ezzsteel REPORTS CONSOLIDATED FULL YEAR 2011 RESULTS

Cairo, 10 April 2012 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated full year results for the period ending 31 December 2011. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Million	**Dec 10**	**Dec 11**	**YoY (+/-)**
• **Net sales**	16,621	**18,611**	+12%
• **Gross profit**	1,924	**2,207**	+15%
• **EBITDA***	2,111	**2,440**	+16%
• **Net profit before tax and minority interest**	772	**1,028**	+33%
• **Net profit after tax and minority interest****	252	**202**	-20%
• **Earnings per share *****	0.47	**0.37**	
• **Net debt to equity**	1.29x	**1.20x**	

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

***Reflecting the higher corporate tax rate and a one-time adjustment to the deferred tax liability*

**** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period*

Comment

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

"2011 was a challenging year both in Egypt, because of the ongoing exceptional political circumstances, and globally because of the slowdown in the steel industry.

"However, we are pleased that ezzsteel managed to come through this period with an improved performance across production, sales, revenues and margins.

"With the completion of our long product mill in Suez, which further increases the flexibility of our production portfolio, and given the strength of our domestic market and the solidity of our balance sheet, we are confident that ezzsteel's business model will deliver even better results as a more stable political environment returns to Egypt."

For further information:

ezzsteel

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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 2011, the Company produced 3.6 million tonnes of long products (typically used in construction) and 1 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 2011 were EGP18.6 billion, representing an increase of 12 per cent year on year. This increase in sales reflects higher prices during the period, with long product prices rising by 23 per cent year on year over both local and export markets, while flat steel prices rose by 17 per cent domestically and by 20 per cent for export markets.

Sales after elimination *EGP Mn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	5,854	7,984		**13,838**
Flat		3,878	657	**4,535**
Others	1	209	28	**238**
Total				**18,611**

Long steel products accounted for EGP 13.84 billion or 74 per cent of sales in 2011, while flat steel products represented 24 per cent of sales at EGP 4.5 billion. Long product exports accounted for 4 per cent of total long sales, reflecting the continued strong domestic market demand for ezzsteel's long products, mainly from private house building activity in Egypt. Conversely, flat product exports accounted for 48 per cent of total flat sales, 10 per cent lower than that in 2010, due to the reduced activity in the global flat steel market.

Sales Value ***EGP Mn***	**Domestic**	**per cent**	**Export**	**per cent**
Long	13,321	96	517	4
Flat	2,367	52	2,168	48

Long steel sales volumes reached 3.62 million tonnes during 2011, seven per cent higher than the 3.39 million tonnes sold during the same period last year, to meet the domestic demand for ezzsteel's long products, which has continued to remain strong. It is important to note that the consolidated revenues do not account for 339 thousand tonnes of long product sales made by EFS during the period. These sales were made during the commissioning period for the new long product rolling mill recently installed at EFS and are consequently capitalised within the total project cost on the balance sheet and not in the income statement. From the beginning of 2012, when the new plant began commercial operations, long product sales by EFS are accounted for within the income statement.

Flat steel sales volumes fell by 21 per cent to 1 million tonnes in 2011, principally due to weaker export sales volumes, which were down by 35 per cent year on year due to the suspension of flat production at the EFS plant during the installation of the new long product mill.

The group's consolidated sales volume reached a total of 4.7 million tonnes in 2011, the same tonnage sold as during 2010.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2011 were 31 per cent, 65 per cent, and 4 per cent respectively.

Long steel production volumes reached 3.57 million tonnes during the year, a 5 per cent increase from the 3.41 million tonnes in 2010. Flat steel production volumes were 32 per cent lower at 1 million tonnes for the year, compared to 1.46 million tonnes in 2010. During 2011, EFS suspended its flat steel production to focus on long steel as part of the commissioning process of its new facilities.

Cost of Goods Sold

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

EFS's cost of goods sold, at 110 per cent, continues to reflect the impact of the reduction in production associated with the plant development programme.

	Standalone figures			**Consolidated**
EGP Mn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	6,546	12,017	1,285	18,611
COGS	6,243	10,001	1,418	16,404
COGS/Sales	**95%**	**83%**	**110%**	**88%**

Gross profit

Gross profit of EGP 2,207 million was recorded in 2011, an increase of 15 per cent from the EGP 1,924 million reached in 2010.

EBITDA

EBITDA for the year ending 31 December 2011 reached EGP 2,440 million, representing an increase of 16 per cent from EGP 2,111 million recorded in 2010.

Tax

The company's effective tax rate has increased, due to Egypt's higher corporate tax rate of 25 per cent which came in to effect in 2011, this compares with the 20 per cent rate in 2010.

Because of the tax rate increase, there was a one-time adjustment to the deferred tax liability and this was fully accounted for during the year.

Net profit after tax and minority interests

Net profit after tax and minority interests was EGP 202 million for 2011, in comparison to EGP 252 million for 2010.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.2 billion and net debt of EGP 8.0 billion. The company has gearing of Net Debt / Equity of 1.20 times.

Outlook

Our flexible business model which we have developed over the last 15 years has demonstrated its resilience to adverse circumstances. We expect that it will further enhance our performance as more normal conditions return to Egypt.

