ezzsteel Reports Consolidated First Half 2010 Results

Cairo, 26 August 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 half results for the period ending 30 June 2010. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	Jun-09	Jun-10	YoY +/-
• Net sales	6.4bn	7.5bn	+17%
• Gross profit	741mn	1,094mn	+ 48%
• EBITDA*	845mn	1,206mn	+ 43%
• Net profit before tax and minority interest	298mn	614mn	+106%
• Net profit after tax and minority interests	96mn	241mn	+151%
• EPS (on number of shares at end of period)	0.18	0.45	
• Net debt to Equity	0.88x	1.24x	

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

Comment

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

“The results reflect a substantial improvement from the comparable period last year. We have achieved a strong operational performance in the first half of 2010 with revenue growth of 17 per cent year-on-year, mainly driven by the restart of our EFS flat steel facility and a more positive pricing environment.

“As we go forward, despite a general context of sharp volatility, we expect demand and prices of steel products to improve gradually during the second half of 2010.”

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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 half of 2010 were EGP 7.5 billion, 17 per cent higher than in H1 2009, reflecting the restart of production at EFS in Q2 2010.

Sales *EGP Mn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	2,404	2,734	-	**5,138**
Flat		1,620	665	**2,284**
Others		79	5	**84**
Total				**7,506**

ezzsteel’s production of long steel products is primarily directed to serving the domestic market, while flat steel production is mainly aimed at the global steel market.

EGP Mn	**Domestic**	**per cent**	**Export**	**per cent**
Long	5,036	98	101	2
Flat	933	41	1,351	59

Long steel sales volume reached 1,553 thousand tonnes during H1 2010, which represents a 2 per cent decrease over the 1,578 thousand tonnes sold during the same period in 2009. Flat steel sales volumes witnessed an increase from 523 thousand tonnes in H1 2009 to 644 thousand tonnes for H1 2010; an increase of 23 per cent.

Long steel products accounted for 68 per cent of total sales in H1 2010 accounting for EGP 5,138 million, while flat steel products represented 30 per cent of sales at EGP 2,284 million. This is in comparison to a long:flat mix of 77 per cent to 22 per cent in H1 2009 when the EFS facility was shut.

Long product exports accounted for 2 per cent of total long product sales due to the continued strength of the domestic market demand for long products. Flat product exports accounted for 59 per cent of total flat sales, due to renewed global steel demand for flat prodcuts.

Long steel production volume reached 1,726 thousand tonnes during H1 2010 representing a 2 per cent increase over the 1,688 thousand tonnes produced during the first half of 2009. Flat steel production volumes increased by 53 per cent to 721 thousand tonnes.

On a plant basis, EZDK long steel production fell by 3 per cent year-on-year in comparison with 2009. However on a quarter-on-quarter basis, when viewed sequentially, EZDK long production rose by 3 per cent. ESR/ERM long production rose by 9 per cent to 799 thousand tonnes in the same period, resulting from the upgrading of the long products finishing line. Flat production at EZDK was 4 per cent higher at 489 thousand tonnes in comparison to H1 2009. After a stoppage of 18 months, restart tests were performed at EFS, which came online to full operation mode at the beginning of the second quarter 2010. The production at EFS is now 231 thousand tonnes for the period.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2010 were 32 per cent, 59 per cent, and 9 per cent respectively.

Cost of Goods Sold

Consolidated cost of goods sold for the period ended 30 June 2010 represented 85 per cent of sales, compared to 88 per cent for the same period in 2009, despite higher raw material costs.

	Standalone figures			Consolidated
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	2,728	4,372	681	7,506
COGS	2,605	3,365	737	6,412
COGS/Sales	95%	77%	108%	85%

EFS margins were negative in H1 2010. However, it recorded a positive margin during the second quarter of 2010 when operations were restarted at the plant.

Gross profit

Gross profit of EGP 1,094 million was recorded in H1 2010, an increase of 48 per cent from the EGP 741 million recorded in the same period in 2009.

