ezzsteel REPORTS CONSOLIDATED FULL YEAR 2010 RESULTS

Cairo, 9 August 2011 – 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 2010. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	2009	2010	YoY (+/-)
• Net sales	12.6bn	16.6bn	+32%
• Gross profit	1,454mn	1,924mn	+32%
• EBITDA*	1,643mn	2,111mn	+29%
• Net profit before tax and minority interest	497mn	772mn	+55%
• Net profit after tax and minority interests	88mn	252mn	+186%
• Earnings per share	0.17	0.47	+176%
• Net debt to Equity	0.99x	1.29x	

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

Comment

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

“After a challenging 2009, ezzsteel has performed strongly in 2010. Our vertically integrated and flexible model has ensured improved profitability and mitigated the effects of volatility in global steel prices and demand during the period under review. 2010 marked an all time record for ezzsteel in terms of annual production volumes; this was assisted by EFS returning to production at the start of Q2 2010.

“Understandably, in early 2011, we have seen some minor production disruptions which have slowed production volumes. However, during the first six months of 2011 we have still delivered higher steel product volumes than during the same period in 2010.

“We are confident that ezzsteel’s business model, together with the expansion projects which are already progressing, will once again deliver even more compelling results when the Egyptian economy recovers and a more stable political environment returns.”

For further information:

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

Al Ezz Steel Rebars (ezzsteel) 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 2010, the Company produced 3.4 million tonnes of long products (typically used in construction) and 1.5 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 2010 were EGP 16.6 billion compared with EGP 12.6 billion during 2009, representing an increase of 32 per cent. This increase in sales has been the result of increased volumes with EFS returning to production from the second quarter of 2010.

Sales *EGP Mn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	5,295	6,282		**11,577**
Flat		3,505	1,329	**4,834**
Others	0.8	201	9	**210**
Total				**16,621**

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	11,301	98	275	2
Flat	2,049	42	2,785	58

Long steel sales volume reached 3,393 thousand tonnes during 2010, which represents a 4 per cent increase over the 3,257 thousand tonnes sold during 2009. This increase over the previous year was to meet strong domestic demand for long products. Flat steel sales volumes also increased to 1,305 thousand tonnes in 2010 from 1,016 thousand tonnes in 2009, a rise of 28 per cent year-on year. This was due to the reopening of the EFS production facility in April 2010.

Long steel products were 70 per cent of total sales in 2010, accounting for EGP 11,577 million, while flat steel products represented 29 per cent of sales at EGP 4,834 million. Long product exports accounted for only 2 per cent of total long sales, due to the continued strength of domestic market demand for long products in 2010. Conversely, flat product exports accounted for 58 per cent of total flat sales, primarily for exports.

Long steel production volume reached 3,411 thousand tonnes during 2010 representing a 4 per cent increase over the 3,287 thousand tonnes produced during 2009. Flat steel production volumes were 49 per cent higher at 1,461 thousand tonnes in 2010 compared to 979 tonnes in 2009, again due to the restart of production at EFS.

On a plant basis, ESR/ERM long steel production rose by 6 per cent year-on-year in comparison with 2009 to 1,563 thousand tonnes. EZDK long production rose by 2 per cent over the same period at 1,848 thousand tonnes and flat production by 4 per cent at 1,015 tonnes. Flat production at EFS was substantially increased at 445,649 tonnes, up from just 1,228 tonnes for the previous year when it was shutdown. Billet production at EFS has also started during Q3 2010, producing 211 thousand tonnes in Q4 2010.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2010 were 32 per cent, 60 per cent, and 8 per cent respectively.

Cost of Goods Sold

Consolidated cost of goods sold for the year ended 31 December 2010 represented 88 per cent of sales, and remains the same as during the preceding year.

	Standalone figures			Consolidated
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	6,236	9,853	1,355	16,621
COGS	6,023	8,171	1,373	14,698
COGS/Sales	**97%**	**83%**	**101%**	**88%**

Gross profit

Gross profit of EGP 1,924 million was recorded in 2010, an increase of 32 per cent from the EGP 1,454 million recorded in the same period in 2009.

EBITDA

EBITDA for the period reached EGP 2,111 million, up from EGP 1,643 million for 2009 representing an increase of 29 per cent over the previous year.

Net profit after tax and minority interests

For the year ending 31 December 2010, net profit after tax and minority interests was EGP 252 million, an increase of 186 per cent compared to the EGP 88 million reported for 2009.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.4 billion and net debt of EGP 8.4 billion. The company has gearing of Net Debt / Equity 1.29 times.

Outlook

Understandably, in early 2011, we have seen some minor production disruptions which have slowed production volumes. However, during the first six months of 2011 we have still delivered higher steel product volumes than during the same period in 2010.

As previously announced, ezzsteel has reorganized its Board of Directors following the resignation of Ahmed Ezz from his position as Chairman and appointed Paul Chekaiban as Chairman and Managing Director.

Due to the momentous events that have been taking place in Egypt since the beginning of the year, we have encountered delays in the construction of our new DRI project. The banks financing the project are providing the required funds in order to finalise the construction and we expect that the project will be operational during the second half of next year.

