ezzsteel Reports Consolidated Nine Months 2010 Results

Cairo, 2 December 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 nine months results for the period ending 30 September 2010. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	Sept-09	Sept-10	YoY +/-
• Net sales	9.4bn	11.6bn	+23%
• Gross profit	1,040mn	1,427mn	+37%
• EBITDA*	1,188mn	1,579mn	+33%
• Net profit before tax and minority interest	274mn	659mn	+141%
• Net profit after tax and minority interests	29mn	242mn	+730%
• EPS (on number of shares at end of period)	0.05	0.45	
• Net debt to Equity	0.97x	1.35x	

**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:

"Despite the deterioration in global steel prices during the quarter, and the associated market volatility, ezzsteel has again proven resilient and achieved positive breakeven. In addition, our year-on-year performance remained substantially higher than in the comparable period in 2009 thanks to our flexible and integrated business model.

An improvement in prices in the fourth quarter, combined with a reduction in volatility, are both positive signals for our 2011 outlook."

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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 nine months of 2010 were EGP 11.6 billion, 23 per cent higher than in the same period in 2009, reflecting the higher volumes due to the restart of production at EFS in the previous quarter.

Sales *EGP Mn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	3,623	4,223		**7,846**
Flat		2,506	1,076	**3,582**
Others	0.834	135	6	**142**
Total				**11,570**

ezzsteel's long steel products are aimed towards the domestic market, while flat steel products are mainly directed towards the global steel market.

EGP Mn	**Domestic**	**per cent**	**Export**	**per cent**
Long	7,671	98	175	2
Flat	1,469	41	2,114	59

Long steel sales volume reached 2,357 thousand tonnes during the first nine months of 2010, representing a 2 per cent decrease over the 2,408 thousand tonnes sold during the same period in 2009. Flat steel sales volumes witnessed an increase from 762 thousand tonnes in 9M 2009 to 981 thousand tonnes for 9M 2010; an increase of 29 per cent, buoyed by the restarting of flat steel production at EFS.

Long steel products were 68 per cent of total sales in the first nine months of 2010, accounting for EGP 7,846 million, while flat steel products represented 31 per cent of sales at EGP 3,583 million. This is in comparison to a long:flat mix of 77 per cent to 22 per cent in the corresponding period in 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.

Long steel production volume reached 2,553 thousand tonnes during the first nine months of 2010 representing a 1 per cent increase over the 2,525 thousand tonnes produced during the first nine months of 2009. Flat steel production volumes increased by 60 per cent to 1,137 thousand tonnes.

On a plant basis, EZDK long steel production fell by 3 per cent year-on-year in comparison with 2009 to 1,377 thousand tonnes. ESR/ERM long production rose by 7 per cent to 1,176 thousand tonnes in the same period, resulting from the recent upgrading of the long products finishing line. Flat production at EZDK was 6 per cent higher at 751 thousand tonnes in comparison to the first nine months of 2009. After the restarting of the production line at EFS in the last quarter, the production at the facility is now 386 thousand tonnes for the period. Billet production at EFS has also started, producing 49 thousand tonnes during Q3 2010.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 September 2010 were 31 per cent, 60 per cent, and 9 per cent respectively.

Cost of Goods Sold

Consolidated cost of goods sold for the period ended 30 September 2010 represented 88 per cent of sales, compared to 89 per cent for the same period in 2009.

	Standalone figures			Consolidated
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	4,072	6,804	1,097	11,570
COGS	3,919	5,532	1,123	10,144
COGS/Sales	96%	81%	102%	88%

Gross profit

Gross profit of EGP 1,427 million was recorded in 9M 2010, an increase of 37 per cent from the EGP 1,040 million recorded in the same period in 2009.

EBITDA

EBITDA for the period reached EGP 1,579 million, up from EGP 1,188 million for 2009, representing an increase of 33 per cent.

Net profit after tax and minority interests

For the year ending 30 September 2010, net profit after tax and minority interests was EGP 242 million, compared to the EGP 29 million reported for 9M 2009.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 694 million and net debt of EGP 8.6 billion. The company has gearing of Net Debt / Equity of 1.35 times.

Outlook

The price improvement that is taking place during the fourth quarter and the reduction in volatility are positive signals for the global steel sector.

