ezzsteel Reports Consolidated Full Year 2009 Results

Cairo, 24th March 2010 – ezzsteel (*formerly:* Al Ezz Steel Rebars S.A.E.) (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated full year results for the period ending 31 December 2009. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	2008	**2009**
• Net sales	21.8bn	**12.6bn**
• Gross profit	4.3bn	**1.5bn**
• EBITDA*	4.5bn	**1.7bn**
• Net profit before tax and minority interest	3.3bn	**497mn**
• Net profit after tax and minority interests	1,233mn	**88mn**
• Number of shares (at end of period)	543mn	**543mn**
• EPS (on number of shares at end of period)	2.25	**0.17**
• Net debt to Equity	0.51x	**0.99x**

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

Comment

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

"The past year has been challenging for the steel industry globally. Conditions were tough in most markets with steel demand remaining depressed during 2009. However, unlike the majority of steelmakers around the globe, ezzsteel was able to operate profitably.

"Despite the global slowdown, demand for steel has remained strong in the Egyptian market, growing by 41 per cent during the year. This has supported demand for our products locally – especially long products - as the local market has been growing steadily. .

"Lower steel prices during the year did impact our profitability. The weakness in flat steel demand has also been instrumental in the decision to suspend production at EFS. However, during the stoppage we have installed additional production flexibility to allow us to direct the production capacity of the plant to produce either flat or long products, or any mix, according to market dynamics and margin generation.

"We have witnessed the value of our vertically integrated strategy during the course of this year. Our operational flexibility and modern technology has enabled us to quickly adapt to changing market conditions. In keeping with this strategy, we will further increase our level of backward integration by adding DRI production capacities.

"After an outstanding 2008 and a challenging 2009, the outlook for 2010 is positive. We expect global steel markets to be balanced and steel prices and margins to continue improving as we go forward. We are confident that ezzsteel is now better positioned to benefit from such improvements as we continue to implement our growth strategy."

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About Al-Ezz Steel Rebars Co. S.A.E.

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

In 2009, the Company produced 3.3 million tonnes of long products (typically used in construction) and 1.0 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel's customer base is geographically diversified, with flat products mainly directed to export markets, whereas long products are sold in the domestic market. More than 50 per cent of its plants are less than 10 years old, using the latest in modern steel making technology.

Operational Review

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

Sales & Production

Consolidated net sales for 2009 were EGP 12.6 billion compared with EGP 21.8 billion during 2008, representing a decline of 42 per cent. This lower level of sales has been the result of a prolonged period of lower steel prices in 2009 and the accompanying weakness in the flat steel market. Due to the low market prices and reduced international demand, the flat facility at EFS has been shut during the period.

Long steel sales volume reached 3,257 thousand tonnes during 2009, which represents a 3 per cent increase over the 3,157 thousand tonnes sold during 2008. This increase over the previous year was to meet strong domestic demand for long products. Flat steel sales volumes on the other hand witnessed a decline from 1,458 thousand tonnes in 2008 to 1,016 thousand tonnes for 2009, a fall of 30 per cent. This was due to the continued shutdown of the EFS production facility, with any residual demand met by production at EZDK, which commensurately increased its flat production by 41 per cent.

Long steel products accounted for 76 per cent of total sales in 2009, while flat steel products represented 23 per cent of sales. Long product exports accounted for 2 per cent of total long sales, due to the continued strength of the domestic market demand for long products. Flat product exports accounted for 51 per cent of total flat sales as a continued focus for exports.

Long steel production volume reached 3,287 thousand tonnes during 2009 representing a 3 per cent increase over the 3,185 thousand tonnes produced during 2008. Flat steel production volumes on the other hand were 31 per cent lower at 979 thousand tonnes in 2009.

On a plant basis, ESR/ERM long steel production rose by 8 per cent year-on-year in comparison with 2008, while EZDK long production remained constant over the same period. Flat production at EZDK was up 41 per cent year-on-year.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2009 were 34 per cent, 65 per cent, and 1 per cent respectively.

Sales *EGP Mn*	ESR/ERM	EZDK	EFS	Total
Long	4,283	5,281		**9,564**
Flat		2,763	96	**2,859**
Others	10	143	13	**166**
Total				**12,589**

ezzsteel's exposure to the weaker global steel market is primarily through its flat steel products, with long steel products primarily directed to serving the buoyant domestic market.

EGP Mn	Domestic	per cent	Export	per cent
Long	9,408	98	156	2
Flat	1,408	49	1,451	51

Cost of Goods Sold

Consolidated cost of goods sold for the year ended 31 December 2009 represented 88 per cent of sales, compared to 80 per cent in 2008. This is due to the impact of the shutdown in production at EFS during the period and the proportionally higher costs at EZDK.

	Standalone figures			Consolidated
EGP Mn	ESR/ERM	EZDK	EFS	ezzsteel
Sales	4,293	8,161	318	12,589
COGS	3,969	6,734	633	11,135
COGS/Sales	**92%**	**82%**	**NM**	**88%**

Gross profit

Gross profit of EGP 1.6 billion was recorded in 2009, a decline of 65 per cent from the EGP 4.3 billion recorded in the same period in 2008. Lower profits were a result of weakened steel prices and slow demand from the global steel market during the year.

EBITDA

EBITDA for the period reached EGP 1.7 billion, down from EGP 4.5 billion for 2008 representing a decrease of 62 per cent.

Net profit after tax and minority interests

For the year ending 31 December 2009, net profit after tax and minority interests was EGP 88 million, down from EGP 1.2 billion in 2008.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.5 billion and net debt of EGP 6.2 billion. The company has gearing of Net Debt / Equity of 0.99 times.

Outlook

ezzsteel remains confident about the continued strength of the Egyptian market, which has remained largely unaffected by the global economic slowdown. Long product demand is expected to continue to be strong, due to the private housing market and local real-estate activity. While conditions in the global flat steel market have been very weak since the last quarter of 2008, we are now seeing sustained improvement evidenced by the increase in flat steel prices.

