ezzsteel Reports Consolidated First Quarter 2010 Results

Cairo, 02 June 2010 – ezzsteel (*formerly:* Al Ezz Steel Rebars S.A.E.) (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its first quarter results for the period ending 31 March 2010. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	Q1 2009	**Q1 2010**	YoY+/-
• Net sales	3.4bn	**3.4bn**	-
• Gross profit	329mn	**519mn**	58%
• EBITDA*	382mn	**582mn**	52%
• Net profit before tax and minority interest	151mn	**290mn**	92%
• Net profit after tax and minority interests	59mn	**105mn**	78%
• EPS (on number of shares at end of period)	0.11	**0.20**	
• Net debt to Equity	0.70x	**1.0x**	

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

Comment

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

"Following a difficult 2009, we have witnessed a slight improvement in the levels of demand and steel prices both globally and in the domestic market, during the first quarter of 2010. This has translated into higher margins, thanks to our efficient processes and vertical integration, leading consequently to better profitability.

"Under these circumstances, we took all measures in order to ensure EFS returned to full production as of 1st April 2010. We therefore remain positive about the outlook for the rest of the year."

For further information:

ezzsteel	**Tel**	**Mobile**
Kamel Galal	+ 20 2 3762 2144	+ 20 10 539 5499
Ashraf El Ghannam	+ 20 2 3762 2144	
Capital MS&L		
Nick Bastin	+ 44 20 7307 5330	+ 44 7931 500 066
Supriya Mathur	+ 44 20 7307 5347	+44 7725 952 314

About ezzsteel.

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

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

Operational Review

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

Sales & Production

Consolidated net sales for the first quarter of 2010 were maintained at EGP 3.4 billion, reflecting the continued stoppage of EFS throughout the period.

Sales *EGP Mn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	1,219	1,378		**2,597**
Flat		763		**763**
Others		44	4	**48**
Total				**3,408**

ezzsteel's exposure to the 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	2,557	98	40	2
Flat	436	57	327	43

Long steel sales volume reached 853 thousand tonnes during Q1 2010, which represents a 1 per cent increase over the 847 thousand tonnes sold during the same period in 2009, to meet continued strong domestic demand for long products. Flat steel sales volumes also witnessed an increase from 209 thousand tonnes in Q1 2009 to 227 thousand tonnes for Q1 2010; an increase of 9 per cent.

Long steel products accounted for 76 per cent of total sales in Q1 2010 accounting for EGP 2,597 million while flat steel products represented 22 per cent of sales at EGP 763 million. Long product exports accounted for 2 per cent of total long sales due to the continued strength of the domestic market demand for long products. Flat product exports accounted for 43 per cent of total flat sales.

Long steel production volume reached 851 thousand tonnes during Q1 2010 representing a 2 per cent increase over the 835 thousand tonnes produced during the first quarter of 2009. Flat steel production volumes increased by 9 per cent to 226 thousand tons.

On a plant basis, ESR/ERM long steel production rose by 8 per cent year-on-year in comparison with 2009, while EZDK long production was 3 per cent lower at 456 thousand tons due to upgrading of the long products finishing line. Flat production at EZDK maintained near comparable figures to 2009. After a stoppage of 18 months, hot and cold restart tests were performed at our EFS plant which will be in full operation mode as of the first day of the second quarter.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2010 were 35 per cent, 64 per cent, and 1 per cent respectively.

Cost of Goods Sold

Consolidated cost of goods sold for the period ended 31 March 2010 represented 85 per cent of sales, compared to 90 per cent in Q1 2009. While raw material costs at EZDK were substantially reduced due to its use of iron ore, ESR/ERM saw higher input costs due to their reliance on scrap for feedstock.

	Standalone figures			Consolidated
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	1,219	2,176	12	3,408
COGS	1,140	1,651	101	2,890
COGS/Sales	**94%**	**76%**	**NM**	**85%**

Gross profit

Gross profit of EGP 519 million was recorded in Q1 2010, an increase of 58 per cent from the EGP 329 million recorded in the same period in 2009.

EBITDA

EBITDA for the period reached EGP 582 million, up from EGP 382 million for Q1 2009 representing an increase of 52 per cent.