The demand for steel products in the Egyptian market continues to remain at very high levels. This is derived primarily from construction growth and the restart of infrastructure projects.

The commencement of production at our new billet caster at EFS is the first milestone in our expansion plan. This will allow ezzsteel to further improve its internal performance in 2011.

Divisional Overview

EZDK Performance Sales (EGP):	Sept 2009	Sept 2010	
Value:	6.2	6.8	Bn
Volume:			
Long:	1,389,031	1,261,612	Tonnes
Flat:	719,154	674,146	Tonnes
Exports as % of Sales:			
Long:	2%	4%	
Flat:	52%	44%	
EBITDA:	1.1	1.4	Bn
Production:			
Long Products:	1,421,874	1,377,486	Tonnes
Flat Products:	710,271	750,692	Tonnes
Billets:	1,521,219	1,403,103	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	3.1	4.1	Bn
Volume:	1,025,386	1,090,789	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	234	127	Mn
Production:			
Long Products:	1,102,700	1,175,709	Tonnes
Billets:	628,913	612,772	Tonnes
EFS Sales (EGP):			
Value:	0.3	1.1	Bn
Volume:	41,676	306,811	Tonnes
Exports as % of Sales:	98%	94%	
EBITDA:	-159	56	Mn
Production:			
Flat Products:		386,434	Tonnes
Billets:		49,232	Tonnes

– Ends –

Disclaimer:

This press release is issued and approved by Ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) (the "Company"), in connection with the disclosure of the Company's financial results for the 9 month period ending 30 September 2010. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FSA) to update any forward-looking statements or to conform these forward-looking statements to Ezzsteel's actual results.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For the Financial Period Ended September 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 September 30, 2010 and the consolidated statements of income, cash flows and changes in equity for the nine-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 September 30, 2010 and of its financial performance and its cash flows for the nine-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, November , 2010

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of September 30, 2010

	Note No.	30/9/2010 LE(000)	31/12/2009 LE(000)
Long Term Assets			
Fixed assets (net)	(3-2) (4)	9 529 714	9 626 751
Projects under construction	(3-3) (5)	2 741 368	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)	3 104	3 014
Long term saving certificates		—	20 000
Long term trade and notes receivable		209	1 322
Goodwill	(3-7)	315 214	315 214
Total long term assets		12 589 805	11 393 066
Current Assets			
Inventory	(3-8) (8)	4 522 972	2 678 665
Trade and notes receivable	(9)	351 672	111 764
Debtors and other debit balances	(10)	705 886	683 045
Advances to suppliers		32 082	131 581
Investments in treasury bills	(3-6)	380 202	10 668
Cash and cash equivalents	(3-10) (12)	694 135	1 581 012
Total current assets		6 686 949	5 196 735
Current Liabilities			
Banks - overdrafts	(13)	1 086 167	1 497 516
Loan installments and facilities due within one year	(14)	3 370 075	1 653 452
Bonds loan due within one year	(23)	220 000	220 000
Trade and notes payable	(15)	1 739 418	859 970
Advances from customers		524 208	365 002
Creditors and other credit balances	(16)	434 285	530 466
Provisions	(17)	30 156	38 287
Total current liabilities		7 404 309	5 164 693
(Increase) Decrease of current liabilities over current assets		(717 360)	32 042
Total investment		11 872 445	11 425 108
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	3 955 479	3 943 001
Retained earnings		1 405 152	1 368 717
Net profit for the period / year		242 426	88 132
Treasury stocks	(22)	(71 921)	(71 921)
Translation difference adjustments		89 118	27 150
		8 336 579	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		4 736 144	4 598 993
Non-controlling interest		1 665 700	1 674 937
Total Shareholders' equity		6 401 844	6 273 930
Long Term Liabilities			
Loans and credit facilities	(14)	3 906 145	3 547 408
Other liabilities	(18)	167 159	114 079
Bonds loan	(23)	760 649	868 998
Deferred tax liabilities	(3-20) (24)	636 648	620 693
Total long term liabilities		5 470 601	5 151 178
Total equity and long term liabilities		11 872 445	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 September 30, 2010