We continue to believe that our key competitive advantage lies in our integration, flexibility and our product and market diversification. Our current expansion efforts are focused on vertical integration and flexibility through:

- Increasing our DRI production capacity by 1.8 million tonnes per year through the construction in Suez of a production facility which will further increase our level of backward integration and decrease our production costs, replicating our EZDK model at our other facilities. Production is expected to start during the 2nd half of 2011.
- Adding long product capacities at our flat steel production facility in Suez (EFS) to enable the site to become flexible in producing either flat steel or long products according to market dynamics. Construction of the long product capacities has already begun and will enter into production gradually - starting April 2010.

Divisional Overview

EZDK Performance Sales (EGP):	**2008**	**2009**	
Value:	11.6	8.2	Bn
Volume: Long: Flat:	 1,784,962 687,386	 1,799,428 973,328	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 1% 41%	 3% 52%	
EBITDA:	4.3	1.6	Bn
Production:			
Long Products:	1,811,562	1,806,025	Tonnes
Flat Products:	694,551	977,645	Tonnes
Billets:	1,911,276	2,020,289	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	6.6	4.3	Bn
Volume:	1,381,692	1,466,391	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	148	264	Mn
Production:			
Long Products:	1,373,333	1,480,492	Tonnes
Billets:	747,677	842,157	Tonnes
EFS **Sales (EGP):**			
Value:	3.8	0.318	Bn
Volume:	770,537	42,540	Tonnes
Exports as % of Sales:	80%	96%	
EBITDA:	21	-179	Mn
Production:			
Flat Products:	728,549	1,228	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (*formerly:* Al Ezz Steel Rebars S.A.E.) or the "Company", in connection with the disclosure of the Company's financial results for the 12 month period ending 31 December 2009. This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long products in Egypt and in regional markets and for flat steel in the international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, or any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments nor shall assume, and each of ezzsteel, any of its directors, officers or employees or any other person expressly disclaims, any obligation, except as required by law, the listing rules of the CASE or the LSE or the FSA, to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Ezz Steel Company
<u>(An Egyptian Joint Stock Company)</u>

Consolidated Financial Statements

For the Financial Year Ended December 31, 2009
<u>& Auditor's Report</u>

AUDITOR'S REPORT
<u>To The Shareholders of</u>
<u>Ezz Steel Company</u>

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as at December 31, 2009 and the consolidated statement of income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains financial accounting records, which includes all that is required by law and the Company's statutes, and the consolidated financial statements are in agreement with these records. The Company applies costing system that satisfies the purpose thereof and inventory count was performed by management in accordance with methods in practice.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 28, 2010

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Balance Sheet

As of December 31, 2009

	Note No.	31/12/2009 LE(000)	31/12/2008 LE(000)
Long Term Assets			
Fixed assets (net)	(3-3) (4)	9 626 751	10 029 467
Projects under construction	(3-4) (5)	1 426 569	422 923
Investments	(3-5) (6)	196	4 032
Long term lending to others	(7)	3 014	3 427
Long term deposits		—	3 000
Long term saving certificates		20 000	20 000
Long term trade and notes receivable		1 322	9 582
Goodwill	(3-6)	315 214	315 214
Total long term assets		11 393 066	10 807 645
Current Assets			
Inventory	(3-7) (8)	2 678 665	3 179 149
Trade and notes receivable	(3-8) (9)	111 764	86 669
Debtors and other debit balances	(3-8) (10)	694 047	408 442
Advances to suppliers	(3-8)	131 581	35 474
Investments in treasury bills		10 668	14 974
Cash and cash equivalents	(3-13) (12)	1 581 012	4 096 105
Total current assets		5 207 737	7 820 813
Current Liabilities			
Banks credit accounts and overdrafts	(13)	1 497 516	1 889 775
Loan installments and facilities due within one year	(3-17) (14)	1 653 452	2 023 871
Bonds loan due within one year	(23)	220 000	—
Trade and notes payable	(3-9) (15)	859 970	830 976
Advances from customers	(3-9)	365 002	948 260
Creditors and other credit balances	(3-9) (16)	530 466	1 437 872
Provisions	(3-12) (17)	38 287	49 828
Total current liabilities		5 164 693	7 180 582
Working capital		43 044	640 231
Total investment		11 436 110	11 447 876
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	3 943 001	3 912 129
Retained earnings		1 368 717	1 863 315
Net profit for the year		88 132	1 233 450
Interim dividends		—	(1 179 313)
Treasury stocks	(22)	(71 921)	(71 921)
Translation difference adjustments		27 150	37 554
Company's share in employees dividends & board of directors remunerations of - EZDK - a subsidiary company		—	(39 900)
		8 071 404	8 471 639
The difference resulting from the acquisition of subsidiaries within the group	(3-1)	(3 472 411)	(3 280 493)
Total holding company shareholders' equity		4 598 993	5 191 146
Non-controlling interest		1 674 937	1 775 156
Total Shareholders' equity		6 273 930	6 966 302
Long Term Liabilities			
Loans and credit facilities	(3-17) (14)	3 547 408	2 635 923
Other liabilities	(18)	114 079	173 599
Bonds loan	(23)	880 000	1 100 000
Deferred tax liabilities	(3-15) (24)	620 693	572 052
Total long term liabilities		5 162 180	4 481 574
Total equity and long term liabilities		11 436 110	11 447 876

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Chairman

Eng. Ahmed Abdel Aziz Ezz

Auditor's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For the Financial Year Ended December 31, 2009

	Note No.	2009 LE (000)	2008 LE (000)
Sales (net)	(3-10)	12 589 262	21 843 081
Less :			
Cost of sales		11 134 843	17 519 200
Gross profit		1 454 419	4 323 881
Less :			
Selling and marketing expenses		128 163	297 615
General and administrative expenses		273 875	225 215
Impairment loss on assets	(11)	4 614	22 040
Provisions	(17)	15 000	—
Total expenses		421 652	544 870
		1 032 767	3 779 011
Add (Less) :			
Financing expenses	(3-11)	(778 499)	(590 531)
Interest income		88 699	135 173
Reversal of impairment loss on assets	(11)	13 757	49 214
Provisions no longer required	(17)	24 722	—
Income from sale of investments	(10-1)	41 300	—
Income from investments		241	—
Foreign exchange differences		24 985	(101 577)
Other revenues		48 488	65 437
Capital gains		218	483
Net profit for the year before income tax & non controlling interest		496 678	3 337 210
Less:			
Income tax	(3-15)	(141 244)	(692 227)
Deferred tax	(3-15)(24)	(48 641)	(58 980)
Net profit for the year before non controlling interest		306 793	2 586 003
Less:			
Non controlling interest		218 661	1 352 553
Net profit for the year		88 132	1 233 450
Earnings per share for the year (LE/share)	(29)	0.17	4.59