Divisional Overview

EZDK Performance Sales (EGP):	**FY 2009**	**FY 2010**	
Value:	8.2	9.9	Bn
Volume: Long: Flat:	1,799,428 973,328	1,816,257 930,320	Tonnes Tonnes
Exports as % of Sales: Long: Flat:	3% 52%	4% 43%	
EBITDA:	1.6	1.8	Bn
Production:			
Long Products:	1,806,025	1,847,866	Tonnes
Flat Products:	977,645	1,015,495	Tonnes
Billets:	2,020,289	1,931,053	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	4.3	6.2	Bn
Volume:	1,466,391	1,557,117	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	265	176	Mn
Production:			
Long Products:	1,480,492	1,562,628	Tonnes
Billets:	842,157	827,864	Tonnes
EFS **Sales (EGP):**			
Value:	0.3	1.4	Bn
Volume:	42,540	374,395	Tonnes
Exports as % of Sales:	96%	95%	
EBITDA:	-179	73	Mn
Production:			
Flat Products:	1,228	445,649	Tonnes
Billets:	0	211,133	

– Ends –

Disclaimer:

This press release is issued by Ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 12 month period ending 31 December 2010. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in

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

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

Consolidated Financial Statements

For the Financial Year Ended December 31, 2010
<u>& Auditor's Report</u>

AUDITOR'S REPORT

To The Shareholders of Ezz Steel Company

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as of December 31, 2010 and the consolidated statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of Matter

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

1- As detailed in Note No. (31-3-1) of the notes to the consolidated financial statements. The tax claims due from Al Ezz El Dekheila for Steel – Alexandria company – a subsidiary company – amounted to LE 217 million according to the forms received from the Tax Authority on February 17, 2011 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004. The company’s management opinion is that the tax inspection was previously made for the company pertaining to these years, and an agreement was reached in the Internal Committee, while the disputed point pertaining to the cancellation of the development duty on the exempted movable tax base was referred to the Appeal Committee which issued a resolution on June 12, 2010 to the effect of cancelling the development duty imposed on the exempted movable tax base, while the other tax bases shall remain exempted for the disputed years. The due tax was paid in full as per the resolution of the Internal Committee; accordingly the dispute amicably came to an end and became final and decisive.

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

2- As detailed in Note No. (34-2-2-2) of the notes to the consolidated financial statements there are several lawsuits referred to the criminal court according to the referral order issued by the Supreme Public Fund Prosecution with respect to a number of former and current officials working for Al Ezz El Dekheila for Steel - Alexandria company – a subsidiary company –. Currently, it is difficult to determine the final consequences which may result from such lawsuits which were filed against Al Ezz El Dekheila for Steel - Alexandria company until a final judgment is issued by the legal bodies in their regard.

3- As detailed in Note No. (34-2-1) of the notes to the consolidated financial statements. In August 2008, Al-Ezz Flat Steel Company – a subsidiary company – obtained a free production capacity license from the Industrial Development Authority to increase the annual production capacity thereof, and this issue shall be subjected to consideration by the Criminal Court to claim the payment of fees related to this license in addition to any penalties that may be imposed by the court, and until the date of issuing these financial statements, the court has not issued a final judgment in this regard whereas it is postponed to the session dated 15/9/2011 for issuing a ruling to this effect.

The company's management and its external legal consultants are of the opinion that a ruling may be issued whether objecting to obliging the company to settle the fees imposed on this license as a prior approval was granted to the company for the issuance of such free license to be on equal footing with similar companies (other than El-Ezz Group companies), or a ruling may be issued obliging the company to settle the license's fees estimated by the Industrial Development Authority, and in such case the company shall have the option either to pay the estimated license's fees or not to pay the fees and waive this license.

Currently, it is difficult to determine the final outcome arising from such lawsuit until a final ruling is issued by the court.

4- As detailed in Note No. (34-1) of the notes to the consolidated financial statements the company was unable to obtain the appropriate data, which could enable it to disclose the effect of the subsequent events on the values of the assets, liabilities and the results of operations in the foreseeable future, since these amounts and results may differ significantly when reliable indicators and signs become available, which enable the use of those indicators and signs in determining the extent and the impact of the subsequent events on the carrying amount of the assets and liabilities included in the financial statements.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, August 8, 2011

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of December 31, 2010

	Note No.	31/12/2010 LE(000)	31/12/2009 LE(000)
Long Term Assets			
Fixed assets (net)	(4)	9 566 984	9 626 751
Projects under construction	(5)	3 318 753	1 426 569
Financial investments in associates	(6-1)	116	116
Financial investments available-for-sale	(6-2)	80	80
Payment under purchase of investments	(6-3)	109 800	—
Long term lending to others	(7)	3 384	3 014
Sales tax installments	(8)	85 113	—
Long term saving certificates		—	20 000
Long term trade and notes receivable		209	1 322
Goodwill	(3-7)	315 214	315 214
Total long term assets		13 399 653	11 393 066
Current Assets			
Inventory	(9)	3 734 494	2 678 665
Trade and notes receivable	(10)	184 938	111 764
Debtors and other debit balances	(11)	617 337	683 045
Suppliers - advance payments		47 518	131 581
Investments in treasury bills	(3-6)	58 281	10 668
Cash and cash equivalents	(13)	1 414 853	1 581 012
Total current assets		6 057 421	5 196 735
Current Liabilities			
Banks - overdrafts	(14)	1 136 151	1 497 516
Loan installments and facilities due within one year	(15)	3 292 651	1 653 452
Bonds loan due within one year	(24)	220 000	220 000
Trade and notes payable	(16)	1 144 614	859 970
Trade receivables - advance payments		410 353	365 002
Creditors and other credit balances	(17)	662 154	530 466
Provisions	(18)	122 585	38 287
Total current liabilities		6 988 508	5 164 693
(Increase) Decrease of current liabilities over current assets		(931 087)	32 042
Total investment		12 468 566	11 425 108
Financed as follows:			
Shareholders' Equity			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	3 955 479	3 943 001
Retained earnings		1 405 152	1 368 717
Net profit for the year		251 711	88 132
Treasury stocks	(23)	(71 921)	(71 921)
Translation difference adjustments		104 173	27 150
		8 360 919	8 071 404
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 599 573)	(3 472 411)
Total holding company shareholders' equity		4 761 346	4 598 993
Non-controlling interest		1 727 331	1 674 937
Total Shareholders' equity		6 488 677	6 273 930
Long Term Liabilities			
Loans and credit facilities	(15)	4 466 277	3 547 408
Other liabilities	(19)	204 795	114 079
Bonds loan	(24)	651 198	868 998
Deferred tax liabilities	(25)	657 619	620 693
Total long term liabilities		5 979 889	5 151 178
Total equity and long term liabilities		12 468 566	11 425 108