With our new long product rolling mill in Suez, we have greater flexibility than ever before to tailor production to demand and we will continue to pursue our plans for further vertical integration to improve our margins.

Divisional Overview

EZDK Performance Sales (EGP):	**December 2010**	**December 2011**	
Value:	9,853	12,017	Mn
Volume: Long: Flat:	 1,816,257 930,320	 1,886,099 886,477	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 4% 43%	 6% 40%	
EBITDA:	1.8	2.2	Bn
Production:			
Long Products:	1,847,866	1,858,069	Tonnes
Flat Products:	1,015,495	899,117	Tonnes
Billets:	1,931,053	1,985,516	Tonnes
ESR/ERM Performance Sales (EGP):			
Value:	6,236	6,546	Mn
Volume:	1,557,117	1,395,786	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	176	233	Mn
Production:			
Long Products:	1,562,628	1,368,000	Tonnes
Billets:	827,864	822,811	Tonnes
EFS **Sales (EGP):**			
Value:	1,355	1,285	Mn
Volume: Flat: ★ Long:	 374,395 0	 148,389 339,180	 Tonnes Tonnes
Exports as % of Sales:	95%	93%	
EBITDA:	73	18	Mn
Production:			
Flat Products:	445,649	101,350	Tonnes
Billets:	211,133	458,423	Tonnes
Long:	0	346,073	Tonnes

★ As the long product sales made by EFS during the full year 2011 were during the Commissioning Period of the plant, they are consequently capitalised within the total project cost in the balance sheet and not in the income statement. Starting 2012, the new plant began commercial operation. Therefore, Long Product sales by EFS will be accounted for within the income statement going forward.

– Ends –

Disclaimer:

This press release is issued by Ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.)the “Company”, in connection with the disclosure of the Company’s financial results for the twelvemonth period ending 31December2011. 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 Year Ended December 31, 2011
& Auditor's Report

AUDITOR'S REPORT

To the Shareholders of Ezz Steel Company

Report on the Financial Statements

We have audited the accompanying separate financial statements of Ezz Steel Company "An Egyptian Joint Stock Company" which comprise the separate balance sheet as at December 31, 2011, and the related separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These 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 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.

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Ezz Steel Company as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matters

- As explained in note No. (29) to the separate financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

  The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting therefrom.

  The company's management and its legal counsel are of the opinion that as the pronouncement of the ruling indicates that the penalty shall be imposed on the defendants in their personal capacity since the penalty is a personal one, hence the court did not issue a ruling that imposes a penalty on Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. In addition, the company's management is of the opinion that even in case of obtaining new licenses and paying their fees by the two subsidiaries, the percentage of increase in the investment cost -if incurred- in the light of the expected returns shall not substantially affect the economic feasibility of the expansion projects. Currently, it is difficult to determine the final outcome may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

- As explained in note No. (6-1) of the notes accompanying the separate financial statements, the item of investments in subsidiary companies includes an amount of LE 1.075 billion that represents the company's participation with a share of 33.82% in the capital of Al Ezz Flat Steel Company. In the light of the financial and operational indicators of the said company according to its financial statements as of December 31, 2011, the company prepared an independent financial study by using technical information, data and assumptions related to the company's operational conditions and future financial aspects of the subsidiary. Currently the study is being approved by the company's top management aiming to assure or deny the need to decline the mentioned investment by the impairment or not.

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 separate financial statements are in agreement with these records. The Company applies costing system that satisfies the purpose thereof and inventory count was performed by management in accordance with methods in practice.

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, April 9, 2012

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of December 31, 2011

	Note No.	31/12/2011 LE(000)	31/12/2010 LE(000)
Long Term Assets			
Fixed assets (net)	(4)	9 936 876	9 566 984
Projects under construction	(5)	3 557 555	3 318 753
Financial investments in associates	(6-1)	115	116
Financial investments available-for-sale	(6-2)	80	80
Payment under purchase of investments	(6-3)	109 800	109 800
Long term lending to others	(7)	5 083	3 384
Sales tax installments	(8)	165 456	130 964
Long term trade and notes receivable		-	209
Goodwill	(3-7)	315 214	315 214
Total long term assets		14 090 179	13 445 504
Current Assets			
Inventory	(9)	3 628 653	3 734 494
Trade and notes receivable	(10)	122 186	184 938
Debtors and other debit balances	(11)	627 564	586 039
Suppliers - advance payments		134 883	47 518
Investments in treasury bills	(3-6)	62 505	58 281
Cash and cash equivalents	(13)	1 170 964	1 414 853
Total current assets		5 746 755	6 026 123
Current Liabilities			
Banks - overdraft	(14)	999 463	1 136 151
Loan installments and facilities due within one year	(15)	3 576 517	3 292 651
Bonds loan due within one year	(24)	220 000	220 000
Trade and notes payable	(16)	1 364 477	1 144 614
Trade receivables - advance payments		235 376	410 353
Creditors and other credit balances	(17)	1 176 933	676 707
Provisions	(18)	204 076	122 585
Total current liabilities		7 776 842	7 003 061
(Increase) of current liabilities over current assets		(2 030 087)	(976 938)
Total investment		12 060 092	12 468 566
Financed as follows:			
Shareholders' Equity			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	3 961 284	3 955 479
Retained earnings		1 438 393	1 405 152
Net profit for the year		202 400	251 711
Treasury stocks	(23)	(71 921)	(71 921)
Translation difference adjustments		183 836	104 173
		8 430 317	8 360 919
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 599 573)	(3 599 573)
Total holding company shareholders' equity		4 830 744	4 761 346
Non-controlling interest		1 830 224	1 727 331
Total Shareholders' equity		6 660 968	6 488 677
Long Term Liabilities			
Loans and credit facilities	(15)	3 937 058	4 466 277
Other liabilities	(19)	238 207	204 795
Bonds loan	(24)	433 398	651 198
Deferred tax liabilities	(25)	790 461	657 619
Total long term liabilities		5 399 124	5 979 889
Total equity and long term liabilities		12 060 092	12 468 566