EBITDA

EBITDA for the period reached EGP 1,206 million, up from EGP 845 million for H1 2009 representing an increase of 43 per cent.

Net profit after tax and minority interests

For the year ending 30 June 2010, net profit after tax and minority interests was EGP 241 million, 151 per cent higher than the EGP 96 million reported for H1 2009.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.9 billion and net debt of EGP 7.9 billion. The company has gearing of Net Debt / Equity of 1.24 times.

Outlook

Despite a general context of sharp volatility, we expect demand and prices of steel products to improve gradually during the second half of 2010. We are confident about the strength of the Egyptian market, which is driven by private housing growth and infrastructure activities. We also believe that the global flat steel market is set to experience a sustained recovery.

We are continuing our expansion efforts which are focused on vertical integration and flexibility. This includes increasing our DRI production by 1.85 million tonnes per year through the construction in Suez of a production facility. This will further increase our level of backward integration and decrease our production costs, replicating our EZDK model at our other facilities. Production at the site is expected to start during the second half of 2011.

Divisional Overview

EZDK Performance Sales (EGP):	H1 2009	H1 2010	
Value:	4.3	4.4	Bn
Volume: Long: Flat:	 925,298 492,235	 817,172 450,442	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 2% 55%	 4% 46%	
EBITDA:	0.8	1.1	Bn
Production:			
Long Products:	952,899	927,473	Tonnes
Flat Products:	469,881	489,489	Tonnes
Billets:	1,013,918	906,288	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	2.1	2.7	Bn
Volume:	657,472	728,336	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	207	107	Mn
Production:			
Long Products:	734,715	798,572	Tonnes
Billets:	418,261	399,218	Tonnes
EFS Sales (EGP):			
Value:	256,986	680,596	Mn
Volume:	30,728	193,618	Tonnes
Exports as % of Sales:	100%	92%	
EBITDA:	-129	6	Mn
Production:			
Flat Products:	-	231,151	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 6 month period ending 30 June 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 June 30, 2010
& Auditor's Report

AUDITOR'S REPORT
<u>**To The Board of Directors of 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 June 30, 2010 and the consolidated statements of income, cash flows and changes in equity for the six-month 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 June 30, 2010 and of its financial performance and its cash flows for the six-month 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, August 15, 2010

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of June 30, 2010

	Note No.	30/6/2010 LE(000)	31/12/2009 LE(000)
Long Term Assets			
Fixed assets (net)	(3-2) (4)	9 651 647	9 626 751
Projects under construction	(3-3) (5)	2 322 691	1 426 569
Financial investments in associates	(3-4) (6-1)	116	116
Financial investments available-for-sale	(3-5) (6-2)	80	80
Long term lending to others	(7)	3 385	3 014
Long term saving certificates		–	20 000
Long term trade and notes receivable		454	1 322
Goodwill	(3-7)	315 214	315 214
Total long term assets		12 293 587	11 393 066
Current Assets			
Inventory	(3-8) (8)	4 155 618	2 678 665
Trade and notes receivable	(9)	145 376	111 764
Debtors and other debit balances	(10)	577 662	683 045
Advances to suppliers		144 422	131 581
Investments in treasury bills	(3-6)	75 103	10 668
Cash and cash equivalents	(3-10) (12)	1 879 268	1 581 012
Total current assets		6 977 449	5 196 735
Current Liabilities			
Banks credit accounts and overdrafts	(13)	1 703 933	1 497 516
Loan installments and facilities due within one year	(14)	2 995 799	1 653 452
Bonds loan due within one year	(23)	220 000	220 000
Trade and notes payable	(15)	1 394 797	859 970
Advances from customers		429 958	365 002
Creditors and other credit balances	(16)	468 911	530 466
Provisions	(17)	35 156	38 287
Total current liabilities		7 248 554	5 164 693
(Increase) decrease of current liabilities over current assets		(271 105)	32 042
Total investment		12 022 482	11 425 108
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	3 955 480	3 943 001
Retained earnings		1 404 610	1 368 717
Net profit for the period / year		240 778	88 132
Treasury stocks	(22)	(71 921)	(71 921)
Translation difference adjustments		89 876	27 150
		8 335 148	8 071 404
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 600 435)	(3 472 411)
Total holding company shareholders' equity		4 734 713	4 598 993
Non-controlling interest		1 645 791	1 674 937
Total Shareholders' equity		6 380 504	6 273 930
Long Term Liabilities			
Loans and credit facilities	(14)	4 131 278	3 547 408
Other liabilities	(18)	119 682	114 079
Bonds loan	(23)	760 099	868 998
Deferred tax liabilities	(3-20) (24)	630 919	620 693
Total long term liabilities		5 641 978	5 151 178
Total equity and long term liabilities		12 022 482	11 425 108

