	(185 660)	(159 450)	(165 499)
Gain from sale of fixed assets		2 067 349	--	868 117	--
Credit interest		33 448 191	42 259 823	20 425 956	19 190 937
Other income		37 316 984	33 308 194	13 753 103	33 308 194
Treasury bills return		20 169 827	--	--	--
General and administrative expenses	(27)	(151 497 521)	(75 650 764)	(64 181 158)	(63 057 149)
Board members remunerations and attendance allowances		(273 500)	(411 870)	(73 807)	(148 000)
Reversal of expected credit losses	(13)	12 708 381	(1 436 235)	(2 316 227)	(2 121 365)
End of service indemnity	(17)	(381 562)	(260 764)	(227 030)	327 607
Finance expenses		(280 249 204)	(128 499 158)	(181 915 374)	(97 632 131)
Foreign exchange differences		21 016 459	(21 343 562)	168 573 974	(21 326 966)
Net profit for the period before tax		671 387 268	1 804 344 579	386 124 025	1066 702 007
(Less) \ add:					
Current income tax	(28)	(178 796 251)	(425 641 667)	(75 781 232)	(256 085 396)
Deferred tax	(18 - A)	17 867 273	6 426 283	(18 079 312)	5 602 325
Net profit for the period after tax		510 458 290	1 385 129 195	292 263 481	816 218 936
Basic earnings per share in the profit for the period	(29)	1.28	6.08	.73	2.04

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

Chief Financial Officer

Mr. Mohamed Soliman

Vice Chairman and CEO

Chem. Samir Abdel Nabi

Chairman

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 June 30, 2026

(All amounts are in Egyptian Pound)

	<u>The period</u> <u>From 1/1/2026</u> <u>To 30/6/2026</u>	<u>The period</u> <u>From 1/1/2025</u> <u>To 30/6/2025</u>	<u>The period</u> <u>From 1/4/2026</u> <u>To 30/6/2026</u>	<u>The period</u> <u>From 1/4/2025</u> <u>To 30/6/2025</u>
Net profit for the period	510 458 290	1 385 129 195	292 263 481	816 218 936
Other Comprehensive income				
Actuarial gains	210 743	60 668	210 743	(319 398)
Total other comprehensive income after tax	210 743	60 668	210 743	(319 398)
Total comprehensive income for the period	510 669 033	1 385 189 863	292 474 224	815 899 538

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 June 30, 2026

(All amounts are in Egyptian Pound)

	<u>Issued and Paid up capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total</u>
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)	--
Company's share of the adjustment to retained earnings of associate	--	--	(11 048 290)	--	(11 048 290)
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* (1)	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	--	60 668	--	1 385 129 195	1 385 189 863
Balance at 30/6/2025	800 000 000	685 845 505	2 581 635 047	1 385 129 195	5 452 609 747
Balance at 1/1/2026	800 000 000	686 024 138	175 790 346	2 184 285 878	3 846 100 362
Transferred to legal reserve	--	109 214 294	--	(109 214 294)	--
Transferred to the statutory reserve	--	109 214 294	--	(109 214 294)	--
Dividends of the year 2025	--	--	--	(593 785 558)	(593 785 558)
Transferred to retained earnings	--	--	1 372 071 732	(1 372 071 732)	--
Total comprehensive income for the period	--	210 743	--	510 458 290	510 669 033
Balance at 30/6/2026	800 000 000	904 663 469	1 547 862 078	510 458 290	3 762 983 837

* 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 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 June 30, 2026

(All amounts are in Egyptian Pound)