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

Auditor's Report "attached"

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Income
For the Financial Year Ended December 31, 2011

	Note No.	2011 LE(000)	2010 LE(000)
Sales (net)	(3-18)	18 610 760	16 621 432
Less :			
Cost of sales	(26)	16 403 725	14 697 822
Gross profit		2 207 035	1 923 610
Less:			
Selling and marketing expenses	(27)	113 323	154 341
General and administrative expenses	(28)	296 851	235 290
Impairment loss on assets	(12)	17 177	1 588
Provisions	(18)	81 491	95 429
Total expenses		508 842	486 648
Results from operating activities		1 698 193	1 436 962
Add (Less):			
Net finance cost			
Interest & finance expenses		(764 067)	(754 435)
Interest income		63 748	67 156
Amortization of bonds issuance expenses		(2 200)	(2 200)
Foreign exchange differences		(20 457)	706
		(722 976)	(688 773)
Add :			
Reversal of impairment loss on assets	(12)	36	100
Other revenues		52 889	23 272
Capital (loss) gain		(444)	673
		(670 495)	(664 728)
Net profit for the year before income tax		1 027 698	772 234
Less:			
Current income tax for the year	(3-20)	(358 606)	(170 764)
Deferred tax	(25)	(132 842)	(36 926)
Net profit for the year		536 250	564 544
Attributable to:			
Equity holders of the holding company		202 400	251 711
Non-controlling interest		333 850	312 833
Net profit for the year		536 250	564 544
Earnings per share for the year (LE/share)	(33)	0.24	0.32

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of cash flows
For the Financial Year Ended December 31, 2011

	Note No.	2011 LE(000)	2010 LE(000)
Cash flows from operating activities			
Net profit for the year before income tax		1 027 698	772 234
Adjustments to reconcile net profit to net cash from operating activities			
Depreciation	(4)	642 738	577 141
Amortization of accrued interest		(6 558)	(5 351)
Amortization of bond issuance costs		2 200	2 200
Reversal of impairment loss on assets	(12)	(36)	(100)
Impairment loss on assets	(12)	17 177	1 588
Provisions	(18)	81 491	95 429
Capital loss (gain)		444	(673)
Interest & finance expenses		764 067	754 435
Deferred revenues for accrued sold units installments		—	(22)
Financing income		—	(12 422)
Foreign currency exchange differences		97 569	148 097
		2 626 790	2 332 556
Changes in working capital			
- Inventory		141 596	(1 020 905)
- Trade receivables, debtors and other debit balances		(26 995)	78 207
- Creditors and other credit balances		(95 464)	364 741
- Provisions used		—	(11 131)
Cash generated from operating activities		2 645 927	1 743 468
Interest paid		(781 777)	(777 189)
Income tax paid		(170 764)	(141 244)
Net cash provided by operating activities		1 693 386	825 035
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(692 753)	(2 240 748)
Payments for purchase of financial investment (treasury bills)		(212 892)	(581 045)
Proceeds from reclaim of financial investment (treasury bills)		215 225	571 581
Proceeds from sale of fixed assets		2 105	1 596
Payments for fixed assets creditors		(206)	—
Payments for purchase of investments		—	(109 800)
Payments for lending others		(6 588)	(7 648)
Proceeds from lending others		7 103	7 278
Payments for decrease of non-controlling interest		—	(163 492)
Net cash used in investing activities		(688 006)	(2 522 278)
Cash flows from financing activities			
Changes in credit facilities		(81 472)	1 203 258
Payments for long term liabilities		(15 538)	(34)
Change in blocked time-deposits and current accounts		19 719	21 998
Proceeds from non-controlling interest for capital increase in a subsidary's capital		—	4 929
Payments for loans		(754 497)	(687 519)
Proceeds from loans		449 033	1 878 604
Payments for bonds loan		(220 000)	(220 000)
Dividends paid		(500 206)	(344 510)
Net cash (used in) provided by financing activities		(1 102 961)	1 856 726
Net change in cash and cash equivalents during the year		(97 581)	159 483
Cash and cash equivalents at beginning of the year	(13)	(15 551)	(232 754)
Translation differences		10 099	57 720
Cash and cash equivalents at the end of the year	(13)	(103 033)	(15 551)