Net profit after tax and minority interests

For the year ending 31 March 2010, net profit after tax and minority interests was EGP 105 million, 78 per cent higher than the EGP 59 million reported for Q1 2009.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2 billion and net debt of EGP 6.3 billion. The company has gearing of Net Debt / Equity of 1.0 times.

Outlook

ezzsteel remains positive about the outlook for the rest of 2010. We are confident about the strength of the Egyptian market, with long product demand expected to continue to be strong, due to the private housing market and local real-estate activity. We are now seeing a step up in the demand for flat steel as conditions in the global flat steel market improve, and seeing sustained improvement evidenced by the increase in flat steel prices. After a long period of shutdown, EFS has now begun production.

We are continuing our expansion efforts which are focused on vertical integration and flexibility. This includes:

- Increasing our DRI production capacity by 1.85 million tonnes per year through the construction in Suez of a production facility which will further increase our level of backward integration and decrease our production costs, replicating our EZDK model at our other facilities. Production is expected to start during the second half of 2011.
- Additional melt shop at EFS which will allow increasing the melting capacity at the facility, further enabling flexibility at the site. This will enter into production during the second half of 2012.

Divisional Overview

EZDK Performance Sales (EGP):	**Q1 2009**	**Q1 2010**	
Value:	2.2	2.2	Bn
Volume:			
Long:	488,218	453,894	Tonnes
Flat:	204,453	227,178	Tonnes
Exports as % of Sales:			
Long:	1%	3%	
Flat:	53%	42%	
EBITDA:	341	558	Mn
Production:			
Long Products:	469,707	456,805	Tonnes
Flat Products:	207,001	204,938	Tonnes
Billets:	496,175	483,397	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	1.2	1.2	Bn
Volume:	361,427	400,490	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	112	74	Mn
Production:			
Long Products:	365,545	393,952	Tonnes
Billets:	211,582	198,918	Tonnes
EFS **Sales (EGP):**			
Value:	150,510	11,583	Mn
Volume:	4,237	-	Tonnes
Exports as % of Sales:	97%	-	
EBITDA:	-74	-55	Mn
Production:			
Flat Products:	-	21,027	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (*formerly:* Al Ezz Steel Rebars S.A.E.) or the "Company", in connection with the disclosure of the Company's financial results for the 3 month period ending 31 March 2010. This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long products in Egypt and in regional markets and for flat steel in the international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, or any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments nor shall assume, and each of ezzsteel, any of its directors, officers or employees or any other person expressly disclaims, any obligation, except as required by law, the listing rules of the CASE or the LSE or the FSA, to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For the Financial Period Ended March 31, 2010
& Auditor's Report

AUDITOR'S REPORT
<u>To The Board of Directors of Al Ezz Steel Company</u>

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 13, 2010

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of March 31, 2010

	Note No.	31/3/2010 LE(000)	31/12/2009 LE(000)
Long Term Assets			
Fixed assets (net)	(3-2) (4)	9 651 694	9 626 751
Projects under construction	(3-3) (5)	1 520 923	1 426 569
Investments in associates and other companies	(3-4) (6)	196	196
Lending to others	(7)	2 796	3 014
Saving certificates	(3-4)	20 000	20 000
Trade and notes receivable		675	1 322
Goodwill	(3-5)	315 214	315 214
Total long term assets		11 511 498	11 393 066
Current Assets			
Inventory	(3-6) (8)	3 107 976	2 678 665
Trade and notes receivable	(3-7) (9)	107 982	111 764
Debtors and other debit balances	(3-7) (10)	526 039	694 047
Advances to suppliers	(3-7)	35 312	131 581
Investments in treasury bills	(3-4)	16 100	10 668
Cash and cash equivalents	(3-16) (12)	2 061 216	1 581 012
Total current assets		5 854 625	5 207 737
Current Liabilities			
Banks credit accounts and overdrafts	(13)	1 600 419	1 497 516
Loan installments and facilities due within one year	(3-11) (14)	2 297 508	1 653 452
Bonds loan due within one year	(23)	220 000	220 000
Trade and notes payable	(3-8) (15)	875 499	859 970
Advances from customers	(3-8)	441 232	365 002
Creditors and other credit balances	(3-8) (16)	765 505	530 466
Provisions	(3-9) (17)	35 156	38 287
Total current liabilities		6 235 319	5 164 693
(Increase) Decrease of current liabilities over current assets		(380 694)	43 044
Total investment		11 130 804	11 436 110
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	3 943 001	3 943 001
Retained earnings		1 414 785	1 368 717
Net profit for the period / year		105 105	88 132
Treasury stocks	(22)	(71 921)	(71 921)
Translation difference adjustments		34 318	27 150
		8 141 613	8 071 404
The difference resulting from the acquisition of subsidiaries within the group	(2)	(3 472 411)	(3 472 411)
Total holding company shareholders' equity		4 669 202	4 598 993
Non-controlling interest		1 518 781	1 674 937
Total Shareholders' equity		6 187 983	6 273 930
Long Term Liabilities			
Loans and credit facilities	(3-11) (14)	3 321 809	3 547 408
Other liabilities	(18)	116 185	114 079
Bonds loan	(23)	880 000	880 000
Deferred tax liabilities	(3-14) (24)	624 827	620 693
Total long term liabilities		4 942 821	5 162 180
Total equity and long term liabilities		11 130 804	11 436 110