	Note No.	For the financial period from 1/7/2010 to 30/9/2010 LE(000)	For the financial period from 1/1/2010 to 30/9/2010 LE(000)	For the financial period from 1/7/2009 to 30/9/2009 LE(000)	For the financial period from 1/1/2009 to 30/9/2009 LE(000)
Sales (net)	(3-18)	4 064 392	11 570 429	2 982 389	9 402 675
Less :					
Cost of sales	(25)	3 731 533	10 143 748	2 683 859	8 363 167
Gross profit		332 859	1 426 681	298 530	1 039 508
Less:					
Selling and marketing expenses	(26)	47 083	116 613	34 038	90 050
General and administrative expenses	(27)	56 772	175 375	68 634	202 705
Impairment loss on assets	(11)	—	35	—	—
Total expenses		103 855	292 023	102 672	292 755
Results from operating activities		229 004	1 134 658	195 858	746 753
Add (Less):					
Net finance cost					
Interest & finance expenses		(182 703)	(545 852)	(181 880)	(572 732)
Interest income		17 799	47 297	8 320	74 472
Amortization of bonds issuance expenses		(550)	(1 650)	(550)	(1 650)
Foreign exchange differences		(21 205)	13 272	(50 146)	11 263
		(186 659)	(486 933)	(224 256)	(488 647)
Add :					
Reversal of impairment loss on assets	(11)	—	100	1 940	6 814
Other revenues		2 422	11 307	2 522	9 364
Income from investments		—	—	(115)	—
Capital gain (loss)		30	55	(31)	(82)
		(184 207)	(475 471)	(219 940)	(472 551)
Net profit (loss) for the period before income tax		44 797	659 187	(24 082)	274 202
Less:					
Current income tax for the period	(3-20)	16 518	136 224	21 169	93 411
Deferred tax	(24) (3-20)	5 729	15 955	10 433	32 964
Net profit (loss) for the period		22 550	507 008	(55 684)	147 827
Attributable to:					
Equity holders of the holding company		1 648	242 426	(66 966)	29 200
Non-controlling interest		20 902	264 582	11 282	118 627
Net profit (loss) for the period		22 550	507 008	(55 684)	147 827
Earnings (Loss) per share for the period (LE/share)	(32)	0.003	0.45	(0.10)	0.05
		(For three-month)	(For nine-month)	(For three-month)	(For nine-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 September 30, 2010

	Note No.	For the financial period from 1/1/2010 to 30/9/2010 LE(000)	For the financial period from 1/1/2009 to 30/9/2009 LE(000)
Cash flows from operating activities			
Net profit for the period before income tax		659 187	274 202
Adjustments to reconcile net profit to net cash used in operating activities			
Depreciation	(4)	443 946	441 567
Amortization of bond issuance costs		1 650	1 650
Capital (gain) loss		(55)	82
Amortization of accrued interest		(9 217)	(1 255)
Deferred revenues for accrued sold units installments		(22)	(269)
Reversal of impairment loss on assets	(11)	(100)	(6 814)
Impairment loss on assets	(11)	35	—
Interest & finance expenses		545 852	572 732
Foreign currency exchange differences		83 418	(8 035)
		1 724 694	1 273 860
Changes in working capital			
Change in inventory		(1 818 235)	524 790
Change in in trade receivables, debtors and other debit balances		(158 072)	(277 548)
Change in creditors and other credit balances		910 900	(709 635)
Provisions used	(17)	(8 131)	(1 532)
Cash flows provided by operating activities		651 156	809 935
Interest paid		(600 968)	(474 594)
Income tax paid		(141 244)	(615 807)
Net cash flows used in operating activities		(91 056)	(280 466)
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(1 519 279)	(532 191)
Payments for purchase of financial investments (treasury bills)		(519 442)	(33 172)
Proceeds from reclaim of financial investment (treasury bills)		179 095	10 125
Proceeds from sale of fixed assets		978	79
Payments for fixed assets creditors		—	(11 636)
Payments to decrease non-controlling interest		(164 354)	(10 079)
Payments for lending others		(5 549)	(3 228)
Proceeds from lending others		5 459	6 268
Net cash used in investing activities		(2 023 092)	(573 834)
Cash flows from financing activities			
Changes in credit facilities		1 293 953	115 448
Change in blocked time-deposits and current accounts		232 222	(497 187)
Proceeds from non-controlling interest for capital increase in a subsidary's capital		4 929	—
Payments for loans		(554 783)	(1 254 835)
Proceeds from loans		1 296 834	2 689 727
Change in other long and short term liabilities		—	(332 408)
Payments for bonds loan		(110 000)	—
Change in non-controlling interest		—	(49 213)
Dividends paid		(338 226)	(1 379 230)
Net cash from (used in) financing activities		1 824 929	(707 698)
Net change in cash and cash equivalents during the period		(289 219)	(1 561 998)
Cash and cash equivalents at beginning of the period		(232 754)	2 207 132
Translation differences		45 913	3 576
Cash and cash equivalents at the end of the period	(12)	(476 060)	648 710