The accompanying notes from No. (1) to No. (35) form an integral part of these financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

Auditor's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For the Financial Year Ended December 31, 2010

	Note No.	2010 LE(000)	2009 LE(000)
Sales (net)	(3-18)	16 621 432	12 589 262
Less :			
Cost of sales	(26)	14 697 822	11 134 843
Gross profit		1 923 610	1 454 419
Less:			
Selling and marketing expenses	(27)	154 341	128 163
General and administrative expenses	(28)	235 290	271 675
Impairment loss on assets	(12)	1 588	4 614
Provisions	(18)	95 429	15 000
Total expenses		486 648	419 452
Results from operating activities		1 436 962	1 034 967
Add (Less):			
Net finance cost			
Interest & finance expenses		(754 435)	(778 499)
Interest income		67 156	88 699
Amortization of bonds issuance expenses		(2 200)	(2 200)
Foreign exchange differences		706	24 985
		(688 773)	(667 015)
Add :			
Reversal of impairment loss on assets	(12)	100	13 757
Provision no longer required		—	24 722
Other revenues		23 272	48 488
Income from sale of investments		—	41 300
Income from investments		—	241
Capital gain		673	218
		(664 728)	(538 289)
Net profit for the year before income tax		772 234	496 678
Less:			
Current income tax for the year	(3-20)	(170 764)	(141 244)
Deferred tax	(25)	(36 926)	(48 641)
Net profit for the year		564 544	306 793
Attributable to:			
Equity holders of the holding company		251 711	88 132
Non-controlling interest		312 833	218 661
Net profit for the year		564 544	306 793
Earnings per share for the year (LE/share)	(33)	0.47	0.17

The accompanying notes from No. (1) to No. (35) 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, 2010

	Note No.	2010 LE(000)	2009 LE(000)
Cash flows from operating activities			
Net profit for the year before income tax		772 234	496 678
Adjustments to reconcile net profit to net cash from operating activities			
Depreciation	(4)	577 141	588 148
Amortization of bond issuance costs		2 200	2 200
Financing income		(12 422)	(65)
Capital gain		(673)	(218)
Amortization of accrued interest		(5 351)	(1 776)
Deferred revenues for accrued sold units installments		(22)	(377)
Reversal of impairment loss on assets	(12)	(100)	(13 757)
Impairment loss on assets	(12)	1 588	4 614
Interest & finance expenses		754 435	778 499
Provisions	(18)	95 429	15 000
Provision no longer required		—	(24 722)
Income from investments		—	(241)
Income from sale of investments		—	(41 300)
Foreign currency exchange differences		148 097	(27 558)
		2 332 556	1 775 125
Changes in working capital			
- Inventory		(1 020 905)	497 738
- Trade receivables, debtors and other debit balances		78 207	(301 315)
- Creditors and other credit balances		364 741	(615 157)
- Provisions used	(18)	(11 131)	(1 819)
Cash flows generated from operating activities		1 743 468	1 354 572
Interest paid		(777 189)	(661 955)
Income tax paid		(141 244)	(615 807)
Net cash flows from operating activities		825 035	76 810
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(2 240 748)	(1 198 813)
Proceeds from reclaim of financial investments (treasury bills)		571 581	37 683
Payments for purchase of financial investment (treasury bills)		(581 045)	(54 596)
Proceeds from sale of fixed assets		1 596	611
Payments for fixed assets creditors		—	(13 203)
Payments to decrease non-controlling interest		(163 492)	(11 704)
Payments for purchase of investments	(6-3)	(109 800)	—
Payments for lending others		(7 648)	(7 610)
Proceeds from lending others		7 278	8 023
Net cash used in investing activities		(2 522 278)	(1 239 609)
Cash flows from financing activities			
Changes in credit facilities		1 203 258	(34 238)
Change in blocked time-deposits and current accounts		21 998	(316 250)
Payments for loans		(687 519)	(2 000 666)
Proceeds from loans		1 878 604	2 515 000
Change in other long term liabilities		(34)	(14)
Change in non-controlling interest		—	(65 275)
Proceeds from non-controlling interest for capital increase in a subsidary's capital		4 929	2 116
Payments for bonds loan		(220 000)	—
Dividends paid		(344 510)	(1 385 523)
Net cash from (used in) financing activities		1 856 726	(1 284 850)
Net change in cash and cash equivalents during the year		159 483	(2 447 649)
Cash and cash equivalents at beginning of the year	(13)	(232 754)	2 207 132
Translation differences		57 720	7 763
Cash and cash equivalents at the end of the year	(13)	(15 551)	(232 754)

The accompanying notes from No. (1) to No. (35) 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, 2010

	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 distributions 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 ESR'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 year 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. (35) 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, 2010