	Note No.	30/6/2026	30/6/2025
<u>Cash flows from operating activities</u>			
Net profit period before tax		671 387 268	1 804 344 579
<u>Adjustments to reconcile net profit to cash provided by operating activities</u>			
Fixed assets depreciation	(4)	110 110 835	62 146 814
Right use of assets deprecation	(5)	44 589 498	2 766 213
Company's share in result of associates	(7)	(547 427)	(3 231 061)
Finance expenses		280 249 204	128 499 158
Reversal of expected credit losses	(13)	(12 708 381)	1 436 235
End of service indemnity provision	(17)	381 562	260 764
Treasury bills return		(20 169 827)	--
Credit interest		(33 448 191)	(42 259 823)
Gain from sale of assets		(2 067 349)	--
Unrealized foreign currency exchange differences		67 581 966	--
Operating profits before changes in working capital		1 105 359 158	1 953 962 879
<u>Change in:</u>			
Inventory		(2 382 916 457)	(239 262 632)
Trades and notes receivables		170 373 490	(621 817 824)
Due from related parties		--	303 770 973
Debtors and other debit balances		(267 123 727)	(328 030 979)
Due to related parties		--	(127 077 029)
Supplier and notes payables		(132 581 914)	535 508 059
Creditors and other credit balances		66 920 771	(227 354 350)
Cash flows (used in) provided by operating activities		(1 439 968 679)	1 249 699 097
Income tax paid		(654 506 266)	(969 948 629)
Proceeds from credit interest		33 448 191	42 259 823
Finance expenses paid		(280 249 204)	(128 499 158)
Net cash flows (used in) provided by operating activities		(2 341 275 958)	193 511 133
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(376 539 782)	(323 642 598)
Proceeds from selling of fixed assets		3 267 277	--
Proceeds from treasury bills returns		16 135 862	--
Proceeds from dividend income of associate		--	8 055 090
Net cash flows (used in) investing activities		(357 136 643)	(315 587 508)
<u>Cash flows from financing activities</u>			
Dividends paid		(93 785 558)	(4 948 369)
Proceeds (Payment) for lease contract liability		470 753	(4 985 723)
Proceeds from banks facilities		1 774 953 198	681 585 394
Proceeds for long term loans		1 035 165 568	94 748 375
Net cash flows provided by financing activities		2 716 803 961	766 399 677
Net change in cash and cash equivalents during the period		18 391 360	644 323 302
Cash and cash equivalents at the beginning of the period		1 498 665 325	67 229 806
Unrealize foreign currency translation differences related to cash and cash equivalents		(45 222 296)	--
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)	1 471 834 389	2 494 577 748

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.

Ferchem Misr for Fertilizers & Chemicals Company "S. A. E"
Notes to the financial statements for the period ended June 30, 2026
(All amounts are in Egyptian Pounds, unless otherwise stated)

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 August 13, 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:

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

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)

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.

Ferchem Misr for Fertilizers & Chemicals Company "S. A. E"
Notes to the financial statements for the period ended June 30, 2026
(All amounts are in Egyptian Pounds, unless otherwise stated)

- 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 21% 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:

<u>Description</u>	<u>Estimated useful lives</u> <u>(year)</u>	<u>Depreciation Rate</u>
Buildings, Constructions & Facilities	10-20	5% - 10%
Machinery & Equipment's	5-20	5% - 20%
Overhaul	4-5	25% - 40%
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 ;
- 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 Comparative figure

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

Notes to the financial statements for the period ended June 30, 2026

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

4- Fixed assets

	<u>Land</u>	<u>Building, constructions & Utilities</u>	<u>Machinerv & Equipment</u>	<u>Vehicles</u>	<u>Tools & supplies</u>	<u>Furniture & office equipment</u>	<u>Electrical Appliances& Computers</u>	<u>Total</u>
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	2 653 855 427
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	--	--	81 005 321	5 739 999	1 114 412	1 493 297	416 498	89 769 527
Disposals during the period	--	--	(482 756)	(4 082 133)	--	(26 852)	--	(4 591 741)
Cost as of 30/6/2026	9 930 041	408 683 750	2 420 899 661	89 515 305	45 845 296	36 613 495	17 821 267	3 029 308 815
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	1 227 588 952	54 933 984	30 480 528	14 631 894	9 894 831	1 565 911 784
Depreciation of the period*	--	8 729 525	89 566 633	4 774 301	2 735 414	2 854 170	1 450 792	110 110 835
Disposals of accumulated depreciation	--	--	(482 756)	(2 882 205)	--	(26 852)	--	(3 391 813)
Accumulated Depreciation as of 30/6/2026	7 180 356	229 930 764	1 316 672 829	56 826 080	33 215 942	17 459 212	11 345 623	1 672 630 806
Net book value as of 30/6/2026	2 749 685	178 752 986	1 104 226 832	32 689 225	12 629 354	19 154 283	6 475 644	1 356 678 009
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
Fully depreciated assets that remain in use as of June 30, 2026	--	48 809 232	101 957 158	37 303 962	19 396 649	6 364 819	3 312 487	217 144 307