The accompanying notes from No. (1) to No. (33) form an integral part of these financial statements.

Chairman

Eng. Ahmed Abdel Aziz Ezz

Auditor's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For the Financial Period From January 1, 2010 to June 30, 2010

	Note No.	For the financial period from 1/4/2010 to 30/6/2010 LE(000)	For the financial period from 1/1/2010 to 30/6/2010 LE(000)	For the financial period from 1/4/2009 to 30/6/2009 LE(000)	For the financial period from 1/1/2009 to 30/6/2009 LE(000)
Sales (net)	(3-18)	4 097 463	7 506 037	3 007 982	6 420 286
Less :					
Cost of sales	(25)	3 522 217	6 412 215	2 595 842	5 679 308
Gross profit		575 246	1 093 822	412 140	740 978
Less:					
Selling and marketing expenses	(26)	43 412	69 530	27 187	56 012
General and administrative expenses	(27)	58 515	118 603	69 543	134 071
Impairment loss on assets	(11)	35	35	—	—
Total expenses		101 962	188 168	96 730	190 083
Results from operating activities		473 284	905 654	315 410	550 895
Add (Less):					
Net finance cost					
Interest & finance expenses		(190 150)	(363 149)	(177 219)	(390 852)
Interest income		15 524	29 498	24 700	66 152
Amortization of bonds issuance expenses		(550)	(1 100)	(550)	(1 100)
Foreign exchange differences		20 503	34 477	(21 228)	61 409
		(154 673)	(300 274)	(174 297)	(264 391)
Add :					
Reversal of impairment loss on assets	(11)	—	100	3 411	4 874
Income from investments		—	—	115	115
Other revenues		6 125	8 885	2 583	6 842
Capital gain (loss)		103	25	(51)	(51)
		(148 445)	(291 264)	(168 239)	(252 611)
Net profit for the period before income tax		324 839	614 390	147 171	298 284
Less:					
Income tax	(3-20)	(47 347)	(119 706)	(38 254)	(72 242)
Deferred tax	(24) (3-20)	(6 092)	(10 226)	(13 162)	(22 531)
Net profit for the period		271 400	484 458	95 755	203 511
Attributable to:					
Equity holders of the holding company		135 673	240 778	36 739	96 166
Non-controlling interest		135 727	243 680	59 016	107 345
Net profit for the period		271 400	484 458	95 755	203 511
Earnings per share for the period (LE/share)	(32)	0.25	0.45	0.07	0.18
		(For three-month)	(For six-month)	(For three-month)	(For six-month)

The accompanying notes from No. (1) to No. (33) 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 From January 1, 2010 to June 30, 2010