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash Flows
For the Financial Year Ended December 31, 2009

	Note No.	2009 LE(000)	2008 LE(000)
Cash flows from operating activities			
Net profit for the year before income tax & minority interest		496 678	3 337 210
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	588 148	659 771
Amortization of deferred revenue		(1 776)	(135)
Deferred revenues for accrued sold units installments		(377)	(2 692)
Amortization of bond issuance expenses		2 200	1 284
Provisions	(17)	15 000	—
Provisions no longer required	(17)	(24 722)	—
Reversal of impairment loss on assets	(11)	(13 757)	(49 214)
Impairment loss on assets	(11)	4 614	22 040
Income from investments		(241)	—
Income from sale of investments	(10-1)	(41 300)	—
Capital gains		(218)	(483)
Foreign currency exchange differences		(27 558)	120 041
		996 691	4 087 822
Changes in working capital			
Decrease (Increase) in inventory		497 738	(582 935)
(Increase) Decrease in trade receivables, debtors and other debit balances		(301 315)	246 198
Decrease in creditors and other credit balances		(1 114 485)	(146 613)
Provisions used	(17)	(1 819)	(3 478)
Net cash flows provided by operating activities		76 810	3 600 994
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(1 198 813)	(526 920)
Payments for purchase of investments		(54 596)	(405 641)
Proceeds from sale of investment		37 683	—
Proceeds from sale of fixed assets		611	626
Payments for acquisition of saving certificates		—	(20 000)
Payments for fixed assets creditors		(13 203)	(13 583)
Payments to decrease non-controlling interest		(11 704)	—
Payments for lending others		(7 610)	(3 387)
Proceeds from lending others		8 023	5 982
Net cash used in investing activities		(1 239 609)	(962 923)
Cash flows from financing activities			
Proceeds from capital increase		—	1 804 384
Proceeds from non-controlling interest for capital increase/participation in a subsidary's capital		2 116	139
Changes in credit facilities		(34 238)	(71 069)
Payments of loans		(2 000 666)	(1 376 016)
Payments of long term liabilities		(14)	—
Change in blocked time-deposits against medium term financing lease	(12)	(316 250)	—
Change in non-controlling interest		(65 275)	—
Proceeds from loan substitutions		2 515 000	168 148
Proceeds from bonds loan		—	1 100 000
Proceeds from sale of treasury stocks - owned by a subsidiary		—	18 079
Payments for purchase of treasury stocks - owned by a subsidiary		—	(38 142)
Dividends paid		(1 385 523)	(2 589 721)
Net cash used in financing activities		(1 284 850)	(984 198)
Net change in cash and cash equivalents during the year		(2 447 649)	1 653 873
Cash and cash equivalents at beginning of the year	(12)	2 207 132	553 410
Translation differences		7 763	(151)
Cash and cash equivalents at the end of the year	(3-13)(12)	(232 754)	2 207 132

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity

For the Financial Year Ended December 31, 2009

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim dividends LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Non-controlling Interest LE (000)	Total Shareholders' Equity LE (000)
Balance as of 1/1/2008	911 941	3 859 586	(3 280 493)	997 623	39 794	(35 884)	1 121 956	(44 081)	(240 017)	3 330 425	1 976 660	5 307 085
Non-controlling interest participation in subsidiary's capital	—	—	—	—	—	—	—	—	—	—	139	139
Transferred to legal reserve	—	10 279	—	—	—	—	(10 279)	—	—	—	—	—
Setting off profit of year 2007 in retained earnings	—	—	—	1 111 677	—	—	(1 111 677)	—	—	—	—	—
Setting off the employees and the board of directors' share in the dividends of 2007	—	—	—	(44 081)	—	—	—	44 081	—	—	—	—
Setting off inetrim dividends of year 2007 in retained earnings	—	—	—	(240 017)	—	—	—	—	240 017	—	—	—
Setting off company's share in employees and the board of directors' share in the interim dividends of 2007	—	—	—	(15 951)	—	—	—	—	—	(15 951)	—	(15 951)
Purchased treasury stocks	—	—	—	—	—	(38 142)	—	—	—	(38 142)	—	(38 142)
Sold treasury stocks	—	—	—	(1 163)	—	2 105	—	—	—	942	—	942
Company's share & non-controlling interest in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	—	—	—	—	(39 900)	—	(39 900)	(66 541)	(106 441)
Company's share in participation percentage increase in redemption of treasury stocks	—	—	—	29 991	—	—	—	—	—	29 991	—	29 991
Company's share in gain from sale of treasury stocks	—	—	—	15 549	—	—	—	—	—	15 549	—	15 549
Translation difference adjustments	—	—	—	8 553	(2 240)	—	—	—	—	6 313	(2 720)	3 593
Reduction in non-controlling interest due to participation percentage change	—	—	—	—	—	—	—	—	—	—	(103 978)	(103 978)
Interim dividends during the year 2008	—	42 264	—	—	—	—	—	—	(1 179 313)	(1 137 049)	(1 383 953)	(2 521 002)
Capital increase	1 804 384	—	—	—	—	—	—	—	—	1 804 384	—	1 804 384
Non-controlling interest in subsidiaries' profits	—	—	—	—	—	—	—	—	—	—	2 000	2 000
Setting off EZDK's share in subsidiaries' reserves	—	—	—	1 134	—	—	—	—	—	1 134	996	2 130
Net profit for 2008	—	—	—	—	—	—	1 233 450	—	—	1 233 450	1 352 553	2 586 003
Balance as of 31/12/2008	2 716 325	3 912 129	(3 280 493)	1 863 315	37 554	(71 921)	1 233 450	(39 900)	(1 179 313)	5 191 146	1 775 156	6 966 302