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity

For the Financial Year Ended December 31, 2011

	Note No.	Capital LE (000)	Reserves LE (000)	The difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Total holding company shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/ 2010		2 716 325	3 943 001	(3 472 411)	1 368 717	27 150	(71 921)	88 132	4 598 993	1 674 937	6 273 930
Setting off profit of year 2009 in retained earnings		–	–	–	88 132	–	–	(88 132)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2009		–	–	–	(41 994)	–	–	–	(41 994)	(40 353)	(82 347)
Transferred to legal reserve		–	12 478	–	(12 478)	–	–	–	–	–	–
Dividends for the year 2009 to non-controling interest		–	–	–	–	–	–	–	–	(231 207)	(231 207)
Adjustments on EZDK reatined earnings		–	–	–	(852)	–	–	–	(852)	(709)	(1 561)
Increase in non-controling interest as a result of change in percentage of participation in a subsidiary		–	–	–	(70)	–	–	–	(70)	70	–
Reduction in non-controling interest as a result of ERM 's treasury stock redemption		–	–	–	3 697	–	–	–	3 697	(3 697)	–
The difference resulting from the acquisition of additional percentage in EZDK	(2-5)	–	–	(127 162)	–	–	–	–	(127 162)	(36 330)	(163 492)
Translation difference adjustments		–	–	–	–	77 023	–	–	77 023	46 858	123 881
Non-controling interest's participation in ERM's capital increase		–	–	–	–	–	–	–	–	4 929	4 929
Net profit for year 2010		–	–	–	–	–	–	251 711	251 711	312 833	564 544
Balance as of 31/12/2010		2 716 325	3 955 479	(3 599 573)	1 405 152	104 173	(71 921)	251 711	4 761 346	1 727 331	6 488 677

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Financial Year Ended December 31, 2011

	Capital LE (000)	Reserves LE (000)	The difference resulting from the acquisition of subsidiaries within the group LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Total holding company Shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/ 2011	2 716 325	3 955 479	(3 599 573)	1 405 152	104 173	(71 921)	251 711	4 761 346	1 727 331	6 488 677
Setting off profit of year 2010 in retained earnings	–	–	–	251 711	–	–	(251 711)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2010	–	–	–	(62 871)	–	–	–	(62 871)	(55 419)	(118 290)
Setting off EZDK company's share & non-controlling interst in employees and the board of directors' share in Contra Steel Company dividends of 2010	–	–	–	(1 228)	–	–	–	(1 228)	(1 021)	(2 249)
Transferred to legal reserve	–	5 805	–	(5 805)	–	–	–	–	–	–
Dividends for the year 2010 to employees and shareholders in Ezz Steel	–	–	–	(148 566)	–	–	–	(148 566)	–	(148 566)
Dividends for the year 2010 to non-controling interest in EZDK Company	–	–	–	–	–	–	–	–	(212 424)	(212 424)
Translation difference adjustments	–	–	–	–	79 663	–	–	79 663	37 907	117 570
Net profit for the year 2011	–	–	–	–	–	–	202 400	202 400	333 850	536 250
Balance as of 31/12/2011	2 716 325	3 961 284	(3 599 573)	1 438 393	183 836	(71 921)	202 400	4 830 744	1 830 224	6 660 968

The accompanying notes from No. (1) to No. (36) form an integral part of these financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the consolidated financial statements
For the Financial Year Ended December 31, 2011

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.

The Purpose of the Company & Its Subsidiaries

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

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

	31/12/2011 Percentage Share %	31/12/2010 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91	98.91
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	54.59
Al Ezz Flat Steel (EFS)	63.84 (Direct & Indirect)	63.84 (Direct & Indirect)

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

	31/12/2011 Percentage Share %	31/12/2010 Percentage Share %
Al Ezz Flat Steel (EFS)	55	55
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	87 (Indirect)	87 (Indirect)

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

- The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

  The estimates and underlying assumptions are reviewed on an going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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

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

2.5 Basis of consolidation

- The consolidated financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the holding company, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of subsidiary companies are included in a separate item "non controlling interest" in the consolidated financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated financial statements. Non controlling share in profits and losses of the subsidiary companies are included in a separate line item in the income statement.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency translation

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

Financial statements of Al Ezz Flat Steel (EFS)

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

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

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

3.2 *Fixed assets and depreciation*

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

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

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

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

Profits or losses resulting from fixed assets disposal are charged to the statement of income.

3.3 *Projects under construction*

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

3.4 Investments in associates

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

3.5 Available-for-sale investments

Available-for-sale investments are initially measured at fair value and as of the reporting date, the change in the fair value whether gain or loss is recognized directly in equity, except for impairment losses which are transferred to profit or loss. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market at the balance sheet date, except for investments which are not quoted in a stock exchange in an active market, in this case they are measured at cost.

3.6 Investments in treasury bills

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

3.7 Goodwill

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

3.8 Inventory

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

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

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

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

- Finished products: according to the actual manufacturing cost.

3.9 Trade and notes receivables and debtors & other debit balances

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

3.10 Cash and cash equivalents

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

3.11 Trade and notes payable and creditors & other credit balances

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

3.12 Impairment

A- Financial assets

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

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

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

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

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

B- Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

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

3.13 Interest-bearing borrowings

- Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the year of the borrowings on an effective interest basis.
- Borrowing costs of financing fixed assets are capitalized during the construction year till the asset is ready for use from the economical view.

3.14 Provisions

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

3.15 Reserves

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

Other reserves: the general assembly may form other reserves based on the Board of Directors' recommendation.