	Note No.	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Total holding company shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/ 2010		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
Setting off profit of year 2009 in retained earnings		–	–	–	88 132	–	–	(88 132)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2009		–	–	–	(41 994)	–	–	–	(41 994)	(40 353)	(82 347)
Transferred to legal reserve		–	12 478	–	(12 478)	–	–	–	–	–	–
Dividends for the year 2009 to non-controling interest		–	–	–	–	–	–	–	–	(231 207)	(231 207)
Adjustments on EZDK reatined earnings		–	–	–	(852)	–	–	–	(852)	(709)	(1 561)
Increase in non-controling interest as a result of change in percentage of participation in a subsidiary		–	–	–	(70)	–	–	–	(70)	70	–
Reduction in non-controling interest as a result of ERM 's treasury stock redemption		–	–	–	3 697	–	–	–	3 697	(3 697)	–
The difference resulting from the acquisition of additional percentage	(2-5)	–	–	(127 162)	–	–	–	–	(127 162)	(36 330)	(163 492)
Translation difference adjustments		–	–	–	–	77 023	–	–	77 023	46 858	123 881
Non-controling interest's participation in ERM's capital increase		–	–	–	–	–	–	–	–	4 929	4 929
Net profit for year 2010		–	–	–	–	–	–	251 711	251 711	312 833	564 544
Balance as of 31/12/2010		2 716 325	3 955 479	(3 599 573)	1 405 152	104 173	(71 921)	251 711	4 761 346	1 727 331	6 488 677

The accompanying notes from No. (1) to No. (35) 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, 2010

1. BACKGROUND

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

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

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.

Translation from Arabic

The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2010 Percentage Share %	31/12/2009 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91	90.73
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	53.24
Al Ezz Flat Steel (EFS)	63.84 (Direct & Indirect)	63.10 (Direct & Indirect)

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

	31/12/2010 Percentage Share %	31/12/2009 Percentage Share %
Al Ezz Flat Steel (EFS)	55	55
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	87 (Indirect)	87 (Indirect)

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.5 Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

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

Financial statements of Al Ezz Flat Steel (EFS)

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

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

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

3.2 Fixed assets and depreciation

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

Depreciation - except rolling rings - is charged to the income statement on straight-line basis over the estimated useful lives of assets.

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

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

3.3 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.

3.4 Investments in associates

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

3.5 Available-for-sale investments

Available-for-sale investments are initially measured at fair value and as of the reporting date, the change in the fair value whether gain or loss is recognized directly in equity, except for impairment losses which are transferred to profit or loss. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.
The fair value for available-for-sale investments is identified based on the quoted price of the exchange market at the balance sheet date, except for investments which are not quoted in a stock exchange in an active market, in this case they are measured at cost.

3.6 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 year from acquiring date to maturity date stated by straight line method using actual interest rate and the related income of these investments are realized in accordance with accrual basis.

3.7 Goodwill

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

3.8 Inventory

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

- Raw materials: is valued at its cost up to bringing them to warehouses, using the first in first out method.

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

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

- Finished products: according to the actual manufacturing cost.

3.9 Trade and notes receivables and debtors & other debit balances

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

3.10 Cash and cash equivalents

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

3.11 Trade and notes payable and creditors & other credit balances

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

3.12 Impairment

A- Financial assets

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

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

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

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

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

B- Non-financial assets

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

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

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

3.13 Interest-bearing borrowings

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

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

3.14 Provisions

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

3.15 Reserves

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

3.16 Share capital

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

3.17 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.

3.18 Revenues

a) Sales revenues
Sales revenues are recognized when the risks and benefits of goods are transferred to the purchaser at delivering the goods.

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

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

3.19 Earnings per share

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

3.20 Income Tax

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

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

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

4. FIXED ASSETS (NET)

	Land LE (000)	Buildings & constructions LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leashold improvments LE (000)	Total LE (000)
Cost as of 1 January 2010	641 627	2 824 601	12 769 762	99 749	83 191	53 731	6 876	16 479 537
Adjustments on beginning balances	—	—	—	—	(10 457)	(15 739)	—	(26 196)
Additions during the year	—	37 648	303 559	—	5 119	2 444	—	348 770
Disposals during the year	—	(4 349)	(119 757)	(1 564)	(3 278)	—	—	(128 948)
Reclassification	—	—	(261)	—	—	261	—	—
Translation differences	3 948	71 728	167 842	76	448	924	—	244 966
Cost as of December 31, 2010	645 575	2 929 628	13 121 145	98 261	75 023	41 621	6 876	16 918 129
Accumulated depreciation as of January 1, 2010	—	862 785	5 778 258	94 871	70 318	39 678	6 876	6 852 786
Adjustments on beginning balances	—	—	—	—	(10 457)	(15 739)	—	(26 196)
Depreciation for the year	—	73 500	520 866	1 752	4 115	2 722	—	602 955
Accumulated depreciation of disposals	—	(4 349)	(118 834)	(1 564)	(3 278)	—	—	(128 025)
Reclassification	—	—	(2)	—	—	2	—	—
Translation differences	—	8 586	40 274	76	401	288	—	49 625
Accumulated depreciation as of December 31, 2010	—	940 522	6 220 562	95 135	61 099	26 951	6 876	7 351 145
Carrying amount as of December 31, 2010	645 575	1 989 106	6 900 583	3 126	13 924	14 670	—	9 566 984
Carrying amount as of December 31, 2009	641 627	1 961 816	6 991 504	4 878	12 873	14 053	—	9 626 751

— Cost of fixed assets include an amount of LE 502 593 k relating to fully depreciated assets still in use.