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 September 30, 2010

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim distributions LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Non-controlling Interest LE (000)	Total Shareholders' Equity LE (000)
Balance as of 1/1/ 2009	2 716 325	3 912 129	(3 280 493)	1 863 315	37 554	(71 921)	1 233 450	(39 900)	(1 179 313)	5 191 146	1 775 156	6 966 302
Transferred to legal reserve	—	30 872	—	—	—	—	(30 872)	—	—	—	—	—
Company's share & non-controlling interest in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	(53 204)	—	—	—	39 900	—	(13 304)	(14 970)	(28 274)
Setting - off inetrim dividends of year 2008	—	—	—	—	—	—	(1 179 313)	—	1 179 313	—	—	—
Payments to decrease non-controlling interest	—	—	—	(9 144)	—	—	—	—	—	(9 144)	(934)	(10 078)
Translation difference adjustments	—	—	—	—	(4 485)	—	—	—	—	(4 485)	2 937	(1 548)
Dividends for the year 2008	—	—	—	(710 703)	—	—	(13 165)	—	—	(723 868)	(219 478)	(943 346)
Setting off rest of year 2008 profits in retained rearnings	—	—	—	10 100	—	—	(10 100)	—	—	—	—	—
Retained earnings increase due to the decrease of participation percentage in EFS	—	—	—	270 930	—	—	—	—	—	270 930	—	270 930
Difference resulting from EZDK's acquisition of EFS	—	—	(191 918)	—	—	—	—	—	—	(191 918)	(168 541)	(360 459)
Setting off ESR's share in reserves of EZDK's subsidiaries	—	—	—	(1 102)	—	—	—	—	—	(1 102)	(968)	(2 070)
Non-controlling interest's share in increase in participation	—	—	—	—	—	—	—	—	—	—	84 184	84 184
percentage in EFS	—	—	—	—	—	—	—	—	—	—	—	—
Net profit for the period from 1/1/2009 to 30/9/2009	—	—	—	—	—	—	29 200	—	—	29 200	118 627	147 827
Balance as of 30/9/2009	2 716 325	3 943 001	(3 472 411)	1 370 192	33 069	(71 921)	29 200	—	—	4 547 455	1 576 013	6 123 468
Payments to decrease non-controling interest	—	—	—	(1 475)	—	—	—	—	—	(1 475)	(158)	(1 633)
Translation difference adjustments	—	—	—	—	(5 919)	—	—	—	—	(5 919)	(4 658)	(10 577)
Non-controlling interest's participation in payments for capital	—	—	—	—	—	—	—	—	—	—	2 116	2 116
increase in ERM	—	—	—	—	—	—	—	—	—	—	—	—
Net loss for the period from 1/10/2009 to 31/12/2009	—	—	—	—	—	—	58 932	—	—	58 932	101 624	160 556
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 September 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)	Total holding company shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/ 2010		2 716 325	3 943 001	(3 472 411)	1 368 717	27 150	(71 921)	88 132	4 598 993	1 674 937	6 273 930
Setting off profit of year 2009 in retained earnings		—	—	—	88 132	—	—	(88 132)	—	—	—
Setting - off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2009		—	—	—	(41 994)	—	—	—	(41 994)	(40 353)	(82 347)
Transferred to legal reserve		—	12 478	—	(12 478)	—	—	—	—	—	—
Dividends for the year 2009 to non-controling interest		—	—	—	—	—	—	—	—	(231 207)	(231 207)
Adjustments on EZDK reatined earnings		—	—	—	(852)	—	—	—	(852)	(709)	(1 561)
Increase in non-controling interest as a result of change in percentage of participation in a subsidiary		—	—	—	(70)	—	—	—	(70)	70	—
Reduction in non-controling interest as a result of ERM 's treasury stock redemption		—	—	—	3 697	—	—	—	3 697	(3 697)	—
The difference resulting from the acquisition of additional percentage in EZDK	(2-5)	—	—	(128 024)	—	—	—	—	(128 024)	(36 330)	(164 354)
Translation difference adjustments		—	—	—	—	61 968	—	—	61 968	33 478	95 446
Non-controling interest's participation in ERM's capital increase		—	—	—	—	—	—	—	—	4 929	4 929
Net profit for the period from 1/1/2010 to 30/9/2010		—	—	—	—	—	—	242 426	242 426	264 582	507 008
Balance as of 30/9/2010		2 716 325	3 955 479	(3 600 435)	1 405 152	89 118	(71 921)	242 426	4 736 144	1 665 700	6 401 844