The accompanying notes from No. (1) to No. (30) form an integral part of these financial statements.

Chairman
Eng. Ahmed Abdel Aziz Ezz

Auditor's Report "attached"

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For the Financial Period Ended March 31, 2010

	Note No.	For the financial period from 1/1/2010 to 31/3/2010 LE (000)	For the financial period from 1/1/2009 to 31/3/2009 LE (000)
Sales (net)	(3-13)	3 408 574	3 412 304
Less :			
Cost of sales		2 889 998	3 083 466
Gross profit		518 576	328 838
Less :			
Selling and marketing expenses		26 118	28 825
General and administrative expenses		60 638	65 078
Total expenses		86 756	93 903
		431 820	234 935
Add (Less) :			
Financing expenses	(3-12)	(172 999)	(213 633)
Interest income		13 974	41 452
Reversal of impairment loss on trade receivables	(11)	100	1 463
Foreign exchange differences		13 974	82 637
Other revenues		2 760	4 259
Capital losses		(78)	—
Net profit for the period before income tax & non-controlling interest		289 551	151 113
Less:			
Income tax	(3-14)	72 359	33 988
Deferred tax	(3-14)(24)	4 134	9 369
Net profit for the period before non controlling interest		213 058	107 756
Less:			
Non-controlling interest		107 953	48 329
Net profit for the period		105 105	59 427
Earnings per share for the period (LE/share)	(29)	0.2	0.11
		(for three months)	(for three months)

The accompanying notes from No. (1) to No. (30) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash Flows
For the Financial Period Ended March 31, 2010

	Note No.	For the financial period from 1/1/2010 to 31/3/2010 LE(000)	For the financial period from 1/1/2009 to 31/3/2009 LE(000)
Cash flows from operating activities			
Net profit for the period before income tax & non-controlling interest		289 551	151 113
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	149 245	146 522
Amortization of deferred revenue		(282)	(418)
Amortization of bond issuance expenses		550	550
Reversal of impairment loss on trade receivables	(11)	(100)	(1 463)
Capital losses		78	—
Foreign currency exchange differences		(6 802)	(36 968)
		432 240	259 336
Changes in working capital			
(Increase) Decrease in inventory		(425 952)	517 358
Decrease (Increase) in trade receivables, debtors and other debit balances		264 972	(55 232)
(Increase) Decrease in creditors and other credit balances		16 977	(216 520)
Provisions used	(17)	(3 131)	(95)
Net cash flows provided by operating activities		285 106	504 847
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(246 966)	(63 788)
Payments for purchase of investments		(34 051)	(45)
Proceeds from investment		28 900	—
Proceeds from investment in subsidaries		—	4 869
Proceeds from sale of fixed assets		60	—
Payments to decrease non-controlling interest		—	(10 000)
Payments for fixed assets creditors		—	(5 048)
Payments for lending others		(2 440)	(946)
Proceeds from lending others		2 657	2 507
Net cash used in investing activities		(251 840)	(72 451)
Cash flows from financing activities			
Changes in credit facilities		171 293	33 530
Payments for long term liabilities		(16)	—
Change in blocked time-deposits and current accounts against medium term financing lease		(82 420)	—
Proceeds from non-controlling interest for capital increase in a subsidary's capital		3 174	—
Change in non-controlling interest		—	(1 613)
Payments for loans		(220 254)	(728 308)
Proceeds from loans		464 036	1 635 000
Dividends paid		(77 874)	(1 136 141)
Net cash provided by (used in) financing activities		257 939	(197 532)
Net change in cash and cash equivalents during the period		291 205	234 864
Cash and cash equivalents at beginning of the period		(232 754)	2 207 132
Translation differences		1 228	198
Cash and cash equivalents at the end of the period	(3-16)(12)	59 679	2 442 194