	Note No.	For the financial period from 1/1/2010 to 30/6/2010 LE(000)	For the financial period from 1/1/2009 to 30/6/2009 LE(000)
Cash flows from operating activities			
Net profit for the period before income tax		614 390	298 284
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	300 081	293 991
Amortization of bond issuance costs		1 100	1 100
Income from investments		—	(115)
Capital (gain) loss		(25)	51
Amortization of accrued interest		(1 517)	(835)
Treasury bills interest		(27)	—
Deferred revenues for accrued sold units installments		(22)	(269)
Reversal of impairment loss on assets	(11)	(100)	(4 874)
Impairment loss on assets	(11)	35	—
Interest & finance expenses		363 149	390 852
Foreign currency exchange differences		68 731	(23 805)
		1 345 795	954 380
Changes in working capital			
Change in inventory		(1 449 426)	377 413
Change in in trade receivables, debtors and other debit balances		27 970	(598 152)
Change in creditors and other credit balances		583 289	(289 805)
Provisions used	(17)	(3 131)	(6 448)
Cash flows provided by operating activities		504 497	437 388
Interest paid		(340 539)	(333 160)
Income tax paid		(166 231)	(610 916)
Net cash flows used in operating activities		(2 273)	(506 688)
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(1 077 791)	(163 596)
Payments for purchase of financial investments		(130 616)	(5 036)
Proceeds from reclaim of financial investment		87 725	5 000
Proceeds from sale of fixed assets		948	38
Payments for fixed assets creditors		—	(11 601)
Payments to decrease non-controlling interest		(164 354)	(10 000)
Payments for lending others		(5 685)	(3 570)
Proceeds from lending others		5 314	5 015
Net cash used in investing activities		(1 284 459)	(183 750)
Cash flows from financing activities			
Changes in credit banks		712	—
Changes in credit facilities		1 090 029	224 999
Change in blocked time-deposits and current accounts		(57 289)	—
Proceeds from non-controlling interest for capital increase in a subsidary's capital		4 929	—
Payments for loans		(331 394)	(1 564 700)
Proceeds from loans		1 103 455	2 295 000
Payments for bonds loan		(110 000)	—
Dividends paid		(331 852)	(1 027 124)
Net cash provided by (used in) financing activities		1 368 590	(71 825)
Net change in cash and cash equivalents during the period		81 858	(762 263)
Cash and cash equivalents at beginning of the period		(232 754)	2 207 132
Translation differences		(46 596)	209
Cash and cash equivalents at the end of the period	(3-10)(12)	(197 492)	1 445 078

The accompanying notes from No. (1) to No. (33) 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 From January 1, 2010 to June 30, 2010

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of additional percentage in subsidiaries' capital 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	—	(6 514)	—	—	(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	—	—	—	—	13 420	—	—	—	—	13 420	4 513	17 933
Interim dividends during the year 2009	—	—	—	(723 868)	—	—	—	—	—	(723 868)	(219 478)	(943 346)
Adjustments on non-controling interest	—	—	—	—	—	—	—	—	—	—	318	318
Net profit for the period from 1/1/2009 to 30/6/2009	—	—	—	—	—	—	96 166	—	—	96 166	107 345	203 511
Balance as of 30/6/2009	2 716 325	3 943 001	(3 280 493)	1 099 333	50 974	(71 921)	96 166	—	—	4 553 385	1 650 678	6 204 063
Payments to decrease non-controling interest	—	—	—	(1 546)	—	—	—	—	—	(1 546)	(158)	(1 704)
Translation difference adjustments	—	—	—	—	(23 824)	—	—	—	—	(23 824)	(4 658)	(28 482)
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 loss for the period from 1/7/2009 to 31/12/2009	—	—	—	—	—	—	(8 034)	—	—	(8 034)	111 316	103 282
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. (33) 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 From January 1, 2010 to June 30, 2010

	Note No.	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of additional percentage in subsidiaries' capital 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)
Transferred to legal reserve		—	12 479	—	(12 479)	—	—	—	—	—	—	—	—
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		—	—	—	3 156	—	—	—	—	—	3 156	(3 156)	—
The difference resulting from the acquisition of additional percentage in EZI	(2-5)	—	—	(128 024)	—	—	—	—	—	—	(128 024)	(36 330)	(164 354)
Translation difference adjustments		—	—	—	—	62 726	—	—	—	—	62 726	33 930	96 656
Non-controling interest's participation in ERM's capital increase		—	—	—	—	—	—	—	—	—	—	4 929	4 929
Net profit for the period from 1/1/2010 to 30/6/2010		—	—	—	—	—	—	240 778	—	—	240 778	243 680	484 458
Balance as of 30/6/2010		2 716 325	3 955 480	(3 600 435)	1 404 610	89 876	(71 921)	240 778	—	—	4 734 713	1 645 791	6 380 504

The accompanying notes from No. (1) to No. (33) 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 June 30, 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.