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

1. BACKGROUND

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

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

Subsidiaries

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

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

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

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

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

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

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

Translation from Arabic

The Purpose of the Company & Its Subsidiaries

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

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

	30/9/2010 Percentage Share %	**31/12/2009 Percentage Share %**
Al Ezz Rolling Mills Company (ERM)	98.91	90.73
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	53.24
Al Ezz Flat Steel (EFS)	63.84 (Direct & Indirect)	63.10 (Direct & Indirect)

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

	30/9/2010 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 amounts recognized in the financial statements are described in the following notes:

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

2.5 *Basis of consolidation*

- The consolidated financial statements 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 type of assets 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 investments which are not quoted in a stock exchange in an active market, in this case they are measured at cost.

3.6 ***Investments in treasury bills***

Investments in treasury bills are stated in the financial statements at cost, the difference between acquiring cost and the realizable value during the 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 initially stated at their fair value and subsequently measured by depreciated cost using the effective interest rate and reduced by estimated impairment losses from its value.

3.10 Cash and cash equivalents

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

3.11 Trade and notes payable, 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 estimate on the current period.

3.15 Reserves

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

3.16 Share capital

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

3.17 Leased assets

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

3.18 Revenues

a) *Sales revenues*
Sales revenues are recognized when the risks and benefits of goods are transferred to the purchaser at delivering the goods.
b) *Dividends*
Dividends income is recognized in the profit or loss on the date the Company's right to receive payments is established.
c) *Interest income*
Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

3.19 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the 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	Buildings & constructions	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leashold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	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	—	36 145	170 375	—	3 746	1 063	—	211 329
Disposals during the period	—	(4 234)	(119 757)	—	(3 278)	—	—	(127 269)
Reclassification	—	—	(261)	—	—	261	—	—
Translation differences	2 882	52 374	122 554	55	318	655	—	178 838
Cost as of September 30, 2010	644 509	2 908 886	12 942 673	99 804	73 520	39 971	6 876	16 716 239
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		55 002	388 840	1 366	3 576	2 010	—	450 794
Accumulated depreciation of disposals	—	(4 234)	(118 834)	—	(3 278)	—	—	(126 346)
Reclassification	—	—	(2)	—	—	2	—	—
Translation differences	—	6 138	28 794	55	299	201	—	35 487
Accumulated depreciation as of September 30, 2010	—	919 691	6 077 056	96 292	60 458	26 152	6 876	7 186 525
Carrying amount as of September 30, 2010	644 509	1 989 195	6 865 617	3 512	13 062	13 819	—	9 529 714
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 500 458 k relating to fully depreciated assets still in use.

— Depreciation for the period as follows:

	30/9/2010
Depreciation charged to the statement of income	LE(000)
Operating expenses	437 379
Selling expenses	663
General & administrative expenses	5 904
Total depreciation charged to the statement of income	443 946
Depreciation capitalized to projects under construction-test for the operat	6 848
	450 794

5. PROJECTS UNDER CONSTRUCTION

	30/9/2010 LE (000)	31/12/2009 LE (000)
Constructions expansion	359 817	94 280
Machinery under installation	129 695	214 331
Advance payments for purchase of land	471	471
Furniture and fixtures	797	-
Advance payments for purchase of machinery	2 049 894	965 121
Advance payments for projects construction	3 270	95 400
Salaries and other expenses capitalized as cost of new projects constructions	83 863	38 344
Net expenses of the commissioning period of the Billet factory*	77 912	-
Others	35 649	18 622
	2 741 368	1 426 569