3.16 Share capital

Repurchase of share capital

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

3.17 Leased assets

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

3.18 Revenues

a) Sales revenues

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

b) Dividends

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

c) Interest income

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

3.19 Earnings per share

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

3.20 Income Tax

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

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at the balance sheet date.

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

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

4. FIXED ASSETS (NET)

	Land LE (000)	Buildings & constructions LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leashold improvments LE (000)	Total LE (000)
Cost as of January 1,2011	645 575	2 929 628	13 121 145	98 261	75 023	41 621	6 876	16 918 129
Additions during the year	278	226 927	606 761	6	4 540	6 729	—	845 241
Disposals during the year	—	—	(39 027)	(184)	(1 742)	—	(2 974)	(43 927)
Translation differences	3 363	63 981	149 409	65	409	896	—	218 123
Cost as of December 31, 2011	649 216	3 220 536	13 838 288	98 148	78 230	49 246	3 902	17 937 566
Accumulated depreciation as of January 1, 2011	—	940 522	6 220 562	95 135	61 099	26 951	6 876	7 351 145
Depreciation for the year	—	78 296	556 018	1 327	3 911	3 186	—	642 738
Accumulated depreciation of disposals	—	—	(37 073)	(184)	(1 147)	—	(2 974)	(41 378)
Translation differences	—	8 341	39 102	65	367	310	—	48 185
Accumulated depreciation as of December 31, 2011	—	1 027 159	6 778 609	96 343	64 230	30 447	3 902	8 000 690
Carrying amount as of December 31, 2011	649 216	2 193 377	7 059 679	1 805	14 000	18 799	—	9 936 876
Carrying amount as of December 31, 2010	645 575	1 989 106	6 900 583	3 126	13 924	14 670	—	9 566 984
Fixed assets fully depreciated still in use	—	117 557	290 692	89 928	41 275	17 613	2 287	559 352

— The additions during the year includes amounts of LE 226 751 k and LE 514 292 k for buildings and machinery & equipment respectively represent the cost of billet factory in Al Ezz Flat Steel Company which started actual operation on 1/1/2011 Note (No.5).

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

	31/12/2011 LE(000)
Operating expenses	635 410
Selling expenses	849
General & administrative expenses	6 479
	642 738

5. PROJECTS UNDER CONSTRUCTION

	31/12/2011 LE (000)	31/12/2010 LE (000)
Constructions expansion	425 205	442 867
Machinery under installation	2 061 921	1 384 820
Advance payments for purchase of land	471	471
Design and construction of administrative building	3 445	3 270
Advance payments for purchase of machinery	834 512	1 105 145
Salaries and other expenses capitalized as cost of new projects constructions	45 229	85 041
Net expenses of the commissioning period of the Billet factory*	-	256 208
Net expenses of the commissioning period of the Rebars factory **	157 270	-
Others	29 502	40 931
	3 557 555	3 318 753

* Starting from January 1, 2011 the company transferred an amount of US$ 124.1 million equivalent to LE 718.86 million from the balance of projects under construction as at 31/12/2010 to the items of buildings, machinery and equipment under fixed assets caption representing the cost of Al Ezz Flat Steel company's (a subsidiary) billet factory including the net expenses of billet factory commissioning period after finalizing the technical tests by issuing the consultant certificate for finalizing the works and starting the actual operation – Note (No. 4).

** Net expenses of the commissioning period of rebar factory for lines No. (1) &(2) represent the operating expenses of rebar factory No. (1) & (2) during commissioning period amounting to US$ 266.5 million equivalent to LE 1611 million which started on 1/1/2011 for line No.(1),and 1/7/2011 for line No.(2) after deducting sales of commissioning period amounting to US$ 240.5 million equivalent to LE 1454 million till the required technical tests of the rebar factory No. (1),(2) are to be finalized, the final acceptance certificate is to be issued and the factory is in serviceable condition. The technical tests of the rebar factory No. (1) & (2) were completed and the final acceptance certificate was issued on 1/1/2012.

6. INVESTMENTS

	Participation Percentage %	Investments cost 31/12/2011 LE (000)	31/12/2010 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
		115	116
6-2 Available-for-sale investments			
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
		17 806	17 806
Less:			
Impairment loss on Arab Company for Special Steel		17 726	17 726
		80	80

6-3 Payment Under Purchase of Investments

	31/12/2011 LE (000)	31/12/2010 LE (000)
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	109 800	109 800
	109 800	109 800

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

7. LONG TERM LENDING TO OTHERS

This item represents the following:

	31/12/2011 LE (000)	31/12/2010 LE (000)
The loans granted to the Company's employees (interest free)	5 083	3 384
	5 083	3 384

8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 165 456 k as of December 31,2011 represent in the balance of sales tax installments related to import capital goods (LE 130 964 k as of December 31,2010) in Ezz Rolling Mills Company- a subsidiary.

9. INVENTORY

	31/12/2011 LE (000)	31/12/2010 LE (000)
Raw materials and supplies	1 255 271	1 186 331
Work in process	460 850	292 578
Finished products	732 701	877 904
Spare parts and supplies	1 179 598	1 112 249
Goods in transit	233	245 603
Goods for sale	-	19 829
	3 628 653	3 734 494

Write-down of spare parts of inventory by an amount of LE 1 990 k arising from obsolete and slow moving items against to the same amount as of 31/12/2010.