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Financial Year Ended December 31, 2009

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim dividends LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Non-controlling Interest LE (000)	Total Shareholders' Equity LE (000)
Balance as of 1/1/ 2009	2 716 325	3 912 129	(3 280 493)	1 863 315	37 554	(71 921)	1 233 450	(39 900)	(1 179 313)	5 191 146	1 775 156	6 966 302
Transferred to legal reserve	—	30 872	—	—	—	—	(30 872)	—	—	—	—	—
Company's share & non-controlling interest in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	(53 204)	—	—	—	39 900	—	(13 304)	(14 970)	(28 274)
Setting off inetrim dividends of year 2008	—	—	—	—	—	—	(1 179 313)	—	1 179 313	—	—	—
Payments to decrease non-controlling interest	—	—	—	(10 619)	—	—	—	—	—	(10 619)	(1 085)	(11 704)
Translation difference adjustments	—	—	—	—	(10 404)	—	—	—	—	(10 404)	(145)	(10 549)
Dividends for the year 2008	—	—	—	(710 703)	—	—	(13 165)	—	—	(723 868)	(219 478)	(943 346)
Setting off rest of year 2008 profits in retained rearnings	—	—	—	10 100	—	—	(10 100)	—	—	—	—	—
Retained earnings increase due to the decrease of participation percentage in EFS	—	—	—	270 930	—	—	—	—	—	270 930	—	270 930
Non-controlling interest's participation in payments for capital increase in ERM	—	—	—	—	—	—	—	—	—	—	2 116	2 116
Difference resulting from EZDK's acquisition of EFS	—	—	(191 918)	—	—	—	—	—	—	(191 918)	(168 541)	(360 459)
Setting off company's share in reserves of EZDK's subsidiaries	—	—	—	(1 102)	—	—	—	—	—	(1 102)	(961)	(2 063)
Non-controlling interest's share in increase in participation percentage in EFS	—	—	—	—	—	—	—	—	—	—	84 184	84 184
Net profit for 2009	—	—	—	—	—	—	88 132	—	—	88 132	218 661	306 793
Balance as of 31/12/2009	2 716 325	3 943 001	(3 472 411)	1 368 717	27 150	(71 921)	88 132	—	—	4 598 993	1 674 937	6 273 930

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the consolidated financial statements
For the Financial Year Ended December 31, 2009

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.

- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company name to "**Ezz Steel**", this amendment was registered in the Commercial Registry on November 1, 2009.

Subsidiaries

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

Ezz Steel Algeria Company S.P.A - was established in 2008 under the Algerian law.

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

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

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

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

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

The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2009 Percentage Share %	31/12/2008 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	90.73	90.73
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	53.24	53.24
Al Ezz Flat Steel (EFS)	63.10 (Direct & Indirect)	75.15 (Direct)

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

	31/12/2009 Percentage Share %	31/12/2008 Percentage Share %
Al Ezz Flat Steel (EFS)	55	-
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	85.5 (Indirect)	85.5 (Indirect)

Starting from the year 2009 the consolidated financial statements included the financial information of Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) and Misr for Pipes & Casting Industry Company.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

- The consolidated financial statements are prepared in accordance with the historical cost basis, and in conformity with the Egyptian Accounting Standards, and in the light of the provisions of applicable Egyptian laws and regulations.

- These financial statements are presented in Egyptian pound (L.E.) which is the Company's functional currency.

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.
  The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.
  The estimates and underlying assumptions are reviewed on a going basis, revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

- The consolidated financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the holding company, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.

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

- Non controlling interest in the net equity and in net earnings of subsidiary companies is included in a separate item "non controlling interest" in the consolidated financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated financial statements. Non controlling share in profits and losses of the subsidiary companies are included in a separate line item in the income statement.

- The difference resulting from the acquisition of subsidiaries within the group amounted to LE 3.472 billion represents an amount of LE 3.28 billion representing the difference between the acquisition costs of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital (represents 29.39% from its capital) and the net carrying amount of these shares and an amount of LE 192 million representing the difference between the acquisition costs of acquiring 55% of Al Ezz Flat Steel (EFS) capital – a subsidiary - through Al Ezz El Dekheila for Steel – Alexandria and the net carrying amount of these shares. This difference was reduced from the total shareholders' equity as this difference was internally generated as a result from the restructuring between companies within the same group.

3.2 Foreign currency translation

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

Financial statements of Al Ezz Flat Steel (EFS)

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

3.3 *Fixed assets and depreciation*

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.
Depreciation is charged to the income statement on straight-line basis over the estimated useful lives of assets.

The estimated useful life for each item is as follows:

Asset	**Estimated useful life** **Years**
Buildings and constructions	25 – 50
Other buildings	8
Central air conditioning and fixtures	8
Machinery and equipment	5 – 25
Vehicles	2 – 5
Furniture and office equipment	3 – 10
Tools and appliances	4 – 5
Rolling rings	According to actual use (ERM 5.5)
Improvements on leased buildings	The lower of lease term or assets useful lives

During the year Al Ezz El Dekheila for Steel – Alexandria – subsidiary company - amended the assets' estimated useful lives starting from January 1, 2009 according to the company's board of directors' decree dated March 11, 2009 and as a result the depreciation expense for the current year was decreased by LE 62.5 million.

3.4 *Projects under construction*

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

3.5 *Investments*

3.5.1 *Financial Investment*

Financial investments are stated in the financial statements at cost. Earnings related to these investments are recorded using cost method; as such earnings from these investments are confined to declared dividends by subsidiaries and associates post acquisition. If the investment recoverable amount falls below its carrying amount, the carrying amount of the investment is reduced to reach the recoverable amount and the impairment loss is charged to the income statement.

3.5.2 Investments in saving certificates

Investments in saving certificates are stated in the financial statements at cost, incomes related to these investments are recorded using actual interest rate and accordance with the accrual basis.

3.5.3 Investments in treasury bills

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

3.6 Goodwill

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

3.7 Inventory

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

- Raw materials, spare parts, materials, supplies and goods for sale: at cost up to bringing them to warehouses, using the first-in first-out or moving or weighted average method according to the type of inventory.