— Depreciation for the year as follows:

	31/12/2010 LE(000)
Depreciation charged to the statement of income	
Operating expenses	569 106
Selling expenses	884
General & administrative expenses	7 151
Total depreciation charged to the statement of income	577 141
Depreciation capitalized to projects under construction-test for the operation of billet factory	25 814
	602 955

5. PROJECTS UNDER CONSTRUCTION

	31/12/2010 LE (000)	31/12/2009 LE (000)
Constructions expansion	442 867	94 280
Machinery under installation	1 384 820	214 331
Advance payments for purchase of land	471	471
Design and construction of administrative building	3 270	-
Advance payments for purchase of machinery	1 105 145	965 121
Advance payments for projects construction	-	95 400
Salaries and other expenses capitalized as cost of new projects constructions	85 041	38 344
Net expenses of the commissioning period of the Billet factory*	256 208	-
Others	40 931	18 622
	3 318 754	1 426 569

* Net expenses of the commissioning period of Billet factory of Al Ezz Flat Steel –subsidiary company- represent the operating expenses of Billet factory during commissioning period amounting to US $ 167.4 million equivalent to LE 969.7 million which started on 1/9/2010 after deducting sales of commissioning period amounting to US $ 123.2 million equivalent to LE 713.65 million till the required technical tests of the Billet factory are to be finalized, the final acceptance certificate is to be issued and the factory is in serviceable condition.

6. INVESTMENTS

	Participation Percentage %	Investments cost 31/12/2010 LE (000)	31/12/2009 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 UK LTD Co.	50	1	1
		116	116
6-2 Available-for-sale investments			
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
		17 806	17 806
Less:			
Impairment loss on Arab Company for Special Steel		17 726	17 726
		80	80

6-3 PAYMENT UNDER PURCHASE OF INVESTMENTS

	31/12/2010 LE (000)	31/12/2009 LE (000)
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	109 800	-
	109 800	-

Payment under purchase of investments represent in Ezz Rolling Mills Company-subsidiary-participation in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries" by 6 100 000 share with 3.813% and the legal procedure required to transfer these shares to the subsidiary's name are currently performed.

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:

	31/12/2010 LE (000)	31/12/2009 LE (000)
The loans granted to the Company's employees (interest free)	3384	3 014
	3384	3 014

8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 85 113 k as of December 31,2010 represent in the balance of sales tax installments related to import capital goods in Ezz Rolling Mills Company-subsidiary.

9. INVENTORY

	31/12/2010 LE (000)	31/12/2009 LE (000)
Raw materials and supplies	1 186 331	728 671
Work in process	292 578	322 240
Finished products	877 904	310 287
Spare parts and supplies	1 112 249	1 095 418
Goods in transit	245 603	116 765
Goods for sale	19 829	105 284
	3 734 494	2 678 665

Write-down of spare parts of inventory by an amount of LE 1 990 k arising from obsolete and slow moving items against to an amount of LE 718 k in 31/12/2009.

10. TRADE AND NOTES RECEIVABLE (NET)

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Trade receivables		190 107	107 652
Notes receivable		24 490	33 871
		214 597	141 523
Less:			
Impairment loss on trade receivables	(12)	29 659	29 759
		184 938	111 764

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Deposits with others		152 550	130 987
Tax Authority		234 820	148 128
Customs Authority		5 893	2 960
Accrued revenues		326	3 384
Prepaid expenses		29 804	22 323
Employees' loans		2 038	2 420
Tax Authority – sales tax		45 056	21 656
Alexandria Port Authority		42 486	42 489
Deferred expenses		-	24 882
Short - term lending		2 409	2 159
Letters of guarantee cash margin		190	25
Air Liquide Sokhna Company		-	64 193
Due from related parties	(20-1)	51 116	225 560
Other debit balances		109 368	50 282
		676 056	741 448
Less:			
Impairment loss on debtors and other debit balances	(12)	58 719	58 403
		617 337	683 045

12. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2010 LE (000)	Charged to the statement of income LE (000)	Reversal of Impairment Loss LE (000)	Balance as of 31/12/2010 LE (000)
Impairment loss on trade receivables	(10)	29 759	-	(100)	29 659
Impairment loss on debtors and other debit balances	(11)	58 403	316	-	58 719
Impairment loss on advances to suppliers		1 614	-	-	1 614
Impairment loss on investments available for sale	(6-2)	17 726	-	-	17 726
Write-down of inventory	(9)	718	1 272	-	1 990
		108 220	1 588	(100)	109 708

13. CASH AND CASH EQUIVALENTS

	31/12/2010 LE (000)	31/12/2009 LE (000)
Banks – Deposits	60 778	913 346
Banks – current accounts	1 306 350	627 178
Cheques under collection	46 324	37 993
Cash on hand	978	2 022
Investments fund *	423	473
	1 414 853	1 581 012
Less:		
Banks – overdraft	1 136 151	1 497 516
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	294 253	316 250
Cash and cash equivalents in the statement of cash flows	(15 551)	(232 754)

- Investments fund represents a number of 3 047 investment deeds with accumulated daily interest.

14. BANKS - OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 1 136 151 K as of December 31, 2010 in banks – overdraft in Egyptian pound and US Dollars obtained from banks that the company and its subsidiaries deals with (against LE 1 497 516 K banks – overdraft as of December 31, 2009).

15- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Period	Short term portion 31/12/2010 LE(000)	Long term portion 31/12/2010 LE(000)	Total 31/12/2010 LE(000)	Collateral
Ezz Steel									
Banks - credit facilities			Average 10.3% for the Egyptian Pound and 3.3% for the U.S Dollars	—		1 749 549		1 749 549	Without guarantees within a limit of LE 2.644 billion or its equivalent in U.S Dollars.
Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory		Lending rate for one night from central bank before 2 working days beginning from every interest period in addition to the margin.	Unequal quartely installments	1-5 years		777 897	777 897	Within a limit of LE 2.27 billion gruanted by group of real estate mortgages and commercial location mortgage
Banks - credit facilities			0.5% over corridor			29 533	—	29 533	Without guarantees within a limit of LE 50 million.
Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Fixed interest Variable interest	10% Lending rate & discount + 0.5% Deposite value + 2.9%	Semiannual installments Quartely installments	2-6 years	392 623	1 796 429	2 189 052	
Loans - foreign currency		Fixed interest Variable interest	3% - 5.49% 1% over Libor	Semiannual installments	2-8 years	266 259	1 420 325	1 686 584	
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	46 785	47 307	94 092	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						355 938	424 319	780 257	
Banks - credit facilities			Average 11.50 % for the Egyptian Pound, and 2% plus Libor rate (12 months) for the US$ and 2% plus Eurobor rate (12 months) for the EURO. In addition to the high debit balance for all currencies amounted to 0.05%.			451 964	—	451 964	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.
Balance as of 31 December 2010						3 292 651	4 466 277	7 758 928	
Balance as of 31 December 2009						1 653 452	3 547 408	5 200 860	

15-1 Al Ezz El Dekheila for Steel - Alexandria

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the Board of Directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of December 31, 2010 amounts to LE 2.515 billion, so the balance of the loan as of December 31, 2010 after the accelerated payments of 2010 installments amount to LE 2.156 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. 13).

- Al Ezz El Dekheila for Steel - Alexandria acquired a revolving medium term loan from Arab African International Bank amounted LE 225 million or the equivalent in US Dollars for the purpose of restructuring of the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016), also this company acquired a medium term loan from Audi Bank amounted to US$ 100 million for the purpose of restructuring the company's debt with the banking sector and the loan will be paid by eight semiannual increasingly installments ended June 30, 2014. With interest rate of 3.5% above libor for six months but not less than 5.5% at anytime.

- The company acquired a revolving medium term loan from National Societe Generale Bank amounted US$ 51.95 million equivalent in LE 300 million, for the purpose of financing the company's working capital and partial refinancing of the company's investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts.The loan is to be fully paid in one installment on its due date June 30,2016 with interest rate of 2% above corridor for the Egyptian pound and 3% above labor for one month for US Dollar.

15-2 Al Ezz Flat Steel

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.

15-3 Ezz Rolling Mills

The loan balance granted to Ezz Rolling Mills company amounting to LE 777 897 k as of 31/12/2010 after deducted an amount of LE 42 203 k representing financing cost less amortization of the year.

16. TRADE AND NOTES PAYABLE

	31/12/2010 LE (000)	31/12/2009 LE (000)
Trade payables	1 137 423	855 326
Notes payable	7 191	4 644
	1 144 614	859 970

17. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2010 LE (000)	31/12/2009 LE (000)
Fixed assets - creditors	123 406	15 552
Accrued interest	119 484	140 879
Accrued expenses	73 902	45 817
Tax Authority	23 032	24 512
Performance guarantee retention	8 474	7 511
Sales tax installments	23	23
Tax Authority – sales tax	28 000	21 670
Income tax for the year	170 764	141 244
Dividends payable	40 147	67 338
Due to related parties	–	1 959
Alexandria Port Authority	25 345	27 366
Other credit balances	49 577	36 595
	662 154	530 466

18. PROVISIONS

	Balance as of 1/1/2010 LE (000)	Charged during the year LE (000)	Used during the year LE (000)	Balance as of 31/12/2010 LE (000)
Tax provision	36 332	95 429	(11 131)	120 630
Lawsuits and claims provision	1 955	-	-	1 955
	38 287	95 429	(11 131)	122 585

19. OTHER LIABILITIES

	Note No	31/12/2010 LE (000)	31/12/2009 LE (000)
Fixed assets- creditors		188	221
Alexandria Port Authority	(19-1)	119 494	113 858
Sales tax installments	(8)	85 113	-
		204 795	114 079

19-1 Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority 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 due to the Port Authority for previous years as there is still a dispute between the Port and Tax Authorities about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not, the company records these amounts in the long term liabilities caption since the company is the party that will bear this tax in case the dispute doesn't result in the Port Authority's favor.

20. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales transactions of products in favor of those companies which amounted to LE 186 662 K and purchase of raw materials for production which amounted to LE 94 k, in addition to other mutual services which amounted to LE 6 335 K which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction volume LE (000)	Balance as of 31/12/2010 LE (000)	Balance as of 31/12/2009 LE (000)	Balance Sheet caption
Al Ezz for Trading and Distributing Building Materials	Sales	186 662	14 790	185 384	Debtors and other debit balances – due from related parties
			(682)	(58)	Trade receivables - dvance payments
EZDK Steel UK Limited	Marketing service	6 335	-	-	
Al Ezz for Ceramics and Porcelain (GEMMA)	Purchases	94	25 365	23 202	Debtors and other debit balances – due from related parties

20.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	31/12/2010 LE (000)	31/12/2009 LE (000)
El-Gawhara Real Estate Investment	Affiliated company	-	5 504
El-Gawhara Real Estate Projects	Affiliated company	11	2 988
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	25 365	23 202
Al Ezz for Engineering Heavy Projects	Affiliated company	8 935	8 482
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	2 012	-
Al Ezz for Trading and Distributing Building Materials	Affiliated company	14 790	185 384
Gulf of Suez Development Company	Affiliated company	3	-
		51 116	225 560