The accompanying notes from No. (1) to No. (30) 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 Period Ended March 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	—	24 358	—	—	—	—	(24 358)	—	—	—	—	—
Setting off remaining profit of year 2008 in retained earnings	—	—	—	1 209 092	—	—	(1 209 092)	—	—	—	—	—
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 company's share in reserves of EZDK's subsidiaries	—	—	—	(1 102)	—	—	—	—	—	(1 102)	(961)	(2 063)
Setting off inetrim dividends of year 2008 in retained earnings	—	—	—	(1 179 313)	—	—	—	—	1 179 313	—	—	—
Payments to decrease non -controlling interest	—	—	—	(9 073)	—	—	—	—	—	(9 073)	(1 245)	(10 318)
Translation difference adjustments	—	—	—	—	17 434	—	—	—	—	17 434	6 223	23 657
Interim dividends during the year 2009	—	—	—	(723 868)	—	—	—	—	—	(723 868)	(219 478)	(943 346)
Net profit for the period from 1/1/2009 to 31/3/2009	—	—	—	—	—	—	59 427	—	—	59 427	48 329	107 756
Balance as of 31/3/2009	2 716 325	3 936 487	(3 280 493)	1 105 847	54 988	(71 921)	59 427	—	—	4 520 660	1 593 054	6 113 714
Transferred to legal reserve	—	6 514	—	(6 514)	—	—	—	—	—	—	—	—
Adjustments on non-controling interest	—	—	—	—	—	—	—	—	—	—	318	318
Payments to decrease non-controling interest	—	—	—	(1 546)	—	—	—	—	—	(1 546)	(158)	(1 704)
Translation difference adjustments	—	—	—	—	(27 838)	—	—	—	—	(27 838)	(6 368)	(34 206)
Difference resulting from EZDK's acquisition of EFS	—	—	(191 918)	—	—	—	—	—	—	(191 918)	(168 541)	(360 459)
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
Non-controlling interest's share in increase in participation percentage in EFS	—	—	—	—	—	—	—	—	—	—	84 184	84 184
Net profit for the period from 1/4/2009 to 31/12/2009	—	—	—	—	—	—	28 705	—	—	28 705	170 332	199 037
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. (30) 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 Period Ended March 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 dividends LE (000)	Interim dividends LE (000)	Total holding company shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/ 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)
Dividends for the year 2009 to non-controling interest	—	—	—	—	—	—	—	—	—	—	(231 207)	(231 207)
Increase in non-controling interest as a result of change in percentage of participation in a subsidiary	—	—	—	(70)	—	—	—	—	—	(70)	70	—
Translation difference adjustments	—	—	—	—	7 168	—	—	—	—	7 168	4 207	11 375
Non-controling interest's participation in ERM's capital increase	—	—	—	—	—	—	—	—	—	—	3 174	3 174
Net profit for the period from 1/1/2010 to 31/3/2010	—	—	—	—	—	—	105 105	—	—	105 105	107 953	213 058
Balance as of 31/3/2010	2 716 325	3 943 001	(3 472 411)	1 414 785	34 318	(71 921)	105 105	—	—	4 669 202	1 518 781	6 187 983

The accompanying notes from No. (1) to No. (30) 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 Period Ended March 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 name to "**Ezz Steel**", this amendment was registered in the Commercial Registry on November 1, 2009.