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

- Finished products: according to the actual manufacturing cost.

3.8 Trade & notes receivable and debtors & other debit balances

Trade and notes receivable, debtors and other debit balances are stated at their nominal value and are reduced by impairment loss resulting from Company's anticipation of non collection of those balances.

3.9 Trade & notes payable and creditors & other credit balances

Trade and notes payable, creditors and other credit balances are stated at nominal value while accruals are stated at their future value that will be paid against goods and services that had been already received.

3.10 Revenue recognition

Revenue is recognized when the client receives goods together with its related risks and benefits.

3.11 Borrowing costs

Borrowing costs are charged directly to the income statement and are classified within finance expenses account.
Borrowing costs that are incurred to finance the acquisition of fixed assets are capitalized during the construction/installation period until the asset is ready for economic use.

3.12 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

3.13 Cash and cash equivalents

For the purpose of preparing the cash flows statement, cash and cash equivalents comprise cash balances, call deposits and Banks' overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.14 Impairment on assets

The carrying amounts of the Company's non monetary assets, (other than inventory and deferred tax assets), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-assessed. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement and the annual depreciation related to the impaired assets for the following years is computed based on the fair value.

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

3.15 Income Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

3.16 Reserves

Legal reserve:

At least 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case reserve balance becomes less than stated percentage, appropriation will continue. The legal reserve may be used for the benefit of the company based on a proposal by the board of directors approved by the general assembly.

Other reserves:

The general assembly may form other reserves based on the board of directors' recommendation.

3.17 Borrowing

Borrowing is recognized initially at the proceeds received and the amounts that are accrued within a year are classified as current liabilities, unless the Company preserves the right to postpone the payment of the loans balances for periods that exceed 12 months after the balance sheet date in which case, the balance will be classified as long term liability.

3.18 Repurchase of share capital

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

3.19 Leased assets

The leased assets are classified as fixed assets and stated at the acquisition value as determined in the lease agreements and depreciated over its estimated useful lives according to policies applied for similar assets. Lease obligations are recorded as long-term liability; amounts falling due within 12 months are included in current liabilities.

4. FIXED ASSETS (NET)

	Note No.	Land LE (000)	Buildings & constructions LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & Office equipment LE (000)	Tools & appliances LE (000)	Leashold improvments LE (000)	Capital lease LE (000)	Total LE (000)
Cost as of 1 January 2009		584 253	2 828 178	12 208 068	96 382	77 746	52 163	6 876	477 804	16 331 470
Additions during the year		57 658	3 652	131 056	4 061	5 498	1 655	—	—	203 580
Disposals during the year		—	(599)	(31 657)	(685)	—	—	—	—	(32 941)
Transferred assets	(4-1)	—	—	477 804	—	—	—	—	(477 804)	—
Translation differences		(284)	(6 630)	(15 509)	(9)	(53)	(87)	—	—	(22 572)
Cost as of December 31, 2009		641 627	2 824 601	12 769 762	99 749	83 191	53 731	6 876	—	16 479 537
Accumulated depreciation as of January 1, 2009		—	792 334	5 104 839	93 721	65 655	37 035	6 876	201 543	6 302 003
Depreciation for the year		—	71 745	499 367	1 843	4 704	2 672	—	7 817	588 148
Accumulated depreciation of disposals		—	(481)	(31 496)	(685)	—	—	—	—	(32 662)
Accumelated depreciation of transferred assets		—	—	209 360	—	—	—	—	(209 360)	—
Translation differences		—	(813)	(3 812)	(8)	(41)	(29)	—	—	(4 703)
Accumulated depreciation as of December 31, 2009		—	862 785	5 778 258	94 871	70 318	39 678	6 876	—	6 852 786
Carrying amount as of December 31, 2009		641 627	1 961 816	6 991 504	4 878	12 873	14 053	—	—	9 626 751
Carrying amount as of December 31, 2008		584 253	2 035 844	7 103 229	2 661	12 091	15 128	—	276 261	10 029 467

Some of the subsidiary companies did not register some plots of land in their nams, and the procedures of the registering these plots of land are in progress

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

	31/12/2009 LE(000)
Operating expenses	579 071
Selling expenses	1 380
General & administrative expenses	7 697
	588 148

4.1 Leased assets (Al Ezz El Dekheila for Steel – Alexandria)

	31/12/2009 LE (000)
Equipment of DRI & Steel plants (Agreements concluded with IDB and IBP)	251 553
Equipment of Flat Steel plant (Agreements concluded with IDB, IBP & UIF)	226 251
	477 804
Transferred to fixed assets - machinery	(477 804)
	-

Al Ezz El Dekheila for Steel – Alexandria paid in full the present value of the full installments and the accrued interest according to the signed financing lease agreements with the Islamic Development Bank and Investment Fund Shares relating to the Steel Direct Reduction and Flat Steel Production Unit factories' machinery and equipment, and the ownership title of these assets was transferred to the company.

5. PROJECTS UNDER CONSTRUCTION

	31/12/2009 LE (000)	31/12/2008 LE (000)
Constructions expansion	94 280	8 363
Machinery under installation	214 331	204 392
Advance payments for purchase of Land	471	39 482
Advance payments for purchase of Machinery	965 121	170 686
Advance payments for projects construction	95 400	-
Salaries and other expenses capitalized as cost of new projects constructions	38 344	-
Others	18 622	-
	1 426 569	422 923

The capitalized financing interest on the machinery and equipment under installation of EZDK Company during the year amounted to LE 15.9 million related to its financing sources, with an average financing interest rate during the year of 11.3%.