10. TRADE AND NOTES RECEIVABLE (NET)

	Note No.	31/12/2011 LE (000)	31/12/2010 LE (000)
Trade receivables		134 820	190 107
Notes receivable		17 025	24 490
		151 845	214 597
Less:			
Impairment loss on trade receivables	(12)	29 659	29 659
		122 186	184 938

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2011 LE (000)	31/12/2010 LE (000)
Deposits with others		177 617	152 550
Tax Authority		344 442	234 820
Customs Authority		11 356	5 893
Accrued revenues		923	326
Prepaid expenses		31 026	29 804
Employees' loans		2 015	2 038
Tax Authority – sales tax		13 428	13 758
Alexandria Port Authority		42 489	42 486
Short - term lending		195	2 409
Letters of guarantee cash margin		4 825	190
Due from related parties	(20-1)	30 409	51 116
Other debit balances		43 699	109 368
		702 424	644 758
Less:			
Impairment loss on debtors and other debit balances	(12)	74 860	58 719
		627 564	586 039

12. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2011 LE (000)	Charged to the statement of income LE (000)	Reversal of impairment LE (000)	Balance as of 31/12/2011 LE (000)
Impairment loss on trade receivables	(10)	29 659	-	-	29 659
Impairment loss on debtors and other debit balances	(11)	58 719	16 177	(36)	74 860
Impairment loss on advances to suppliers		1 614	1 000	-	2 614
Impairment loss on investments available for sale	(6-2)	17 726	-	-	17 726
Write-down of inventory	(9)	1 990	-		1 990
		109 708	17 177	(36)	126 849

13. CASH AND CASH EQUIVALENTS

	31/12/2011 LE (000)	31/12/2010 LE (000)
Banks – Deposits	282 642	60 778
Banks – current accounts	835 835	1 306 350
Cheques under collection	51 202	46 324
Cash on hand	1 285	978
Investments fund	-	423
	1 170 964	1 414 853
Less:		
Banks – overdraft	999 463	1 136 151
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	274 534	294 253
Cash and cash equivalents in the statement of cash flows	(103 033)	(15 551)

14. BANKS - OVERDRAFT

This item represented within the current liabilities caption amounting to LE 999 463 K as of December 31, 2011 in banks – overdraft in Egyptian pound and US Dollars (against LE 1 136 151 K banks – overdraft as of December 31, 2010).

15- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate	Payment terms	Period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Collateral
Ezz Steel									
Banks - credit facilities			Average 10.8 % for the Egyptian Pound and 3.3% for the U.S Dollars			1 435 157	—	1 435 157	Without guarantees within a limit of LE 2.240 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	—	883 833	883 833	Within a limit of LE 2.27 billion gruanted by group of real estate mortgages and commercial location mortgage
Banks - credit facilities			0.5% over corridor			49 957	—	49 957	Without guarantees within a limit of LE 50 million.
Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities and Flat Steel	Variable interest	Lending rate & discount + 0.5% Deposite value + 2.9%	Semiannual installments Quartely installments	2-6 years	359 286	1 437 143	1 796 429	
Loans - foreign currency		Fixed interest Variable interest	3% - 5.5% 1%-3.5% over Libor	Semiannual installments	2-8 years	262 873	1 559 022	1 821 895	
Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez		Variable	Semiannual installments	August18, 2004 until February18, 2013	83 213	3 153	86 366	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						699 142	53 907	753 049	
Banks - credit facilities			Average 11.50 % for the Egyptian Pound, and 2% plus Libor rate (12 months) for the US$ and 2% plus Eurobor rate (12 months) for the EURO. In addition to the high debit balance for all currencies amounted to 0.05%.			686 889	—	686 889	Possession mortgage on inventories amounted to US Dollars 120 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Balance as of December31, 2011						3 576 517	3 937 058	7 513 575	
Balance as of December31, 2010						3 292 651	4 466 277	7 758 928	

15-1 Al Ezz El Dekheila for Steel - Alexandria

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the Board of Directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed in March 2009, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of December 31, 2011 amounts to LE 2.515 billion, so the balance of the loan as of December 31, 2011 after the accelerated payments of 2010 installments amount to LE 1.437 billion. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for six months (Note No. 13).
- In April 2010, Al Ezz El Dekheila for Steel - Alexandria acquired a revolving medium term loan from Arab African International Bank amounted LE 225 million or the equivalent in US Dollars for the purpose of restructuring of the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016), with interest rate of 0.5% above corridor for the Egyptian pound and 3.5% above libor for one month for US Dollar.
- In June 2010, the company acquired a medium term loan from Audi Bank amounted to US$ 100 million for the purpose of restructuring the company's debt with the banking sector and the loan will be paid by eight semiannual increasingly installments ended June 30, 2014. With interest rate of 3.5% above libor for six months but not less than 5.5% at anytime.
- In December 2010, the company acquired a revolving medium term loan from National Societe Generale Bank amounted US$ 51.95 million equivalent in LE 300 million, for the purpose of financing the company’s working capital and partial refinancing of the company’s investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts. The loan is to be fully paid in one installment on its due date June 30, 2016 with interest rate of 2% above corridor for the Egyptian pound and 3% above libor for one month for US Dollar.
- In January 2011, the company acquired a revolving medium term loan from National Bank Of Egypt amounted US$ 58.9 million, with equivalent not exceeding LE 350 million, for the purpose of financing the general investment requirements and to balance the company’s financial structure .The loan is to be fully paid in one installment on its due date October, 2015 with interest rate 3% above monthly libor for US Dollar.