Subsidiaries

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

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

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

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

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

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

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

The Purpose of the Company & its Subsidiaries

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

The investment percentages in subsidiary Companies included in the consolidated financial statements of Ezz Steel Company are as follows:

	31/3/2010 Percentage Share %	31/12/2009 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.50	90.73
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	53.24	53.24
Al Ezz Flat Steel (EFS)	63.10 (Direct & Indirect)	63.10 (Direct & Indirect)

The investment percentages in subsidiary Companies included in the consolidated financial statements of Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company are as follows:

	31/3/2010 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	85.5 (Indirect)	85.5 (Indirect)

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

- These financial statements are presented in Egyptian pound (LE) which is the Company’s functional currency.

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

- ***Basis of consolidation***

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

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

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

The difference resulting from the acquisition of subsidiaries within the group

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

3. 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 period 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 period. 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 is charged to the income statement on straight-line basis over the estimated useful lives of assets.

The estimated useful life for each item is as follows:

Asset	**Estimated useful life Periods**
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

3.4.1 Investments in associates and other companies

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

3.4.2 ***Investments in saving certificates***

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

3.4.3 ***Investments in treasury bills***

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

3.5 ***Goodwill***

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

3.6 ***Inventory***

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

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

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

- Finished products: according to the actual manufacturing cost.

3.7 Trade & notes receivable and debtors & other debit balances

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

3.8 Trade & notes payable and creditors & other credit balances

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

3.9 Provisions

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

3.10 Impairment on assets

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

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

3.11 Borrowing

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

3.12 Borrowing costs

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

3.13 Revenue recognition

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

3.14 Income tax

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

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

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 coming periods.

3.15 Reserves

Legal reserve:

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

Other reserves:

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

3.16 Cash and cash equivalents

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

3.17 Repurchase of share capital

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

3.18 Leased assets

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

4. FIXED ASSETS (NET)

	Land LE (000)	Buildings & constructions LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & Office equipment LE (000)	Tools & appliances LE (000)	Leashold improvments LE (000)	Total LE (000)
Cost as of January 1, 2010	641 627	2 824 601	12 769 762	99 749	83 191	53 731	6 876	16 479 537
Adjustments to beginning balances	—	—	—	—	(10 457)	(15 739)	—	(26 196)
Additions during the period	—	33 327	121 889	—	626	165	—	156 007
Disposals during the period	—	(4 234)	(82 954)	—	—	—	—	(87 188)
Reclassification	—	—	(261)	—	—	261	—	—
Translation differences	364	6 622	15 507	7	35	81	—	22 616
Cost as of March 31, 2010	641 991	2 860 316	12 823 943	99 756	73 395	38 499	6 876	16 544 776
Accumulated depreciation as of January 1, 2010	—	862 785	5 778 258	94 871	70 318	39 678	6 876	6 852 786
Adjustments to beginning balances	—	—	—	—	(10 457)	(15 739)	—	(26 196)
Depreciation for the period	—	18 100	128 861	483	1 143	658	—	149 245
Accumulated depreciation of disposals	—	(4 234)	(82 816)	—	—	—	—	(87 050)
Reclassification	—	—	(2)	—	—	2	—	—
Translation differences	—	743	3 489	7	35	23	—	4 297
Accumulated depreciation as of March 31, 2010	—	877 394	5 827 790	95 361	61 039	24 622	6 876	6 893 082
Carrying amount as of March 31, 2010	641 991	1 982 922	6 996 153	4 395	12 356	13 877	—	9 651 694
Carrying amount as of December 31, 2009	641 627	1 961 816	6 991 504	4 878	12 873	14 053	—	9 626 751

Some of the subsidiary companies have not registered certain plots of land owned by the subsidiaries. Registration of these plots is in process.

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

	31/3/2010 LE(000)
Operating expenses	147 000
Selling expenses	264
General & administrative expenses	1 981
	149 245

5. PROJECTS UNDER CONSTRUCTION

	31/3/2010 LE (000)	31/12/2009 LE (000)
Constructions expansion	223 600	94 280
Machinery under installation	111 465	214 331
Advance payments for purchase of land	471	471
Furniture and fixtures	797	-
Advance payments for purchase of machinery	686 269	965 121
Advance payments for projects construction	422 927	95 400
Salaries and other expenses capitalized as cost of new projects constructions	53 320	38 344
Others	22 074	18 622
	1 520 923	1 426 569

6. INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

	Participation Percentage %	Investments cost 31/3/2010 LE (000)	Investments cost 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 Investments in other companies			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
Less:			
Impairment losses on Arab Company for Special Steel		17 726	17 726
		80	80
		196	196

7. LENDING TO OTHERS

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

	31/3/2010 LE (000)	31/12/2009 LE (000)
The loans granted to the Company's employees (interest free)	2 796	3 014
	2 796	3 014

8. INVENTORY

	31/3/2010 LE (000)	31/12/2009 LE (000)
Raw materials and supplies	992 884	728 671
Work in process	322 315	322 240
Finished products	355 107	310 287
Spare parts	1 081 330	1 095 418
Goods in transit	83 033	116 765
Consignment goods	167 353	-
Goods for sale	105 954	105 284
	3 107 976	2 678 665

Inventory of spare parts is presented after deducting the decline in inventory by an amount of LE 10 052 k for obsolete and slow moving items against the same amount as of 31/12/2009.

9. TRADE AND NOTES RECEIVABLE (NET)

	31/3/2010 LE (000)	31/12/2009 LE (000)
Trade receivables	105 117	107 652
Notes receivable	32 524	33 871
	137 641	141 523
Less:		
Impairment losses on trade receivables	29 659	29 759
	107 982	111 764

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/3/2010 LE (000)	31/12/2009 LE (000)
Deposits with others		129 236	130 987
Tax Authority		167 641	148 128
Customs Authority		12 821	2 960
Accrued revenues		6 746	3 384
Prepaid expenses		49 972	33 325
Employees' loans		3 375	2 420
Tax Authority – sales tax		31 516	21 656
Alexandria Port Authority		42 489	42 489
Deferred expenses		-	24 882
Short - term lending		1 803	2 159
Letters of guarantee cash margin		773	25
Air Liquide Sokhna Company		-	64 193
Due from related parties	(19-1)	73 437	225 560
Other debit balances		64 633	50 282
		584 442	752 450
Impairment losses on debtors and other debit balances		(58 403)	(58 403)
		526 039	694 047
		========	========

11. IMPAIRMENT LOSS/WRITE-DOWN ON ASSETS

	Note No.	Balance as of 1/1/2010 LE (000)	Reversal of Impairment loss LE (000)	Balance as of 31/3/2010 LE (000)
Impairment loss on trade receivables	(9)	29 759	(100)	29 659
Impairment loss on debtors and other debit balances	(10)	58 403	-	58 403
Write-down in inventory	(8)	10 052	-	10 052
Impairment loss on advances to suppliers		1 614	-	1 614
Impairment loss on investments available for sale	(6-2)	17 726	-	17 726
		117 554	(100)	117 454
		=======	=======	=======

12. CASH AND CASH EQUIVALENTS

	31/3/2010 LE (000)	31/12/2009 LE (000)
Banks – Deposits	575 614	913 346
Banks – current accounts	1 374 036	627 178
Cheques under collection	32 963	37 993
Cash on hand	26 908	2 022
Investments fund *	51 695	473
	2061 216	1 581 012
Less:		
Banks – overdraft	1 599 868	1 497 516
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	401 669	316 250
Cash and cash equivalents in the statement of cash flows	59 679	(232 754)

* Investments fund represents a number of 394 222 investment deeds with accumulated daily interest.

13. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item, included in current liabilities, in the amount of LE 1 600 419 K as of March 31, 2010 is represented in Banks overdraft of LE 1 599 868 K and Banks credit accounts of LE 551 K (against Banks overdraft of LE 1 497 516 K as of December 31, 2009) in Egyptian Pound and US Dollar obtained by the banks that the company and its subsidiaries deal with.

14- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose	Interest rate %	Payment terms	Period	Short term portion 31/3/2010 LE(000)	Long term portion 31/3/2010 LE(000)	Total 31/3/2010 LE(000)	Collateral
Ezz Steel								
Banks - credit facilities		Average 10% for the Egyptian Pound and 3% for the U.S Dollars			959 615	—	959 615	Without guarantees within a limit of LE 1.6 billion or its equivalent in U.S Dollars.
Ezz Rolling Mills								
Banks - credit facilities		Average 9.75% for the Egyptian Pound			17 420	—	17 420	Without guarantees within a limit of LE 75 million.
Al Ezz El Dekheila for Steel - Alexandria								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Lending rate & discount + 0.5%	Semiannual installments	2-6 years	289 458	2 365 789	2 655 247	
Loans - foreign currency		1% over Libor		2-8 years	212 963	308 073	521 036	
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	47 515	70 294	117 809	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					323 431	577 653	901 084	
Banks - credit facilities		Average 11.50 % for the Egyptian Pound, and 2% plus Libor rate (6 months) for the US$ and 2% plus Eurobor rate (6 months) for the EURO. In addition to the high debit balance for all currencies amounted to 0.05%.			348 898	—	348 898	Possession mortgage on inventories amounted to US Dollars 80 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Contra Steel company								
Banks - credit facilities	To finance opining letters of credit	0.75% over Libor			98 208	—	98 208	
Balance as of 31March 2010					2 297 508	3 321 809	5 619 317	
Balance as of 31 December 2009					1 653 452	3 547 408	5 200 860	

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

- 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.

- 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 financing the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016).

15. TRADE AND NOTES PAYABLE

	31/3/2010 LE (000)	31/12/2009 LE (000)
Trade payables	874 773	855 326
Notes payable	726	4 644
	875 499	859 970

16. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/3/2010 LE (000)	31/12/2009 LE (000)
Fixed assets - creditors		7 999	15 552
Accrued interest		79 479	140 879
Accrued expenses		34 892	45 817
Tax Authority – Income tax		166 647	24 512
Performance guarantee retention		7 677	7 511
Sales tax installments		23	23
Tax Authority – sales tax		4 071	21 670
Income tax for the period / year		72 359	141 244
Dividends payable		301 647	67 338
Due to related parties	(19-2)	1 959	1 959
Alexandria Port Authority		48 268	27 366
Other credit balances		40 484	36 595
		765 505	530 466

17. PROVISIONS

	Balance as of 1/1/2010 LE (000)	Used during The period LE (000)	Balance as of 31/3/2010 LE (000)
For tax	36 332	(3 131)	33 201
For lawsuits and claims	1 955	-	1 955
	38 287	(3 131)	35 156

18. OTHER LIABILITIES

	31/3/2010 LE (000)	31/12/2009 LE (000)
Fixed assets creditors	206	221
Alexandria Port Authority *	115 979	113 858
	116 185	114 079

* 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.

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

19. RELATED PARTIES TRANSACTIONS

The Company undertakes some transactions with related parties that are under common control; these transactions are undertaken in the course of the company's ordinary transactions and are recorded according to the conditions laid down by the company's management on the same basis of dealing with third party. These transactions that occurred during the period are represented in the sales transactions of some products in favor of those companies amounted to LE 59 076 K, in addition to some mutual services, which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance as of 31/3/2010 LE (000)	Balance as of 31/12/2009 LE (000)	Balance Sheet caption
Al Ezz for Trading and Distributing Building Materials	Sales	59 076	32 981	185 384	Due from related parties

19.1 Due from related parties - Debtors and other debit balances

	31/3/2010 LE (000)	31/12/2009 LE (000)
El-Gawhara Real Estate Investment	5 504	5 504
El-Gawhara Real Estate Development	2 989	2 988
Al Ezz for Ceramics and Porcelain (GEMMA)	23 430	23 202
Al Ezz for Engineering Heavy Industries	8 533	8 482
Al Ezz for Trading and Distributing Building Materials	32 981	185 384
	73 437	225 560

19.2 Due to related parties - Creditors and other credit balances

	31/3/2010 LE (000)	31/12/2009 LE (000)
Gulf Suez for industrial investment	1 959	1 959
	1 959	1 959

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

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

21. RESERVES

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

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

22. TREASURY STOCKS

Treasury stocks on March 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.