* Net expenses of the commissioning period of Billet factory of Al Ezz Flat Steel – subsidiary company- represent the operating expenses of Billet factory during commissioning period amounting to US $ 42.3 million equivalent to LE 242.2 million which started on 1/9/2010 after deducting sales of commissioning period amounting to US $ 28.7 million equivalent to LE 164.30 million till the required technical tests of the Billet factory are to be finalized, the final acceptance certificate is to be issued and the factory is in serviceable condition.

6. INVESTMENTS

6-1 Investments in associates

	Participation Percentage %	Investments cost 30/9/2010 LE (000)	Investments cost 31/12/2009 LE (000)
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

	30/9/2010 LE (000)	31/12/2009 LE (000)
Egyptian Company for Cleaning and Security Services	80	80
Arab Company for Special Steel (SAE)	17 726	17 726
	17 806	17 806
Less:		
Impairment loss on Arab Company for Special Steel	17 726	17 726
	80	80

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:

	30/9/2010 LE (000)	31/12/2009 LE (000)
The loans granted to the Company's employees (interest free)	3 104	3 014
	3 104	3 014

8. INVENTORY

	30/9/2010 LE (000)	31/12/2009 LE (000)
Raw materials and supplies	1 325 648	728 671
Work in process	279 207	322 240
Finished products	1 438 125	310 287
Spare parts	1 059 327	1 095 418
Goods in transit	183 191	116 765
Consignment goods	164 323	-
Goods for sale	73 151	105 284
	4 522 972	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.	30/9/2010 LE (000)	31/12/2009 LE (000)
Trade receivables		340 075	107 652
Notes receivable		41 256	33 871
		381 331	141 523
Less:			
Impairment loss on trade receivables	(11)	29 659	29 759
		351 672	111 764

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2010 LE (000)	31/12/2009 LE (000)
Deposits with others		139 398	130 987
Tax Authority		220 143	148 128
Customs Authority		8 480	2 960
Accrued revenues		2 820	3 384
Prepaid expenses		27 855	22 323
Employees' loans		2 766	2 420
Tax Authority – sales tax		155 760	21 656
Alexandria Port Authority		42 489	42 489
Deferred expenses		22 082	24 882
Short - term lending		2 972	2 159
Letters of guarantee cash margin		773	25
Air Liquide Sokhna Company		-	64 193
Due from related parties	(19-1)	58 274	225 560
Other debit balances		80 512	50 282
		764 324	741 448
Impairment loss on debtors and other debit balances	(11)	(58 438)	(58 403)
		705 886	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 30/9/2010 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
Impairment loss on advances to suppliers		1 614	-	-	1 614
Impairment loss on investments available for sale	(6-2)	17 726	-	-	17 726
Write-down of inventory	(8)	718	-	-	718
		108 220	35	(100)	108 155

12. CASH AND CASH EQUIVALENTS

	30/9/2010 LE (000)	31/12/2009 LE (000)
Banks – Deposits	92 108	913 346
Banks – current accounts	305 425	627 178
Cheques under collection	62 509	37 993
Cash on hand	77 006	2 022
Investments fund *	157 087	473
	694 135	1 581 012
Less:		
Banks – overdraft	1 086 167	1 497 516
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	84 028	316 250
Cash and cash equivalents in the statement of cash flows	(476 060)	(232 754)
	========	========

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

13. BANKS - OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 1 086 167 K as of September 30, 2010 in banks – overdraft in Egyptian pound and US Dollars obtained from banks that the company and its subsidiaries deals with (against LE 1 497 516 K banks – overdraft as of December 31, 2009).

14- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose	Interest rate %	Payment terms	Period	Short term portion 30/9/2010 LE(000)	Long term portion 30/9/2010 LE(000)	Total 30/9/2010 LE(000)	Collateral
Ezz Steel								
Banks - credit facilities		Average 10% for the Egyptian Pound and 3% for the U.S Dollars			1 718 394	—	1 718 394	Without guarantees within a limit of LE 2.360 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	—	498 595	498 595	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			4 185	—	4 185	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 + 0.05%	Semiannual installments	2-6 years	425 956	1 796 429	2 222 385	
Loans - foreign currency		1% over Libor		2-8 years	301 112	1 145 134	1 446 246	
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	47 025	47 550	94 575	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					351 004	418 437	769 441	
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%.			446 446	—	446 446	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			75 953	—	75 953	
Balance as of 30 September 2010					3 370 075	3 906 145	7 276 220	
Balance as of 31 December 2009					1 653 452	3 547 408	5 200 860	

14-1 Al Ezz El Dekheila for Steel - Alexandria

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the Board of Directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of September 30, 2010 amounts to LE 2.515 billion, so the balance of the loan as of September 30, 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).

- 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.

14-2 Al Ezz Flat Steel

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

14-3 Ezz Rolling Mills

The loan balance granted to Ezz Rolling mills company amounting to LE 498 595 k as of 30/9/2010 after deducted an amount of LE 44 074 k representing financing cost less amortization of the period.

15. TRADE AND NOTES PAYABLE

	30/9/2010 LE (000)	31/12/2009 LE (000)
Trade payables	1 734 216	855 326
Notes payable	5 202	4 644
	1 739 418	859 970

16. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2010 LE (000)	31/12/2009 LE (000)
Fixed assets - creditors		7 507	15 552
Accrued interest		84 235	140 879
Accrued expenses		38 668	45 817
Tax Authority		26 698	24 512
Performance guarantee retention		8 318	7 511
Sales tax installments		23	23
Tax Authority – sales tax		-	21 670
Income tax for the period / year		136 224	141 244
Dividends payable		46 445	67 338
Due to related parties	(19-2)	1 996	1 959
Alexandria Port Authority		38 061	27 366
Other credit balances		46 110	36 595
		434 285	530 466

17. PROVISIONS

	Balance as of 1/1/2010 LE (000)	Used during The period LE (000)	Balance as of 30/9/2010 LE (000)
Tax provision	36 332	(8 131)	28 201
Lawsuits and claims provision	1 955	-	1 955
	38 287	(8 131)	30 156

18. OTHER LIABILITIES

	30/9/2010 LE (000)	31/12/2009 LE (000)
Fixed assets- creditors	194	221
Alexandria Port Authority *	122 839	113 858
Sales Tax Installments	44 126	-
	167 159	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 related parties – affiliates companies These transactions occurred during the period are represented in the sales transactions of products in favor of those companies which amounted to LE 109 067 K and purchase of raw materials for production which amounted to LE 23 k, in addition to other mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction volume LE (000)	Balance as of 30/9/2010 LE (000)	Balance as of 31/12/2009 LE (000)	Balance Sheet caption
Al Ezz for Trading and Distributing Building Materials	Sales	109 067	14 900	185 384	Due from related parties
			(203)	(58)	Advances from customers
EZDK Steel UK Limited	Marketing service	6 335	-	-	
Al Ezz for Ceramics and Porcelain (GEMMA)	Purchases	23	24 645	-	Due from related parties

19.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	30/9/2010 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	2 999	2 988
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	24 645	23 202
Al Ezz for Engineering Heavy Projects	Affiliated company	8 936	8 482
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	1 290	-
Al Ezz for Trading and Distributing Building Materials	Affiliated company	14 900	185 384
		58 274	225 560

19.2 Due to related parties - Creditors and other credit balances

	Nature of Relationship	30/9/2010 LE (000)	31/12/2009 LE (000)
Gulf of Suez Development Company	Affiliated company	1 996	1 959
		1 996	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 k (two billion, seven hundred and sixteen million, three hundred and twenty five thousand Egyptian pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with no. 1176 Menouf on October 30, 2008.

21. RESERVES

	30/9/2010 LE (000)	31/12/2009 LE (000)
Legal reserve	222 509	210 031
Premium share *	3 732 970	3 732 970
	3 955 479	3 943 001

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

22. TREASURY STOCKS

Treasury stocks as of September 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

	30/9/2010 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.