15-2 Al Ezz Flat Steel

The Inter-creditor Agent is National Westminster Bank for Al Ezz Flat Steel Company - a subsidiary. It acts also as agent for the international syndicated loans in which 9 banks participated. According to the loan agreements the National Bank of Egypt acts as the Onshore Security Agent, and Royal Bank of Scotland acts as the Offshore Security Agent. The main securities provided are real estate mortgage and commercial pledge on the land, and all tangible and intangible assets of the company, the inventory, assignment of the company's rights under the steel making complex supply & construction contracts, technical support agreement and insurance policies in favor of the lenders.

The interest on local loans in US Dollar and the syndicated commercial loan is calculated by using variable interest rate based on LIBOR. Interest on local loans in Egyptian pound is calculated based on the Central Bank of Egypt Lending discount rate. Interest on SACE Guaranteed loan is calculated by using fixed interest rate which represents the prevailing consensus rate at the time of signing the loan agreement. The company agreed with the lenders to reschedule loan installments during September 2004. The subsidiary company is going to agree with the banks to reschedule the loans installments again.

15-3 Ezz Rolling Mills

The long term loan balance represents as follows:-

	31/12/2011 LE (000)	31/12/2010 LE (000)
Total long term loan	901 078	806 566
Accrued interest charged to statement of income	17 474	13 534
Unamortized borrowing cost	(34 719)	(42 203)
Net long term loan	883 833	777 897

16. TRADE AND NOTES PAYABLE

	31/12/2011 LE (000)	31/12/2010 LE (000)
Trade payables	1 350 557	1 137 423
Notes payable	13 920	7 191
	1 364 477	1 144 614

17. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2011 LE (000)	31/12/2010 LE (000)
Fixed assets - creditors	446 974	123 406
Accrued interest	102 550	119 484
Accrued expenses	67 696	73 902
Tax Authority	36 203	23 032
Performance guarantee retention	11 919	8 474
Sales tax installments	23	23
Tax Authority – sales tax	24 996	42 553
Income tax for the year	358 606	170 764
Dividends payable	20 738	40 147
Due to related parties	32	-
Alexandria Port Authority	31 391	25 345
Other credit balances	75 805	49 577
	1 176 933	676 707

18. PROVISIONS

	Balance as of 1/1/2011 LE (000)	Charged during the year LE (000)	Balance as of 31/12/2011 LE (000)
Tax provision and claims	120 630	81 491	202 121
Lawsuits and claims provision	1 955	-	1 955
	122 585	81 491	204 076

19. OTHER LIABILITIES

	Note No.	31/12/2011 LE (000)	31/12/2010 LE (000)
Fixed assets- creditors		164	188
Alexandria Port Authority	(19-1)	133 953	119 494
Sales tax installments –Import capital goods		104 090	85 113
		238 207	204 795

19-1 Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority inspit 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 Periods 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 and the dispute was referred to court and the lawsuit is scheduled to be considered during the session that shall be held in April 19, 2012 for perusal, the company records these amounts in the long term liabilities caption since the company is the party that will bear this tax in case the dispute doesn't result in the Port Authority's favor.

20. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales transactions of products in favor of those companies which amounted to LE 165 117 K in addition to other mutual services which amounted to LE 1 380 K and rent amounted to LE 1 100 K which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction volume LE (000)	Balance as of 31/12/2011 LE (000)	Balance as of 31/12/2010 LE (000)	Balance Sheet caption
Al Ezz for Trading and Distributing Building Materials	Sales	165 038	-	14 790	Debtors and other debit balances – due from related parties
		-	(32)	-	Creditors and other credit balances– due to related parties
		-	(57)	(682)	Trade receivables - advance payments
Al Ezz for Ceramics and Porcelain (GEMMA)	Other sales	79	28 276	25 356	Debtors and other debit balances – due from related parties
	Rent	1 100	-	-	
EZDK Steel UK Limited	Marketing service	1 380	-	-	

20.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	31/12/2011 LE (000)	31/12/2010 LE (000)
El-Gawhara Real Estate Projects	Affiliated company	15	11
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	28 276	25 365
Al Ezz for Engineering Heavy Projects	Affiliated company	-	8 935
Al Ezz Group Holding Company For Industry & Investment “Ezz Industries”	Holding company	2 096	2 012
Al Ezz for Trading and Distributing Building Materials	Affiliated company	-	14 790
Gulf of Suez Development Company	Affiliated company	22	3
		30 409	51 116

21. CAPITAL

21.1 Authorized capital

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

21.2 The issued and paid in capital

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

22. RESERVES

	31/12/2011 LE (000)	31/12/2010 LE (000)
Legal reserve	228 314	222 509
Premium share *	3 732 970	3 732 970
	3 961 284	3 955 479

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

23. TREASURY STOCKS

Treasury stocks as of December 31, 2011 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

24. BONDS LOAN

	31/12/2011 LE (000)	31/12/2010 LE (000)
The balance of bonds loan granted to the company according to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1 100 million (one thousand and one hundred million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that was due on June 30, 2010) with the value of LE 110 million per installment.	660 000	880 000
These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts from certain some banks.		
These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008*.		
Less:		
- Installments due within one year which were included in the current liabilities in the balance sheet.	(220 000)	(220 000)
- Bonds issuance cost balance	(6 602)	(8 802)
Bonds loan balance at the end of the year	433 398	651 198

* The bondholders resolved in their meeting dated October 15, 2011 the continuation of bonds after adjusting their interest rate to be fixed annual interest rate of 13.5% payable every six months starting from 1/7/2011 till 30/6/2012 and to be reconsidered the rate when the credit rating certificate for the year 2011 is issued.