* Distribution the depreciation for the period as follows:

	<u>30/6/2026</u>	<u>30/6/2025</u>
Industrial expenses	105 963 759	60 084 813
General and administrative expenses	4 147 076	2 062 001
Total	110 110 835	62 146 814

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5- Right of use assets

	<u>Land</u>	<u>Phosphate Mine</u>	<u>Total</u>
Cost at 1/1/2026	66 522 618	88 119 125	154 641 743
Cost at 30/6/2026	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	4 149 318	40 440 180	44 589 498
Accumulated depreciation at 30/6/2026	46 783 174	88 119 125	134 902 299
Net book value at 30/6/2026	19 739 444	--	19 739 444
Net book value at 31/12/2025	23 888 762	40 440 180	64 328 942

6- Projects in progress

	<u>30/6/2026</u>	<u>31/12/2025</u>
Machinery and equipment under installation*	2 126 884 891	1 926 330 367
Buildings under construction	526 100 150	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	90 707 929	123 039 848
Letter of credit to purchase an asset	27 606 112	28 141 262
	2 774 612 528	2 487 842 273
Less: Impairment in project in progress	(1 987 820)	(1 987 820)
	2 772 624 708	2 485 854 453

*The machinery and equipment under construction include borrowing costs amounting to EGP 13,003,654 during the financial period ended June 30, 2026.

7- Investment in associates

<u>Company</u>	<u>Ownership Percentage</u>	<u>No. of Shares</u>	<u>Balance as of 30/6/2026</u>	<u>Balance as of 31/12/2025</u>
Arabian Oils, Grains & Chemicals Complex*	20.58 %	118 392	17 305 813	23 384 600
			17 305 813	23 384 600

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

	<u>30/6/2026</u>	<u>31/12/2025</u>
Current assets	83 790 617	94 629 953
Non-current assets	82 295 788	88 477 353
Non-Current liabilities	(55 476 639)	(64 635 168)
Current liabilities	(22 477 896)	(4 867 449)
Net assets	88 131 870	113 604 689
	<u>30/6/2026</u>	<u>30/6/2025</u>
Revenue	50 910 533	64 488 464
Net profit after tax	13 979 670	24 165 947
Company's share in result	547 427	3 231 061

*The financial information of Arab Complex for Oils, Grains and Chemicals as at 30 June 2026, has been prepared based on unaudited management financial statements.

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8- Inventory

	<u>30/6/2026</u>	<u>31/12/2025</u>
Raw materials	2 077 583 664	1 184 177 807
Fuel	15 883 879	12 289 908
Spare parts and fittings	791 858 373	704 449 876
Packing materials	34 832 626	37 374 546
Work in process	235 465 193	111 545 519
Finished goods	2 073 017 932	529 649 175
Letters of credit for purchasing raw materials and spare parts	576 289 998	804 117 963
	<u>5 804 931 665</u>	<u>3 383 604 794</u>
Less:		
Impairment in inventory within the allowed limits*	(65 791 002)	(27 380 588)
Impairment in value of the inventory	(80 441 840)	(80 441 840)
Total impairment in inventory	<u>(146 232 842)</u>	<u>(107 822 428)</u>
	<u>5 658 698 823</u>	<u>3 275 782 366</u>