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:

	30/6/2010 Percentage Share %	31/12/2009 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.85	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)	63.82 (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:

	30/6/2010 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 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 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.

  In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount 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 were prepared using the same basis as in preparing the interim consolidated financial statements.

- 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.	128 024
	3 600 435

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.

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 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 - 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 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 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 the investments that 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 period 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 period.

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, debtors and other debit balances***

Trade and notes receivable, debtors and other debit balances are primary stated at their fair value and subsequently measured by depreciated cost using the actual 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, creditors and other credit balances

Trade and notes payable, creditors and 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 periods 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 period of the borrowings on an effective interest basis.

- Borrowing costs of financing fixed assets are capitalized during the construction period 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 estimation on the current period.

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 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 receiving 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 period.

3.20 Income Tax

Income tax on the profit or loss for the period 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, 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 up coming periods.

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 period	—	36 835	142 289	—	2 009	536	—	181 669
Disposals during the period	—	(4 234)	(97 436)	—	(2 478)	—	—	(104 148)
Reclassification	—	—	(261)	—	—	261	—	—
Translation differences	2 885	52 422	122 667	55	314	646	—	178 989
Cost as of June 30, 2010	644 512	2 909 624	12 937 021	99 804	72 579	39 435	6 876	16 709 851
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 period	—	36 147	259 340	948	2 340	1 306	—	300 081
Accumulated depreciation of disposals	—	(4 234)	(96 513)	—	(2 478)	—	—	(103 225)
Reclassification	—	—	(2)	—	—	2	—	—
Translation differences	—	6 013	28 207	55	262	221	—	34 758
Accumulated depreciation as of June 30, 2010	—	900 711	5 969 290	95 874	59 985	25 468	6 876	7 058 204
Carrying amount as of June 30, 2010	644 512	2 008 913	6 967 731	3 930	12 594	13 967	—	9 651 647
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 498 608 k relating to fully depreciated assets still in use.

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

	30/6/2010 LE(000)
Operating expenses	295 737
Selling expenses	443
General & administrative expenses	3 901
	300 081

5. PROJECTS UNDER CONSTRUCTION

	30/6/2010 LE (000)	31/12/2009 LE (000)
Constructions expansion	301 163	94 280
Machinery under installation	118 620	214 331
Advance payments for purchase of land	471	471
Furniture and fixtures	797	-
Advance payments for purchase of machinery	1 801 036	965 121
Advance payments for projects construction	976	95 400
Salaries and other expenses capitalized as cost of new projects constructions	71 402	38 344
Others	28 226	18 622
	2 322 691	1 426 569

6. INVESTMENTS

	Participation Percentage %	Investments cost 30/6/2010 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 Financial investments available-for-sale			
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 losses on Arab Company for Special Steel		17 726	17 726
		80	80

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:

	30/6/2010 LE (000)	31/12/2009 LE (000)
The loans granted to the Company's employees (interest free)	3 385	3 014
	3 385	3 014

8. INVENTORY

	30/6/2010 LE (000)	31/12/2009 LE (000)
Raw materials and supplies	1 512 269	728 671
Work in process	248 563	322 240
Finished products	1 059 014	310 287
Spare parts	1 025 474	1 095 418
Goods in transit	88 616	116 765
Consignment goods	141 873	-
Goods for sale	72 824	105 284
Letters of credit for purchasing raw materials and spare parts	6 985	-
	4 155 618	2 678 665