6. INVESTMENTS

	Participation Percentage %	Investments cost 31/12/2009 LE (000)	Investments cost 31/12/2008 LE (000)
6-1 Investments in associates			
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
EZDK Steel Europe GMBH Co.	50	-	70
EZDK Steel UK LTD Co.	50	1	1
		116	186
6-2 Investments in other companies			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
Less:			
Impairment losses on Arab Company for Special Steel		17 726	13 960
		80	3 846
Total		196	4 032

7. LONG TERM LENDING TO OTHERS

This item as shown in the financial statements of Al Ezz El Dekheila for Steel - Alexandria represents the following:

	31/12/2009 LE (000)	31/12/2008 LE (000)
The loan granted to the Company's employees housing Co-operative association (interest free).	-	1 766
The loans granted to the Company's employees (interest free)	3 014	1 661
	3 014	3 427

8. INVENTORY

	31/12/2009 LE (000)	31/12/2008 LE (000)
Raw materials and supplies	728 671	1 158 083
Work in process	322 240	186 087
Finished products	310 287	561 283
Spare parts	1 095 418	1 015 920
Goods in transit	116 765	171 043
Consignment goods	-	46 148
Letters of credit for purchasing raw materials and spare parts	-	39 708
Goods for sale	105 284	877
	2 678 665	3 179 149

Inventory of spare parts is presented after deducting the decline in inventory by an amount of LE 10 052 k arising from obsolete and slow moving items.

9. TRADE AND NOTES RECEIVABLE (NET)

	31/12/2009 LE (000)	31/12/2008 LE (000)
Trade receivables	107 652	80 594
Notes receivable	33 871	39 487
	141 523	120 081
Impairment losses on trade receivables	(29 759)	(33 412)
	111 764	86 669

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Deposits with others		130 987	99 028
Tax Authority		148 128	159 483
Customs Authority		2 960	5 894
Accrued revenues		3 384	19 150
Prepaid expenses		33 325	23 996
Employees' loans		2 420	1 560
Tax Authority – sales tax		21 656	78 204
Alexandria Port Authority		42 489	42 489
Deferred expenses		24 882	-
Short - term lending		2 159	300
Letters of guarantee cash margin		25	491
Air Liquide Sokhna Company *	(10-1)	64 193	-
Due from related parties	(19-1)	225 560	10 208
Other debit balances		50 282	45 746
		752 450	486 549
Impairment losses on debtors and other debit balances		(58 403)	(78 107)
		694 047	408 442

10-1 Air Liquide Sokhna Company

The amount due from Air Liquide Sokhna Company amounting to US$ 11 682 K equivalent to LE 64 193 K represents the amount paid during 2009 on account to purchase some shares of this company with an amount of US$ 4 182 K equivalent to LE 22 893 K in addition to the profits of waiver of the purchase of those shares with an amount of US$ 7 500 K equivalent to LE 41 300 K. The outstanding balance was fully collected during January 2010.

11. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2009 LE (000)	Charged to Statement of Income LE (000)	Used during the year LE (000)	Reversal of Impairment loss LE (000)	Balance as of 31/12/2009 LE (000)
Impairment loss on trade receivables	(9)	33 412	-	-	(3 653)	29 759
Impairment loss on debtors and other debit balances	(10)	78 107	130	(12 383)	(7 451)	58 403
Decline in inventory	(8)	9 334	718	-	-	10 052
Impairment loss on advances to suppliers		4 267	-	-	(2 653)	1 614
Impairment loss on investments available for sale	(6-2)	13 960	3 766	-	-	17 726
		139 080	4 614	(12 383)	(13 757)	117 554

12. CASH AND CASH EQUIVALENTS

	31/12/2009 LE (000)	31/12/2008 LE (000)
Banks – Deposits	913 346	3 006 949
Banks – current accounts	627 178	777 946
Cheques under collection	37 993	9 315
Cash on hand	2 022	619
Investments fund *	473	301 276
	1 581 012	4 096 105
Less:		
Banks – overdraft	1 497 516	1 888 973
Blocked time deposits against the service of debt within the credit limits granted by the bank – EZDK (Note No. 14)	316 250	-
Cash and cash equivalents in the statement of cash flows	(232 754)	2 207 132

* Investments fund represents a number of 3 676 investment deeds with accumulated daily interest.

13. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 1 497 516 K as of December 31, 2009 against 1 889 775 K as of December 31, 2008 in the balances of banks – overdrafts (against LE 1 888 973 K as of December 31, 2008 including banks - credit accounts amounting to LE 802 K) in Egyptian pound and US dollars obtained from banks that the company and its subsidiaries deals with.

14- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose	Interest rate %	Payment terms	Period	Short term portion 31/12/2009 LE(000)	Long term portion 31/12/2009 LE(000)	Total 31/12/2009 LE(000)	Collateral
Ezz Steel								
Banks - credit facilities		Average 11.5% for the Egyptian Pound and 2.8% for the U.S Dollars			806 293	—	806 293	Without guarantees within a limit of LE 1.6 billion or its equivalent in U.S Dollars.
Al Ezz El Dekheila for Steel - Alexandria								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Lending rate & discount + 0.5% below lending rate & discount Libor + 0.75% - 1%	Semiannual installments	2-6 years	76 450	2 353 725	2 430 175	
Loans - foreign currency		1% over Libor 5.15% - 5.49% 3% - 3.5% & 5.15%		2-8 years	213 891	358 934	572 825	
Al Ezz Flat Steel								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	18 August 2004 until 18 February 2013	45 575	94 578	140 153	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts.
Loans - foreign currency					304 313	740 171	1 044 484	
Banks - credit facilities		Average 11.50 % for the Egyptian Pound, and 2% plus Libor rate (6 months) for the US$ and 2% plus Eurobor rate (6 months) for the EURO. In addition to the high debit balance for all currencies amounted to 0.05%.			109 111	—	109 111	Possession mortgage on inventories amounted to US Dollars 80 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Contra Steel company								
Banks - credit facilities	To finance opining letters of credit	0.75% over Libor			97 819	—	97 819	
Balance as of 31 December 2009					1 653 452	3 547 408	5 200 860	
Balance as of 31 December 2008					2 023 871	2 635 923	4 659 794	

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the Board of Directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed, the Arab African International Bank is the Agent and the Principal Co-ordinator for this loan (banks acting as the Principal Co-ordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of December 31, 2009 amounts to LE 2.515 billion, so the balance of the loan as of December 31, 2009 after the accelerated payments of 2010 installments will amount to LE 2.165 billion. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the Company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for six months (Note No. 12).