21. CAPITAL

21.1 Authorized capital

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

21.2 The issued and paid in capital

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

22. RESERVES

	31/12/2010 LE (000)	31/12/2009 LE (000)
Legal reserve	222 509	210 031
Premium share *	3 732 970	3 732 970
	3 955 479	3 943 001

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

23. TREASURY STOCKS

Treasury stocks as of December 31, 2010 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company – amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

24. BONDS LOAN

	31/12/2010 LE (000)	31/12/2009 LE (000)
The balance of bonds loan granted to the company according to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1 100 million (one thousand and one hundred million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that was due on June 30, 2010) with the value of LE 110 million per installment.	880 000	1 100 000
These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts from certain some banks.		
These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008.		
Less:		
- Installments due within one year which were included in the current liabilities in the balance sheet.	(220 000)	(220 000)
- Bonds issuance cost balance	(8 802)	(11 002)
- Bonds loan balance at the end of the year	651 198	868 998

25. DEFERRED TAX

25-1 Recognized deferred tax assets and liabilities

	31/12/2010		31/12/2009	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred tax				
Fixed assets	–	(947 007)	-	(841 377)
Impairment loss on asset	–	–	12 186	
Provisions	17 008	–	3 509	-
Tax losses carried over	272 380	–	204 989	-
Total deferred tax	289 388	(947 007)	220 684	(841 377)
Netting off	(289 388)	289 388	(220 684)	220 684
Net deferred tax liabilities	-	(657 619)	-	(620 693)
Less:				
Previously charged deferred tax		(620 693)		(572 052)
Deferred tax in statement of income for the year		36 926		48 641

25-2 Unrecognized deferred tax assets

	31/12/2010 LE (000)	31/12/2009 LE (000)
Receivables ,debtors and inventory	18 396	5 913
Investments	3 545	3 545
Provisions	19 950	4 148
Carried forward losses	102 796	77 627
	144 687	91 233

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

26. COST OF SALES

	2010 LE (000)	2009 LE (000)
Raw Materials	11 424 235	8 318 777
Salaries & wages	372 645	315 889
Fixed assets depreciation	569 106	579 071
Manufacturing overhead	2 331 836	1 921 106
	14 697 822	11 134 843

27. SELLING & MARKETING EXPENSES

	2010 LE (000)	2009 LE (000)
Salaries & Wages	29 594	26 984
Advertising	31 150	30 095
Fixed assets depreciation	884	1 380
Others	92 713	69 704
	154 341	128 163

28. GENERAL & ADMINISTRATIVE EXPENSES

	2010 LE (000)	2009 LE (000)
Salaries & Wages	132 108	119 198
Maintenance expenses	5 846	5 448
Fixed assets depreciation	7 151	7 697
Others	90 185	139 332
	235 290	271 675

29. CONTINGENT LIABILITIES

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

	31/12/2010 (000)	31/12/2009 (000)
Egyptian Pound	12 173	12 416
US Dollar	9 928	29 784

Also there is a contingent liability relating to the guarantee of Al Ezz Rolling Mills Company – subsidiary company – in the execution of the subsidiary's obligations arising from the joint-facility contract between the subsidiary company and some banks with a ceiling of two billion and 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.

30. CAPITAL COMMITMENTS

The capital commitments as of December 31,2010 represents as follows:

- LE 174.351 million represents the value of constructing Lime Calcinations factory, power station, and constructing a number of (2) convertors for the ovens number (2) & (3) of the rolling factory and development of pavement materials to the Al Ezz El Dekheila for Steel – Alexandria Company.

- LE 76 million (equivalent to US$ 23.123 million) represents the value of constructing new projects after deducting the advance payment , in addition to the amount of 4.4 million Euro (equivalent to LE 38 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.

31. TAXATION

31.1 Ezz Steel Company

31.1.1 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 dues.

The Tax Authority inspected the Company's books for year 2005 and there is an objection and the dispute is currently finalized in the Internal Committee.

The Company submitted tax returns for years 2006 until 2009 according to the provisions of Law No. 91 of 2005 and no inspection took place until that date.

31.1.2 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 inspected the Company's books for year 2008 and there are no tax disputes or outstanding dues until the date of the financial statements.

30.1.3 Payroll tax

The Tax Authority inspected the Company's books until 2007 and there are no due taxes on the Company.

31.2 Al Ezz Rolling Mills Company

31.2.1 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's books for years 2007 and 2008 are currently being inspected.

The company submitted tax returns for years 2005 until 2009 according to the provisions of Law No. 91 of 2005 and no inspection took place for these years until that date.

31.2.2 Sales tax

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

31.2.3 Payroll tax

The Company's books have been inspected by the Tax Authority till year 2008 and the taxes due were paid.

The Company's books for year 2009 are currently being inspected.

31.3 Al Ezz El Dekheila for Steel – Alexandria Company

31.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.

- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.

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

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

- The company was notified of the tax – claim amounts for the years 2000/2004 according to forms Nos. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 217 million. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 96.5 million, and the company appealed against these forms on the legal due dates.

- The company submitted its tax returns for the years 2007-2009 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns.

31.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.

- The tax inspection for the years 2005-2007 was finalized and the company was notified of form No. (38) – salaries with tax differences amounting to LE 11.6 million, and objection was made thereto. The Internal Committee is in the process of being held for the purpose of presenting the documents supporting the company's point of view in order to settle the dispute concerning the due tax amount.

- Tax inspection was made for the years 2008-2010 and the company has not been notified of the results up to this date.

31.3.3 Sales Tax

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

- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified us of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.3 million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to law No. 9/2005 and the ministerial decrees Nos. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.