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

9. TRADE AND NOTES RECEIVABLE (NET)

	Note No.	30/6/2010 LE (000)	31/12/2009 LE (000)
Trade receivables		143 743	107 652
Notes receivable		31 292	33 871
		175 035	141 523
Less:			
Impairment losses on trade receivables	(11)	29 659	29 759
		145 376	111 764

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/6/2010 LE (000)	31/12/2009 LE (000)
Deposits with others		133 825	130 987
Tax Authority		164 593	148 128
Customs Authority		8 708	2 960
Accrued revenues		1 596	3 384
Prepaid expenses		8 601	22 323
Employees' loans		3 575	2 420
Tax Authority – sales tax		113 249	21 656
Alexandria Port Authority		42 489	42 489
Deferred expenses		23 016	24 882
Short - term lending		3 372	2 159
Letters of guarantee cash margin		773	25
Air Liquide Sokhna Company		-	64 193
Due from related parties	(19-1)	54 283	225 560
Other debit balances		78 020	50 282
		636 100	741 448
Impairment losses on debtors and other debit balances	(11)	(58 438)	(58 403)
		577 662	683 045

11. 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 30/6/2010 LE (000)
Impairment loss on trade receivables	(9)	29 759	-	(100)	29 659
Impairment loss on debtors and other debit balances	(10)	58 403	35	-	58 438
Write-down of inventory	(8)	718	-	-	718
Impairment loss on advances to suppliers		1 614	-	-	1614
Impairment loss on investments available for sale	(6-2)	17 726	-	-	17 726
		108 220	35	(100)	108 155

12. CASH AND CASH EQUIVALENTS

	30/6/2010 LE (000)	31/12/2009 LE (000)
Banks – Deposits	372 664	913 346
Banks – current accounts	1 248 571	627 178
Cheques under collection	33 794	37 993
Cash on hand	70 110	2 022
Investments fund *	154 129	473
	1 879 268	1 581 012
Less:		
Banks – overdraft	1 703 221	1 497 516
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	373 539	316 250
Cash and cash equivalents in the statement of cash flows	(197 492)	(232 754)

- Investments fund represents a number of 1 153 340 investment deeds with accumulated daily interest.

13. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 1 703 933 K as of June 30, 2010 in LE 1 703 221 K banks – overdraft and LE 712 K banks –credit accounts 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).

14- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose	Interest rate %	Payment terms	Period	Short term portion 30/6/2010 LE(000)	Long term portion 30/6/2010 LE(000)	Total 30/6/2010 LE(000)	Collateral
Ezz Steel								
Banks - credit facilities		Average 10% for the Egyptian Pound and 3% for the U.S Dollars			1 538 407	—	1 538 407	Without guarantees within a limit of LE 1.745 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	—	305 217	305 217	Within a limit of LE 2.27 billion gruanted by group of real estate mortgages and commercial location mortgage
Banks - credit facilities		Average 9.75% for the Egyptian Pound			13 954	—	13 954	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	289 796	2 372 080	2 661 876	
Loans - foreign currency		1% over Libor		2-8 years	283 518	786 160	1 069 678	
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					334 558	597 527	932 085	
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%.			412 134	—	412 134	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			75 917	—	75 917	
Balance as of 30 June 2010					2 995 799	4 131 278	7 127 077	
Balance as of 31 December 2009					1 653 452	3 547 408	5 200 860	

14-1 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 June 30, 2010 amounts to LE 2.515 billion, so the balance of the loan as of June30, 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 (Note No. 12).

14-2 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.

14-3 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), also this company acquired a medium term loan from Audi Bank amounted to US$ 100 million for the purpose of financing the company's working capital and cash payments and the loan will be paid by eight semiannual increasingly installments ended June 30,2014.

14-4 The loan balance granted to Ezz Rolling mills company amounting to LE 305 217 k as of 30/6/2010 after deducted an amount of LE 45 945 k representing financing cost less amortization of the period.