The Inter-creditor Agent is National Westminster Bank for Al Ezz Flat Steel Company - a subsidiary. It acts also as agent for the international syndicated loans in which 9 banks participated.According to the loan agreements the National Bank of Egypt acts as the Onshore Security Agent, and Royal Bank of Scotland acts as the Offshore Security Agent. The main securities provided are real estate mortgage and commercial pledge on the land, and all tangible and intangible assets of the company, the inventory, assignment of the company's rights under the steel making complex supply & construction contracts, technical support agreement and insurance policies in favor of the lenders.The interest on local loans in US Dollar and the syndicated commercial loan is calculated by using variable interest rate based on LIBOR. Interest on local loans in Egyptian pound is calculated based on the Central Bank of Egypt Lending discount rate.Interest on SACE Guaranteed loan is calculated by using fixed interest rate which represents the prevailing consensus rate at the time of signing the loan agreement. The company agreed with the lenders to reschedule loan installments during September 2004. The company has started paying the rescheduled amount regularly as of August 2004.

15. TRADE AND NOTES PAYABLE

	31/12/2009 LE (000)	31/12/2008 LE (000)
Trade payables	855 326	828 519
Notes payable	4 644	2 457
	859 970	830 976

16. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2009 LE (000)	31/12/2008 LE (000)
Fixed assets - creditors	15 552	16 969
Accrued interest	140 879	63 864
Accrued expenses	45 817	24 695
Tax Authority	24 512	25 140
Performance guarantee retention	7 511	6 546
Sales tax installments	23	23
Tax Authority – sales tax	21 670	58 968
Income tax for the year	141 244	692 227
Dividends payable	67 338	477 407
Financing lease agreements	-	13 950
Deferred revenue	-	404
Due to related parties	1 959	1 326
Alexandria Port Authority	27 366	23 106
Other credit balances	36 595	33 247
	530 466	1 437 872

17. PROVISIONS

	Balance as of 1/1/2009 LE (000)	Charged to Statement of Income LE (000)	Used during the year LE (000)	Provisions No longer required LE (000)	Balance as of 31/12/2009 LE (000)
Lawsuits and claims provision	49 828	15 000	(1 819)	(24 722)	38 287
	49 828	15 000	(1 819)	(24 722)	38 287

18. OTHER LIABILITIES

	31/12/2009 LE (000)	31/12/2008 LE (000)
Fixed assets creditors	221	235
Financing lease agreements – flat steel project	-	69 750
Alexandria Port Authority *	113 858	103 614
	114 079	173 599

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

The balance recorded in the long-term liabilities item represents sales tax and delayed interests on the payment of some of the port authority's dues for previous years which are still being disputed and studied and that is according to the agreement reached between both parties on November 22, 2007 and August 31, 2008 to postpone the payments of such balances until the legal dispute is resolved and the Port Authority's eligibility to claim the sales tax on the stevedoring fees. The Authority issued an explanatory appendix for the license in October 2009 which clarifies that the Port Authority did not perform any operational services for the company who filed a plea with the Tax Authority to retrieve the sales tax previously paid despite of the Authority's right in these taxes, and the decision regarding this objection have not been reached till now.

According to the procedures before the Supreme Constitutional Court, the Pleas Committee and other Legal Authorities the Company's legal and tax advisors' opinions are that the Court's final judgment and accounting basis establishment will not take place before three years as a minimum.

19. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions according to terms, which are approved by the board of directors with some related parties – subsidiaries and associates. These transactions that occurred during the year are represented in the purchase of raw materials for production amounted to LE 597 K and sales transactions of some products in favor of those companies amounted to LE 170 234 K, in addition to some mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance on 31/12/2009 LE (000)	Balance on 31/12/2008 LE (000)	Balance Sheet caption
Al Ezz Foreign Trade	Sales	84 354	(58 267)	(1 315)	Advances from customer/Due to related parties
Al Ezz for Trading and Distributing Building Materials	Sales	85 880	185 384	-	Due from related parties
EZDK Steel UK LTD.	Marketing services	6 291	-	-	
Al Ezz for Ceramics and Porcelain (GEMMA)	Purchases	597	23 202	-	Due from related parties

19.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	31/12/2009 LE (000)	31/12/2008 LE (000)
El-Gawhara Real Estate Investment	Associate company	5 504	4
El-Gawhara Real Estate Development	Associate company	2 988	-
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	23 202	-
Al Ezz for Engineering Heavy Industries	Affiliated company	8 482	8 130
Al Ezz for Trading and Distributing Building Materials	Affiliated company	185 384	-
Gulf of Suez Company for Industrial Investments	Associate company	-	2 074
		225 560	10 208

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 135 (two billion, seven hundred and sixteen million, three hundred and twenty five thousand and one hundred and thirty five Egyptian pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid capital after the increase was registered in the Company's commercial register with no. 1176 Menouf on October 30, 2008.

21. RESERVES

	31/12/2009 LE (000)	31/12/2008 LE (000)
Legal reserve	210 031	179 159
Premium share *	3 732 970	3 732 970
	3 943 001	3 912 129

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

22. TREASURY STOCKS

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

23. BONDS LOAN

According to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1 100 million (one thousand and one hundred million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that is due on June 30, 2010) with the value of LE 110 million per installment.

These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts toward some banks.

These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008.

The installments due within one year amounting to LE 220 million were included in the current liabilities in the balance sheet.

24. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2009		31/12/2008	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	-	(841 377)	-	(599 217)
Provisions	17 276	-	23 690	-
Tax losses carried over	203 408	-	3 475	-
Total deferred tax	220 684	(841 377)	27 165	(599 217)
Netting off	(220 684)	220 684	(27 165)	27 165
Net deferred tax liabilities	-	(620 693)	-	(572 052)

Net deferred tax which resulted in a liability for the year that was charged to the statement of income is amounted to LE 48 641 K.

25. CONTINGENT LIABILITIES

In addition to the amounts which have been accounted for within the balance sheet items, there are other contingent liabilities represented in the uncovered value of letters of guarantee issued by the company and its subsidiaries' banks, on their behalf, in favor of others. The components of the contingent liabilities are as follows:

	31/12/2009 LE (000)	31/12/2008 LE (000)
Egyptian Pound	12 416	7 666
US Dollar	29 784	74 574
Kuwaiti Dinar	-	12 012

26. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of December 31, 2009 amounted to:

- LE 28 million represents the value of improving and developing the first rolling line and the melting oven of the flats factory, and constructing a new dust-extraction system from the melting oven, and constructing a number of (2) convertors for the ovens number (2) and (3) of the rolling factory to the Al Ezz El Dekheila for Steel – Alexandria Company.