23. BONDS LOAN

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

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

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

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

24. DEFERRED TAX ASSETS AND LIABILITIES

	31/3/2010		31/12/2009	
	Assets	Liabilities	Assets	Liabilities
	LE (000)	LE (000)	LE (000)	LE (000)
Deferred Tax				
Fixed assets	–	(861 083)	-	(841 377)
Provisions	17 276	–	17 276	-
Tax losses carried over	218 980	–	203 408	-
Total deferred tax	236 256	(861 083)	220 684	(841 377)
Netting off	(236 256)	236 256	(220 684)	220 684
Net deferred tax liabilities	-	(624 827)	-	(620 693)
Less:				
Previously charged deferred tax		(620 693)		(572 052)
Deferred tax charged for the period / year to statement of income		4 134		48 641

25. CONTINGENT LIABILITIES

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

	31/3/2010 LE (000)	31/12/2009 LE (000)
Egyptian Pound	13 870	12 416
US Dollar	29 784	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.

26. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of March 31, 2010 amounted to:

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

- LE 208 million (equivalent to US$ 37.6 million) represents the value of constructing new projects after deducting the advance payment plus the amount of 44 million Euro (equivalent to US$ 60 million) that represents the remaining value of purchase of machinery and equipment from Danieli Company (an Italian Company) related to Al- Ezz Flat Steel Company.

27. TAXATION

27.1 Ezz Steel Company

27.1.1 Corporate tax

The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
The tax authority inspected the Company's books until December 31, 2004 and there are no taxes due.
The Company submits tax returns for 2005 until 2009 according to the provisions of Law No. 91 of 2005 and no inspection took place until that date.

27.1.2 Sales tax

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

27.1.3 Payroll tax

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

27.2 Al Ezz Rolling Mills Company

27.2.1 Corporate tax

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

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

27.2.2 Sales tax

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

27.2.3 Payroll tax

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

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

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

27.3 Al Ezz El Dekheila for Steel – Alexandria Company

27.3.1 Corporate tax

The Company submits tax returns annually and on a timely basis to the tax authority, and pays the tax dues from these tax returns – if any.
The tax settlement is finalized till year 2004 and the company paid all the tax liability and there are no tax liabilities to that date.
The Company submitted its tax returns for the years 2005 to 2009 on a timely basis according to the provisions of the law and the taxes due were paid according to these tax returns.

27.3.2 Payroll tax

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

Tax inspection has not been made for the years 2008 and 2009. The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law.

27.3.3 Sales tax

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

27.4 Al Ezz Flat Steel Company

27.4.1 Corporate tax

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

27.4.2 Payroll tax

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

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28.1 Financial instruments

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

28.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan, loans, credit facilities and banks credit accounts which amounted to LE 8 319 736 K as of March 31, 2010 (LE 7 798 376 K as of December 31, 2009). Financing interest and expenses related to these balances amounted to LE 172 999 K during the period ended March 31, 2010 (LE 213 633 K during the same period in the previous year).Time-deposits and investment fund amounted to LE 627 309 K as of March 31, 2010 (LE 913 819 K as of December 31, 2009), interest income related to these balances amounted to LE 13 974 K during the period ended March 31, 2010 (LE 41 452 K during the same period in the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically lowers the risk of interests.

28.3 Credit risk

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

28.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 051 260 K and LE 1 760 426 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$	(88 160)
Euro	16 959
Sterling Pound	166
Japanese Yen	(6 103 963)
Algeria Dinar	121 739

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

29. EARNINGS PER SHARE FOR THE PERIOD

	For the financial period from 1/1/2010 to 31/3/2010	For the financial period from 1/1/2009 to 31/3/2009
Net profit for the period (LE 000)	105 105	59 427
Average number of outstanding shares during the period	533 802 313	533 802 313
Earnings per share for the period (L.E / share)	0.2	0.11
	(for three months)	(for three months)

30. COMPARATIVE FIGURES

The comparative figures of the statements of income, cash flows and change in shareholders' equity were amended to include the assets, liabilities, the results of operations and cash flows of Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) and Misr for Pipes & Casting Industry Company (subsidiary companies of Al Ezz El Dekheila for Steel - Alexandria (EZDK)) because Al Ezz El Dekheila for Steel - Alexandria (EZDK) didn't consolidate them previously and started consolidating them since 30/9/2009.

These amendments are as follows:

	Before amendment LE (000)	After amendment LE (000)
Statement of income:		
Net profit for the period	66 384	59 427
Statement of cash flows:		
Net cash flows provided by operating activities	482 195	504 847
Net cash used in investing activities	(77 168)	(72 451)
Net cash used in financing activities	(173 870)	(197 532)