15. TRADE AND NOTES PAYABLE

	30/6/2010 LE (000)	31/12/2009 LE (000)
Trade payables	1 391 754	855 326
Notes payable	30 43	4 644
	1 394 797	859 970
	========	========

16. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/6/2010 LE (000)	31/12/2009 LE (000)
Fixed assets - creditors		7 506	15 552
Accrued interest		117 946	140 879
Accrued expenses		66 541	45 817
Tax Authority		23 128	24 512
Performance guarantee retention		7 986	7 511
Sales tax installments		23	23
Tax Authority – sales tax		-	21 670
Income tax for the period / year		119 706	141 244
Dividends payable		52 159	67 338
Due to related parties	(19-2)	1 961	1 959
Alexandria Port Authority		30 723	27 366
Other credit balances		41 232	36 595
		468 911	530 466
		=========	=========

17. PROVISIONS

	Balance as of 1/1/2010 LE (000)	Used during The period LE (000)	Balance as of 30/6/2010 LE (000)
Tax provision	36 332	(3 131)	33 201
Lawsuits and claims provision	1 955	-	1 955
	38 287	(3 131)	35 156

18. OTHER LIABILITIES

	30/6/2010 LE (000)	31/12/2009 LE (000)
Fixed assets- creditors	200	221
Alexandria Port Authority *	119 482	113 858
	119 682	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.

19. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions according to terms, which are approved by the Board of Directors with some related parties – affiliates companies These transactions that occurred during the period are represented in the sales transactions of some products in favor of those companies amounted to LE 85 951 K, in addition to some mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance on 30/6/2010 LE (000)	Balance on 31/12/2009 LE (000)	Balance Sheet caption
Al Ezz for Trading and Distributing Building Materials	Sales	85 951	14 079	185 384	Due from related parties
			(1 480)	(58)	Advances from customers
EZDK Steel UK Limited	Marketing service	3 125	-	-	

19.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	30/6/2010 LE (000)	31/12/2009 LE (000)
El-Gawhara Real Estate Investment	Affiliated company	5 504	5 504
El-Gawhara Real Estate Projects	Affiliated company	2 990	2 988
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	24 450	23 202
Al Ezz for Engineering Heavy Projects	Affiliated company	7 235	8 482
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	25	-
Al Ezz for Trading and Distributing Building Materials	Affiliated company	14 079	185 384
		54 283	225 560

19.2 Due to related parties - Creditors and other credit balances

	Nature of Relationship	30/6/2010 LE (000)	31/12/2009 LE (000)
Gulf of Suez Development Company	Affiliated company	1 961	1 959
		1 961	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

	30/6/2010 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 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 June 30,2010 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

	30/6/2010 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 is due on June 30, 2010) with the value of LE 110 million per installment.	990 000	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. And this interest rate according to the rate is the prevailing rate as of 31/12/2009.

	30/6/2010 LE (000)	31/12/2009 LE (000)
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	(9 901)	(11 002)
- Bonds loan balance at the end of the period / year	760 099	868 998

24. DEFERRED TAX ASSETS AND LIABILITIES

	30/6/2010		31/12/2009	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	–	(866 165)	-	(841 377)
Impairment loss on asset	12 186		12 186	
Provisions	2 891	–	3 509	-
Tax losses carried over	220 169	–	204 989	-
Total deferred tax	235 246	(866 165)	220 684	(841 377)
Netting off	(235 246)	235 246	(220 684)	220 684
Net deferred tax liabilities	-	(630 919)	-	(620 693)
Less:				
Previously charged deferred tax		(620 693)		(572 052)
Deferred tax in statement of income for the period / year		10 226		48 641

24-2 Unrecognized deferred tax assets

	30/6/2010 LE (000)	31/12/2009 LE (000)
Receivables, debtors and inventory	5 900	5 913
Provisions	4 140	4 148
Carried forward losses	89 424	77 627
	99 464	87 688