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

9- Trade and notes receivable

	<u>30/6/2026</u>	<u>31/12/2025</u>
Trade receivables*	202 898 997	298 451 627
Notes receivable*	286 502 153	372 688 190
	<u>489 401 150</u>	<u>671 139 817</u>
Less:		
Expected credit losses – Note (13)	(35 931 428)	(51 805 657)
	<u>453 469 722</u>	<u>619 334 160</u>

* The trade and notes receivable as of June 30, 2026, include an amount of EGP 292 236 969 , 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

	<u>30/6/2026</u>	<u>31/12/2025</u>
Advances to suppliers*	193 495 460	225 073 328
Tax authority – VAT	1 012 534 908	739 173 459
Tax authority – Withholding tax	42 503 276	38 468 038
Advance payment - Tax authority	5 199 716	5 199 716
Deposit with other	82 076 954	80 600 993
Prepaid expenses	13 364 122	9 993 620
Accrued income	5 963 582	--
LGs cover	6 850 871	6 850 871
Customs Authority	11 739 546	--
Advances and petty cash	17 886 911	11 882 594
Other debit balances	25 498	1 310 916
	<u>1 391 640 844</u>	<u>1 118 553 535</u>
Less:		
Expected credit losses – Note (13)	(30 917 840)	(25 631 559)
	<u>1 360 723 004</u>	<u>1 092 921 976</u>

* Advances to suppliers as of June 30, 2026, include an amount of EGP null, 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.

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11- Treasury Bills

	<u>30/6/2026</u>	<u>31/12/2025</u>
Treasury bills (mature in 90 days)	--	400 000 000
	--	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

	<u>30/6/2026</u>	<u>31/12/2025</u>
Banks – current accounts – foreign currency	861 488 699	657 306 907
Banks – current accounts – local currency	599 784 677	459 196 317
Cash on hand	10 561 013	2 328 828
Cash and cash equivalent for purpose of statement of cash flow	1 471 834 389	1 118 832 052
Less: Expected credit losses – Note (13)	(5 736 585)	(5 862 576)
	1 466 097 804	1 112 969 476

- 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)	5 286 281	(1 994 442)	(125 991)	(12 708 381)
Balance at 30/6/2026	35 931 428	30 917 840	--	5 736 585	72 585 853

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).

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- 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

	<u>30/6/2026</u>	<u>31/12/2025</u>
Legal reserve	364 803 430	255 589 136
Statutory reserve	536 648 810	427 434 516
Capital reserve	2 798 898	2 798 898
Actuarial losses reserve	412 331	201 588
	<u>904 663 469</u>	<u>686 024 138</u>

16- Long term loan

	<u>30/6/2026</u>	<u>31/12/2025</u>
<u>Nxt Bank</u>		
The outstanding long-term loans amounting to EGP 150 million and EGP 400 million are used to finance the permanent portion of the Company's strategic inventory, and the loans are repayable over a period of 8 years.	171 040 399	236 865 751
<u>Industrial Development Bank</u>		
A loan in the amount of EUR 5,850,000 or its equivalent in USD to finance 90% of the investment cost of the company's development For the Company's development and environmental rehabilitation projects over a period of 7 years.	45 105 109	85 275 050
<u>Industrial Development Bank</u>		
A loan in the amount of EUR 2 million or its equivalent in USD to finance 90% of the investment cost of the company's development For the Company's development and environmental rehabilitation projects over a period of 5 years.	85 658 012	57 712 767
<u>Agricultural Bank of Egypt</u>		
The outstanding amount of a loan of EGP 50 million, obtained to finance the purchase of the safety stock level of production raw materials related to the Company's activities, repayable over a period of 6 years.	19 283 270	24 104 088
<u>Agricultural Bank of Egypt</u>		
The outstanding amount of a USD 10 million loan, obtained to finance the purchase of the safety stock level of production raw materials related to the Company's activities, repayable over a period of 5 years.	362 164 334	--
<u>Suez Bank</u>		
The outstanding amount of a USD 15 million loan, obtained to finance the purchase of the Company's strategic inventory of production raw materials, repayable over a period of 5 years.	188 988 360	--
<u>Banque du Caire</u>		
The outstanding amount of a USD 10.7 million loan, obtained to finance the purchase of the safety stock level of production raw materials related to the Company's activities, repayable over a period of five and a half years.	528 107 620	--

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Commercial international bank

-A loan facility of EGP 30 million and EUR 4.495 million under the Industrial Pollution Control Program – Phase III	305 434 059	345 494 388
- The outstanding amount of a term loan of EUR 2.7 million under the Industrial Pollution Control Program – Phase III, repayable over a period of 5 years.		