- LE 300 million (equivalent to US$ 55 million) represents the value of constructing new projects after deducting the advance payment plus the amount of 47 million Euro (equivalent to US$ 68 million) that represents the remaining value of purchase of machinery and equipment from Danieli Company (an Italian company) related to Al- Ezz Flat Steel Company.

27. TAXATION

27.1 Ezz Steel

27.1.1 Corporate tax

The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
The tax authority inspected the Company's books until December 31, 2004 and there are no taxes due.
The Company submits tax returns for 2005 until 2008 according to the provisions of Law No. 91 of 2005 and no inspection took place until that date.

27.1.2 Sales tax

The Company's products are subject to a 5% sales tax. The Company submits sales tax returns on a timely basis. The tax authority inspects the Company's books for year 2007 and there are no tax disputes or outstanding dues until the date of the financial statements.

27.1.3 Payroll tax

The tax authority inspected the Company's books until 2005 and there are no due taxes on the Company.

27.2 Al Ezz Rolling Mills

27.2.1 Corporate tax

The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.The tax authority inspected the Company's books and a settlement was made until 2004 and the taxes due were paid.

The Company submits tax returns for 2005 until 2008 according to the provisions of Law No. 91 of 2005 and no inspection took place for these years until that date.

27.2.2 Sales tax

The Company's products are subject to a 5% sales tax. The Company submits sales tax returns on a timely basis. The tax authority inspects the Company's books until 2007 and the taxes due were paid.

27.2.3 Payroll tax

The tax authority inspected the Company's books and settlement was made until 2004 and the taxes due were paid.

The Company's books have been inspected by the tax authority for the year 2005 and the company appealed the taxable amount and this appeal is being looked into in the internal committee.

The Company's books for the years 2006-2007 are currently being inspected.

27.3 Al Ezz El Dekheila for Steel – Alexandria

27.3.1 Corporate tax

The Company submits tax returns annually and on a timely basis to the tax authority, and pays the tax dues from these tax returns – if any.
The tax settlement is finalized till year 2004 and the company paid all the tax liability and there are no tax liabilities to that date.
The Company submitted its tax returns for the years 2005 to 2008 on a timely basis according to the provisions of the law and the taxes due were paid according to these tax returns.

27.3.2 Payroll tax

The Company's books for the years 2005-2007 are currently being inspected.

Tax inspection has not been made for the year 2008. The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law.

27.3.3 Sales tax

Tax inspection has been made till 30/4/2009 and there are no tax disputes or outstanding dues. The Company submits its monthly sales tax returns on a timely basis.

27.4 Al Ezz Flat Steel

27.4.1 Corporate tax

In the light of issuing law No. 114 of 2008 on May 5th, 2008, the private free zones were deleted and the company become subject to corporate tax from that date.

27.4.2 Payroll tax

The tax authority inspected the Company's books until 2007 and the taxes due were paid.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28.1 Financial instruments

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

28.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan, loans & credit facilities and banks credit accounts which amounted to LE 7 798 376 K as of December 31, 2009 (LE 7 649 569 K as of December ٣1, 2008). Financing interest and expenses related to these balances amounted to LE 778 499 K during the year ended December 31, 2009 (LE 590 531 K during the previous year).Time-deposits and Investment fund amounted to LE 913 819 K as of December 31, 2009 (LE 3 308 225 K as of December 31, 2008), Interest income related to these balances amounted to LE 88 699 K during the year ended December 31, 2009 (LE 135 173 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically lowers the risk of interests.

28.3 Credit risk

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

28.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 335 695 K and LE 4 451 837 K respectively, as of the Balance sheet date.

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

Foreign Currency	**(Deficit)/Surplus In thousand**
US$	(333 919)
Euro	17 437
Sterling Pound	(23)
Japanese Yen	(7 000 644)
Algeria Dinar	124 000

As shown in note no. (3-2) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valuated using the prevailing exchange rate of the banks that the Company deals with at the balance sheet date.

29. EARNINGS PER SHARE FOR THE YEAR

	2009	2008
Net profit for the year (LE 000)	88 132	1 233 450
Less:		
Employees share in profit (LE 000)	-	96 474
	88 132	1 136 976
Less:		
The parent company's share in employees & board of directors' share of EZDK (LE 000)	-	39 900
	88 132	1 097 076
Average number of outstanding shares during the year	533 802 313	239 ٢٦٦ ٣٣٢
Earnings per share for the year (LE / share)	0.17	4.59

30. COMPARATIVE FIGURES

The comparative figures of the financial statements were amended to include the assets, liabilities, the results of operations and cash flows of Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) and Misr for Pipes & Casting Industry Company (subsidiary companies) these companies have been consolidated starting from this year in Al Ezz El Dekheila for Steel - Alexandria (EZDK) "the parent".

These amendments are as follows:

	Before amendment LE (000)	After amendment LE (000)
Balance Sheet:		
Long-term assets	10 809 674	10 807 645
Current assets	7 780 614	7 820 813
Current liabilities	7 171 520	7 180 582
Owner's equity	6 937 194	6 966 302
Statement of Income:		
Net profit for the year	1 223 350	1 233 450
Statement of Cash flows:		
Net cash flows provided by operating activities	3 581 868	76 818
Net cash used in investing activities	(928 129)	(1 239 617)
Net cash used in financing activities	(990 640)	(1 284 850)

31. SUBSEQUENT EVENTS

The Extra-ordinary General Assembly in its meeting dated January 27, 2010 approved to guarantee Al Ezz Rolling Mills Company – subsidiary company – in the execution of the subsidiary's obligations arising from the joint-facility contract between the subsidiary company and some banks with a ceiling of two billion and two hundred seventy million Egyptian pound to finance the remaining amount of the plant's construction and operation costs for the production of Direct Reduction Iron (D.R.I) at El Ain El Sokhna area.