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

25- COST OF SALES

	For the financial period from 1/1/2010 to 30/6/2010 LE (000)	For the financial period from 1/1/2009 to30/6/2009 LE (000)
Raw Materials	5 083 235	4 587 188
Salaries & wages	172 601	167 974
Fixed assets depreciation	295 737	289 486
Manufacturing overhead	860 642	634 660
	6 412 215	5 679 308

26- SELLING & MARKETING EXPENSES

	For the financial period from 1/1/2010 to 30/6/2010 LE (000)	For the financial period from 1/1/2009 to30/6/2009 LE (000)
Salaries & Wages	13 767	13 527
Advertising	12 008	15 082
Fixed assets depreciation	443	449
Others	43 312	26 954
	69 530	56 012

27- GENERAL & ADMINISTRATIVE EXPENSES

	For the financial period from 1/1/2010 to 30/6/2010 LE (000)	For the financial period from 1/1/2009 to30/6/2009 LE (000)
Salaries & Wages	62 288	55 115
Maintenance expenses	2 488	2 646
Property, plant & equipment depreciation	3 901	3 869
Others	49 926	72 441
	118 603	134 071

28. 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:

	30/6/2010 (000)	31/12/2009 (000)
Egyptian Pound	13 873	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.

29. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments for the unexecuted parts of contracts as of June 30, 2010 are as follows:

- LE 59.1 million represents the value of 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 166.4 million (equivalent to US$ 29.13 million) represents the value of constructing new projects after deducting the advance payment plus the amount of 4.4 million Euro (equivalent to US$ 5.4 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.

30. TAXATION

30.1 Ezz Steel Company

30.1.1 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.

30.1.2 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.

30.1.3 Payroll tax

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

30.2 Al Ezz Rolling Mills Company

30.2.1 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.

30.2.2 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.

30.2.3 Payroll tax

The Company's books have been inspected by the tax authority till year 2007 and the taxes due were paid.

The Company's books for the years 2008 & 2009 are currently being inspected.

30.3 Al Ezz El Dekheila for Steel – Alexandria Company

30.3.1 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.

30.3.2 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.

30.3.3 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

30.4 Al Ezz Flat Steel Company

30.4.1 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.

30.4.2 Payroll tax

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

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

31.1 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.

31.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduct bonds issuance cost), loans, credit facilities and banks credit accounts which amounted to LE 9 866 955 K as of June 30, 2010 (LE 7 798 376 K as of December 31, 2009). Financing interest and expenses related to these balances amounted to LE 363 149 K during the period ended June 30, 2010 (LE 390 852 K during the same period in the previous year).Time-deposits and investment fund amounted to LE 526 793 K as of June 30, 2010 (LE 913 819 K as of December 31, 2009), interest income related to these balances amounted to LE 29 498 K during the period ended June 30, 2010 (LE 66 152 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.

31.3 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.

31.4 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 1 503 432 K and LE 3 419 188 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	(386 856)
Euro	(47 846)
Swiss Frank	14
Sterling Pound	(201)
Japanese Yen	(6 039 367)
Algeria Dinar	118 143

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.

32. EARNINGS PER SHARE FOR THE PERIOD

	For the financial period from 1/1/2010 to 30/6/2010	For the financial period from 1/1/2009 to 30/6/2009
Net profit for the period (LE 000)	240 778	96 166
Average number of outstanding shares during the period	533 802 313	533 802 313
Earnings per share for the period (LE / share)	0.45	0.18
	(for six months)	(for six months)

33. COMPARATIVE FIGURES

- Certain comparative figures of balance sheet were reclassified to conform to the current period classification.

- 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), As Al Ezz El Dekheila for Steel - Alexandria (EZDK) "the parent company" didn't consolidate them previously and start consolidate them since last year.

These amendments are as follows:

	Before amendment LE (000)	After amendment LE (000)
Statement of income:		
Net profit for the period	212 113	203 511
Statement of cash flows:		
Net cash flows used in operating activities	(154 647)	(506 688)
Net cash used in investing activities	(183 637)	(183 750)
Net cash used in financing activities	(68 837)	(71 825)