Export development bank

Amount due under a loan of USD 8.350 million to finance the establishment of two triple-fertilizer production lines, with a term of 7 years.	41 405 279	14 113 868
--	------------	------------

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.	44 059 329	54 741 260
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<u>Total</u>	<u>1 791 245 771</u>	<u>818 307 172</u>
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Current portion of long-term loans:

	<u>30/6/2026</u>	<u>31/12/2025</u>
Nxt Bank	85 520 200	108 585 451
Industrial Development Bank	130 763 221	25 780 857
Agricultural Bank of Egypt	9 710 776	9 710 776
Commercial international bank	81 174 278	15 162 660
Banque du Caire	105 621 569	--
Export development bank	41 405 279	14 113 868
Qatar National Bank	36 424 478	23 445 160
Total loans – current portions	<u>490 619 801</u>	<u>196 798 772</u>
Long term loan included in non-current liabilities	<u>1 300 625 970</u>	<u>621 508 400</u>
Total long-term loan	<u>1 791 245 771</u>	<u>818 307 172</u>

* All loans granted to the Company as of June 30, 2026, are secured by a joint and several guarantee provided by Polyserve Fertilizers and Chemicals Company (the Parent Company).

17- End of service indemnity

The balance of the service termination bonus obligation that is included as non-current liabilities on June 30, 2026 is 2 789 414 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 June 30, 2026:

Demographic data

Employees number	1 804
remaining service period	15,99
Average age	43,91
Expected compensation during the financial year 2026	620 113
Expected compensation during the financial year 2027	645 654

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The main assumptions used for actuarial valuations are as follows:

Description

Discount rate	%21
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

	<u>30/6/2026</u>
Present value of defined benefit obligation	2 789 414
	<u>2 789 414</u>

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:

<u>Description</u>	<u>Actual</u> <u>30/6/2026</u>	<u>Estimated</u> <u>31/12/2026</u>	<u>Estimated</u> <u>31/12/2027</u>
Liability recognized at the beginning of the period/year	2 944 970	2 944 970	3 104 755
Current service and interest cost	381 562	779 898	738 650
Actuarial gains	(210 743)	--	--
Benefits paid by the company	(326 375)	(620 113)	(645 654)
Net defined benefit obligation at the end of the period / year	<u>2 789 414</u>	<u>3 104 755</u>	<u>3 197 751</u>

18- Deferred tax liability

	<u>Assets</u> <u>30/6/2026</u>	<u>(Liabilities)</u> <u>30/6/2026</u>	<u>Assets</u> <u>31/12/2025</u>	<u>(Liabilities)</u> <u>31/12/2025</u>
Fixed assets	--	(168 073 900)	--	(170 735 230)
Foreign exchange translation differences	--	(56 542 349)	--	(71 748 292)
Deferred tax asset (liabilities)	<u>--</u>	<u>(224 616 249)</u>	<u>--</u>	<u>(242 483 522)</u>
Net deferred tax (liabilities)	<u>--</u>	<u>(224 616 249)</u>	<u>--</u>	<u>(242 483 522)</u>

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

	<u>30/6/2026</u>	<u>30/6/2025</u>
Fixed asset	2 661 330	(2 278 199)
Foreign exchange translation differences	15 205 943	8 704 482
	<u>17 867 273</u>	<u>6 426 283</u>