- Tax inspection was not made for the year starting from May 1, 2009 till December 31, 2010.

31.3.4 Service Charges Paid to the Customs Authority

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

- On February 27, 2011 a ruling was issued by Alexandria Civil Court with respect to lawsuit No. (2012), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement.

- The Ministry of Finance has taken an objection to this ruling before the court of appeal, and the case is still in the process of being considered before court.

31.4 Al Ezz Flat Steel Company

31.4.1 Corporate tax

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

The company submitted its tax returns for years 2008 and 2009 in the due dates.

The Tax Authority inspected the Company's books for year 2008 and the result of the inspection was tax losses for this year.

31.4.2 Payroll tax

The Tax Authority inspected the Company's books until 2007 and the taxes due were paid.

31.4.2 Sales tax

The Tax Authority inspected the Company's books until 2009 and there are no amounts due on the company in that concern.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 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.

32.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduction of bonds issuance cost), loans and credit facilities which amounted to LE 9 775 079 K as of December 31, 2010 (LE 7 798 376 K as of December 31, 2009). Financing interest and expenses related to these balances amounted to LE 754 435 K during the year ended December 31, 2010 (LE 778 499 K during the previous year).

Time-deposits and investment fund amounted to LE 61 201 K as of December 31, 2010 (LE 913 819 K as of December 31, 2009), interest income related to these balances amounted to LE 67 156 K during the year ended December 31, 2010 (LE 88 699 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

32.3 Credit risk

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

32.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 732 626 K and LE 4 051 075 K respectively, as of the Balance sheet date.

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

Foreign Currency	**(Deficit)/Surplus In thousand**
US Dollars	(276 122)
Euro	(51 972)
Swiss Frank	13
Sterling Pound	110
Japanese Yen	(5 286 823)
Algeria Dinar	126 478

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

33. EARNINGS PER SHARE FOR THE YEAR

	2010	2009
Net profit for the year (LE 000)	251 711	88 132
Average number of outstanding shares during the year	533 802 313	533 802 313
Earnings per share for the year (LE / share)	0.47	0.17

34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

34.1 The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors, in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future. Therefore, there is a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable settlement amounts and the results of operations in the foreseeable future.

At the present time, it is not possible to quantify the effect on the assets and the liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected range and the time when these events, and its consequences, are expected to be finished.

34.2 The Litigation Status

34.2.1 Al Ezz Flat Steel Company – A Subsidiary Company

In August 2008, the company obtained a free production capacity license from the Industrial Development Authority to increase the annual production capacity thereof, and this issue shall be subjected to consideration by the criminal court to claim the payment of fees related to this license in addition to any penalties that may be imposed by the court, and until the date of issuing these financial statements, the court has not issued a final judgment in this regard whereas it is postponed to the session dated 15/9/2011 for issuing a ruling to this effect.

The company's management and its external legal consultants are of the opinion that a ruling may be issued whether objecting to obliging the company to settle the fees imposed on this license as a prior approval was granted to the company for the issuance of such free license to be on equal footing with similar companies (other than El-Ezz Group companies), or a ruling may be issued obliging the company to settle the license's fees estimated by the Industrial Development Authority, and in such case the company shall have the option either to pay the estimated license's fees or not to pay the fees and waive this license.

Accordingly, the company's management is of the opinion that there is no need to form any provision to cover any liabilities that may arise from this lawsuit. Amount paid under the account of investments purchase

34.2.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

34.2.2.1 Workers Lawsuits Regarding Profits Differences

Some workers whose services for the company came to an end filed 68 lawsuits claiming the calculation of the profits differences based on the gross salary at a percentage of 10% of the profits and they laid down the grounds of their lawsuits based on the stipulation of the first article of labor law No. (12) for the year 2003 and the stipulation of article No. (41) of the Joint-Stock Companies Law No. 159 of 1981.

The rulings were issued in regard to (45) lawsuits ranging between refusal and dropping as the company complied with the core of the law when calculating the employees' share in profits according to the authority vested thereto by virtue of the stipulation of article No. (12) of the Arab and Foreign Capital Investment Law No. (43)/1974 and article No. (52) of the company's Articles of Association issued by virtue of decree No. (90)/1981 which authorize the board of directors and the General Assembly of the company to determine the percentage, the criterion and the manner of the profits appropriation.

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

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

34.2.2.2 The lawsuits Referred to The Criminal Court

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

Some of those defendants in such case submitted their resignations while the rest of the employees who are accused before the Criminal Court still occupy their positions as no final ruling was issued by the Criminal Court in regard to the accusations attributed to them.

The company's legal advisor is of the opinion that whereas the company is an Egyptian Joint Stock Company, it has an independent corporate body whose financial accounts are entirely separate from the shareholders, their representatives or the employees of the company based on the ground that such decisions shall not affect the company or its activities.

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

Some individuals and companies trespassed a part of the company's lands with an area of approximately 19 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated. December 13, 1998 issued by virtue of decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. Accordingly, the company took legal procedures against the trespassers who made the above mentioned violations on such lands and the said lawsuits are still considered before courts and sessions are scheduled for this purpose during the months of September and October 2011.

34.2.2.4 EZDK Steel UK LTD Company – A Subsidiary Company:

On July 11, 2011, a decision was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD Company – a subsidiary Company – to conservatory attachment in the United Kingdom. (The total amount of the investment cost reached LE 510 with a participation percentage of 50% of the company's capital). The amount of the transactions during the year amounted to LE 6.3 million.

35. COMPARATIVE FIGURES

Certain comparative figures of the balance sheet and statement of income were reclassified to comply with the current year classification.