	30/9/2010 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	(9 351)	(11 002)
- Bonds loan balance at the end of the period / year	760 649	868 998

24. DEFERRED TAX

24-1 Recognized deferred tax assets

	30/9/2010		31/12/2009	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	–	(910 330)	-	(841 377)
Impairment loss on asset	12 186		12 186	
Provisions	3 167	–	3 509	-
Tax losses carried over	258 329	–	204 989	-
Total deferred tax	273 682	(910 330)	220 684	(841 377)
Netting off	(273 682)	273 682	(220 684)	220 684
Net deferred tax liabilities	-	(636 648)	-	(620 693)
Less:				
Previously charged deferred tax		(620 693)		(572 052)
Deferred tax in statement of income for the period / year		15 955		48 641

24-2 Unrecognized deferred tax assets

	30/9/2010 LE (000)	31/12/2009 LE (000)
Receivables and debtors	5 900	5 913
Investments	3 545	3 545
Provisions	2 864	4 148
Carried forward losses	84 815	77 627
	97 124	91 233

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

25- COST OF SALES

	For the financial period from 1/1/2010 to 30/9/2010 LE (000)	For the financial period from 1/1/2009 to30/9/2009 LE (000)
Raw Materials	7 231 199	6 207 188
Salaries & wages	257 795	255 728
Fixed assets depreciation	437 379	434 837
Manufacturing overhead	2 217 375	1 465 414
	10 143 748	8 363 167

26- SELLING & MARKETING EXPENSES

	For the financial period from 1/1/2010 to 30/9/2010 LE (000)	For the financial period from 1/1/2009 to30/9/2009 LE (000)
Salaries & Wages	21 635	21 296
Advertising	26 215	22 176
Fixed assets depreciation	663	675
Others	68 100	45 903
	116 613	90 050

27- GENERAL & ADMINISTRATIVE EXPENSES

	For the financial period from 1/1/2010 to 30/9/2010 LE (000)	For the financial period from 1/1/2009 to30/9/2009 LE (000)
Salaries & Wages	95 835	85 401
Maintenance expenses	5 681	3 699
Fixed assets depreciation	5 904	6 055
Others	67 955	107 550
	175 375	202 705

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:

	30/9/2010 (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 September 30, 2010 are as follows:

- LE 68.4 million represents the value of constructing Lime Calcinations factory, a new dust-extraction system from the melting oven, and constructing a number of (2) convertors for the ovens number (2) & (3) of the rolling factory to the Al Ezz El Dekheila for Steel – Alexandria Company.

- LE 132 million (equivalent to US$ 23.123 million) represents the value of constructing new projects after deducting the advance payment plus the amount of 4.4 million Euro (equivalent to US$ 6.073 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 dues.
The Tax Authority inspected the Company's books for year 2005 and there is an objection and the dispute is currently finalized in the Internal Committee.
The Company submitted tax returns for years 2006 until 2009 according to the provisions of Law No. 91 of 2005 and no inspection took place until that date.

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 inspected 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 10^{th} of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.The tax authority inspected the Company's books and a settlement was made until 2004 and the taxes due were paid.
The company's books for years 2007 and 2008 are currently being inspected.
The Company 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 year 2008 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 deduction of bonds issuance cost), loans and credit facilities which amounted to LE 8 310 294 K as of September 30, 2010 (LE 7 798 376 K as of December 31, 2009). Financing interest and expenses related to these balances amounted to LE 545 852 K during the period ended September 30, 2010 (LE 572 732 K during the same period in the previous year).Time-deposits and investment fund amounted to LE 249 195 K as of September 30, 2010 (LE 913 819 K as of December 31, 2009), interest income related to these balances amounted to LE 47 297 K during the period ended September 30, 2010 (LE 74 472 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 which reduces the interest rate risk.

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 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 currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 194 606 K and LE 6 420 566 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	(383 793)
Euro	(47 750)
Swiss Frank	14
Sterling Pound	122
Japanese Yen	(5 223 704)
Algeria Dinar	109 476

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

32. EARNINGS PER SHARE FOR THE PERIOD

	For the financial period from 1/1/2010 to 30/9/2010	For the financial period from 1/1/2009 to 30/9/2009
Net profit for the period (LE 000)	242 426	29 200
Average number of outstanding shares during the period	533 802 313	533 802 313
Earnings per share for the period (LE / share)	0.45	0.05
	(for nine-month)	(for nine-month)

33. COMPARATIVE FIGURES

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