19- Lease contracts liability

	<u>Due during</u> <u>Year</u>	<u>Due more than</u> <u>one year</u>	<u>Balance at</u> <u>30/6/2026</u>
Rent of lands	8 133 702	31 923 277	40 056 979
	<u>8 133 702</u>	<u>31 923 277</u>	<u>40 056 979</u>

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20- Provisions

	<u>Balance as of</u>	<u>Formed</u>	<u>Used</u>	<u>Balance as of</u>
	<u>1/1/2026</u>	<u>during the</u>	<u>during the</u>	<u>30/6/2026</u>
		<u>period</u>	<u>period</u>	
Provision for claims *	203 311 662	--	(11 796 152)	191 515 510
	<u>203 311 662</u>	<u>--</u>	<u>(11 796 152)</u>	<u>191 515 510</u>

* The provision for claims as at June 30, 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 June 30, 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 June 30, 2026 amounted to EGP 4 964 846 415 compared to EGP 3 113 325 565 on December 31, 2025, represented in the credit facilities obtained by the company from certain local banks, with the guarantee by a joint and several guarantee provided by Polyserve Fertilizers and Chemicals Company (the Parent Company).

22- Suppliers and notes payable

	<u>30/6/2026</u>	<u>31/12/2025</u>
Suppliers*	903 754 399	938 886 548
Notes payable*	174 535 489	275 331 444
	<u>1 078 289 888</u>	<u>1 214 217 992</u>

* Suppliers and notes payable as of June 30, 2026, include an amount of EGP 14 096 940, 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 and other credit balances

	<u>30/6/2026</u>	<u>31/12/2025</u>
Deposit to others	122 802 160	107 676 474
Tax authority	11 483 694	14 317 826
Social insurance authority	7 643 657	5 566 469
Accrued expenses	80 332 122	71 954 378
Accrued interest	4 181 673	2 303 394
Associations and unions	28 858 865	25 392 838
Customer – advance payment*	119 496 868	68 535 151
Other credit balances	94 559	103 782
	<u>374 893 598</u>	<u>295 850 312</u>

* Customers – advance payments as of June 30, 2026, include an amount of EGP 14 990 218, representing balances due to related parties compared to EGP 24 454 818 as of December 31, 2025.

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24- Sales

	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>
Local sales	2 244 807 929	1 414 132 510	1 068 305 412	800 156 641
Export sales	1 889 153 660	3 129 231 325	1 038 069 814	2 275 911 276
	4 133 961 589	4 543 363 835	2 106 375 226	3 076 067 917
Revenue from operating to others	12 203 867	6 087 600	5 079 094	6 087 600
	4 146 165 456	4 549 451 435	2 111 454 320	3 082 155 517

25- Cost of sales

	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>
Raw materials	3 162 291 140	1 626 359 916	1 312 646 409	1 229 440 018
Depreciation of Fixed assets and right-of-use assets	150 553 257	62 851 026	60 241 122	46 146 120
Other industrial expenses	1 524 011 221	797 543 403	729 962 451	641 629 473
Change in finished goods and work in progress inventory	(1 667 288 431)	109 363 576	(423 920 940)	(33 705 747)
	3 169 567 187	2 596 117 921	1 678 929 042	1 883 509 864

26- Net earnings (losses) of vocational training activity

	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>
Revenue of vocational training	385 000	--	--	--
Expenses of vocational training	(468 832)	(185 660)	(159 450)	(165 499)
	(83 832)	(185 660)	(159 450)	(165 499)

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.

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27- General and administrative expenses

	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>
Salaries and wages	64 741 183	21 350 327	29 603 335	20 919 697
Social insurance	4 488 652	1 851 971	2 164 655	1 768 819
	69 229 835	23 202 298	31 767 990	22 688 516
Other administrative expenses	82 267 686	52 448 466	32 413 168	40 368 633
	151 497 521	75 650 764	64 181 158	63 057 149

28- Income tax

	<u>30/6/2026</u>	<u>30/6/2025</u>
Current income tax	174 099 666	424 836 158
Treasury bills tax	4 033 965	--
Dividend tax	662 620	805 509
Income tax at statement of income	178 796 251	425 641 667

28-1 Effective tax rate

	<u>30/6/2026</u>	<u>30/6/2025</u>
Profit before tax	671 387 268	1 804 344 579
Tax rate	%22.5	%22.5
Tax at the domestic	151 062 135	405 977 530
Depreciation	4 263 117	7 602 617
Tax exempt	(123 171)	(726 988)
Non-deductible expenses	18 897 585	11 982 999
Current income tax	174 099 666	424 836 158
Treasury bills tax	4 033 965	--
Dividend tax	662 620	805 509
	178 796 251	425 641 667
Effective tax rate	%26,6	%23,59

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29- Basic earnings per share

	<u>From 1/1/2026</u>	<u>From 1/1/2025</u>	<u>From 1/4/2026</u>	<u>From 1/4/2025</u>
	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>	<u>Till 30/6/2026</u>	<u>Till 30/6/2025</u>
Net profit for the period	510 458 290	1 385 129 195	292 263 481	816 218 936
Average of shares number available during the period	400 000 000	227 897 500	400 000 000	400 000 000
Basic Earnings per Share for the period	<u>1,28</u>	<u>6,08</u>	<u>0.73</u>	<u>2,04</u>

30- Contingent liabilities

<u>Description</u>	<u>Currency</u>	<u>Balance as of 30/6/2026</u>	<u>Loan \ Liability limit</u>
<u>Contingent liability – LGs</u>			
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.

31- Capital commitments

	<u>30/6/2026</u>	<u>31/12/2025</u>
Acid Projects	80 017 075	54 860 972
Fertilizers Projects	15 572 482	14 677 735
Specialized Fertilizers Projects	18 329 372	29 156 142
Utilities projects	48 998 338	21 910 721
	<u>162 917 267</u>	<u>120 605 570</u>

Ferchem Misr for Fertilizers & Chemicals Company "S. A. E"
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32- Related Parties Transactions

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

<u>Description</u>	<u>Nature</u>	<u>Sales</u>		<u>Purchase \ Services</u>		<u>Gross balances</u>	
		<u>Debit / (credit)</u>		<u>Debit / (credit)</u>		<u>Debit / (credit)</u>	
		<u>30/6/2026</u>	<u>30/6/2025</u>	<u>30/6/2026</u>	<u>30/6/2025</u>	<u>30/6/2026</u>	<u>31/12/2025</u>
International Co. for Fertilizers & Chemical	Related party	987 303 306	561 593 039	38 753 193	17 740 336	146 815 926	174 766 733
Al Safa for Fertilizers & Chemicals	Related party	--	12 955 278	--	--	(335 459)	--
Smad Misr Company	Related party	7 072 912	4 668 457	--	--	(603 245)	(1 130 847)
International Agricultural Crops	Related party	525 248 645	326 872 457	--	1 533 988	82 258 434	154 997 848
Alamiya Co. for Fertilizers	Related party	44 388 305	18 794 694	--	--	(4 039 156)	(4 375 109)
Oltech Egypt Co.	Related party	--	--	292 661	1 018 476	--	--
Sanabel Shipping, Transport and Trading	Related party	--	--	56 420 587	70 374 504	(6 215 750)	(12 386 374)
Polyserve for Trading, Import & Export	Related party	--	--	--	1 209 518	--	(1 209 518)
Mid Fert Egypt Investment Co.	Related party	--	--	--	--	7 401	7 401
El -Safa International Co	Related party	264 623 804	218 905 828	253 637	955 500	45 718 558	126 894 063
Sea services shipping and stevedoring	Related party	--	--	27 449 141	--	(2 956 898)	(5 740 318)
Agrin Serve Co	Related party	1 077 300	--	--	--	--	--

33- 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		
	<u>No.</u>	<u>30/6/2026</u>	<u>31/12/2025</u>
Trade and notes receivables	(9)	453 469 722	619 334 160
Debtors and other debit balances	(10)	1 360 723 004	1 092 921 976
		<u>1 814 192 726</u>	<u>1 712 256 136</u>

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.

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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:

	<u>30/6/2026</u>
	<u>Surplus/(deficit)</u>
USD	(25 742 936)
Euro	(703 697)
GBP	5 596

Market Risk

Market risk represents the risk of changes in prices arising from fluctuations in foreign exchange rates, interest rates and securities prices, which may affect the Company's revenues or the cost of holding financial instruments, if any.

	<u>30/6/2026</u>
Long-term loans	1 791 245 771
Bank facilities	4 964 846 415
	<u>6 756 092 186</u>

Based on a sensitivity analysis assuming a 1% increase or decrease in interest rates, the resulting change in the average balances of loans and credit facilities amounts to EGP 67,560,922.

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.

34- 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.

Ferchem Misr for Fertilizers & Chemicals Company "S. A. E"
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(All amounts are in Egyptian Pounds, unless otherwise stated)

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.

Ferchem Misr for Fertilizers & Chemicals Company "S. A. E"
Notes to the financial statements for the period ended June 30, 2026
(All amounts are in Egyptian Pounds, unless otherwise stated)

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 2020 have been examined and settled.
- The years from 2021 to 2025 under inspection.

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 2020 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.

35- Comparative figures

The comparative figures for the statements of income, comprehensive income, changes in equity, and cash flows for the financial period ended 30 June 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).

Chief Financial Officer

Mr. Mohamed Soliman

Vice Chairman and CEO

Chem. Samir Abdel Nabi

Chairman

Eng. Ali Maher Ghonim

FERCHEM MASR

FERTILIZERS AND CHEMICALS

C. R : 5318 CAIRO INVESTMENT



Summary of the results of operations for the period ending on 31/03/2026.
Currency: In Egyptian Pounds (EGP)

(1) Financial Indicators

A) Income Statement for the period ending on 30/06/2026

Statement	current For the period	For the comparative period
Revenue	4,146,165,456	4,549,451,435
Profit Gross	976,598,269	1,953,333,514
Profit Margin to Gross Revenue	%23.55	%42.94
Loss / Profit Before Tax Net from Continuing Operations	671,387,268	1,804,344,579
Loss / Profit After Tax Net	510,458,290	1,385,129,195
Earnings / Loss Per Basic Share	1.28	6.08

B) Balance Sheet as of 30/06/2026

Statement	the date As of of the balance sheet	As of the date balance of the sheet for the previous year
Equity	1,156,590,773	792,702,538
Capital Paid-up	3,762,983,837	3,846,100,362
Reserves	800,000,000	800,000,000
Earnings Retained	904,663,469	686,024,138
company's share in The the equity adjustments of associate companies	1,547,862,078	175,790,346
Profit for the period / Loss	510,458,290	2,184,285,878
Shares Treasury	FERCHEM MASR FERTILIZERS AND CHEMICALS C. R : 5318 CAIRO INVESTMENT	None



C) Cash Flow Statement for the period ending ON 30/06/2026

Statement	current For the period	For the comparative period
flows from (to) Cash operating activities	(2,341,275,958)	193,511,133
flows from (to) Cash investing activities	(357,136,643)	(315,587,508)
flows from (to) Cash financing activities	2,716,803,961	766,399,677

(2) Significant events that have occurred since the date of the balance sheet up to now, which require disclosure.

(None)

Declaration

We hereby declare that the data above is extracted from the company's financial statements, which were issued by the Board of Directors during the meeting held on 13/08/2026. The auditor's report has not been issued yet. We undertake to immediately disclose any changes in these data to the regulatory authority and the stock exchange as soon as they occur, until the signed financial statements are sent. We commit to sending them immediately upon receiving the auditor's report, and no later than before the start of the trading session on the following day, according to the date in the auditor's report, which we expect to be an unqualified report.

****As of the date of the balance sheet for the previous year**

Officer Investor Relations

Accountant / Al-Sayed Hassan Mohamed

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

Chairman of the board

Eng. Ali Maher Mohamed Ali Salem Ghoneim