25. DEFERRED TAX

25-1 Recognized deferred tax assets and liabilities

	31/12/2011		31/12/2010	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred tax				
Fixed assets	-	(1 303 864)	-	(947 007)
Provisions	25 582	-	4 567	-
Impairment loss on assets	19 546	-	12 441	-
Tax losses carried over	468 275	-	272 380	-
Total deferred tax	513 403	(1 303 864)	289 388	(947 007)
Netting off	(513 403)	513 403	(289 388)	289 388
Net deferred tax liabilities	-	(790 461)	-	(657 619)
Less:				
Previously charged deferred tax		(657 619)		(620 693)
Deferred tax in statement of income for the year		132 842		36 926
		=======		=======

25-2 Unrecognized deferred tax assets

	31/12/2011 LE (000)	31/12/2010 LE (000)
Receivables , debtors and inventory	27 281	18 396
Investments	4 432	3 545
Provisions	25 112	19 950
Carried forward losses	69 409	102 796
	126 234	144 687
	=======	=======

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

26. COST OF SALES

	2011 LE (000)	2010 LE (000)
Raw Materials	13 381 453	11 962 190
Salaries & Wages	556 367	372 645
Fixed assets depreciation	635 410	569 106
Manufacturing overhead	1 853 564	2 331 836
Manufacturing cost	16 426 794	15 235 777
Change in inventory – finished product and work in process	(23 069)	(537 955)
Cost of sales	16 403 725	14 697 822

27. SELLING & MARKETING EXPENSES

	2011 LE (000)	2010 LE (000)
Salaries & Wages	39 480	29 594
Advertising	5 052	31 150
Fixed assets depreciation	849	884
Others	67 942	92 713
	113 323	154 341

28. GENERAL & ADMINISTRATIVE EXPENSES

	2011 LE (000)	2010 LE (000)
Salaries & Wages	201 734	132 108
Maintenance expenses	5 978	5 846
Fixed assets depreciation	6 479	7 151
Others	82 660	90 185
	296 851	235 290

29. CONTINGENT LIABILITIES

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

	31/12/2011 (000)	31/12/2010 (000)
Letters of guarantee		
Egyptian Pound	7 423	12 173
US Dollar	-	9 928
	7 423	22 101
Letters of credit		
US Dollar	9 826	-
Euro	1 159	-
	10 985	-

Also there is a contingent liability relating to the guarantee of Al Ezz Rolling Mills Company – subsidiary company – in the execution of the subsidiary's obligations arising from the joint-facility contract between the subsidiary company and some banks with a ceiling of two billion and two hundred seventy million Egyptian pound to finance the remaining amount of the plant's construction and operation costs for the production of Direct Reduction Iron (D.R.I) at El Ain El Sokhna area.

30. CAPITAL COMMITMENTS

The capital commitments as of December 31, 2011 represents as follows:

- LE 70.907 million represents the value of constructing Lime Calcinations factory, power station, and development of pavement materials to the Al Ezz El Dekheila for Steel – Alexandria Company.

31. TAXATION

31.1 Ezz Steel Company

31.1.1 Corporate tax

- The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2004 and there are no taxes dues.
- The Tax Authority inspected the Company's books for year 2005 and there is an objection by form No. (19) and the dispute is currently finalized in the Internal Committee.
- The years from 2006 to 2009 were tax inspected and waiting the forms No. (19) Taxes.
- The Company submitted tax returns for years 2005 until 2010 in the due dates according to the provisions of Law No. 91 of 2005.

31.1.2 Sales tax

The Company's products are subject to a 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books for year 2008 and there are no tax disputes or outstanding dues until the date of the financial statements.

30.1.3 Payroll tax

The Tax Authority inspected the Company's books until 2007 and the dispute related to years 2006, 2007 is currently finalized in the Internal Committee.

31.2 Al Ezz Rolling Mills Company

31.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.The Tax Authority inspected the Company's books and a settlement was made until 2006 and the taxes due were paid.
- The company's books for years 2007 and 2008 are currently being inspected.
- The company submitted tax returns for years 2005 until 2010 according to the provisions of Law No. 91 of 2005.

31.2.2 Sales tax

The Company's products are subject to 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books until 2010 and the taxes due were paid.

31.2.3 Payroll tax

- The Company's books have been inspected by the Tax Authority till year 2008 and the taxes due were paid.
- The Company's books for year 2009 are currently being inspected.

31.3 Al Ezz El Dekheila for Steel – Alexandria Company

31.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000/ 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005.

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

The company was notified of the tax – claim amounts for the years 2000/2004 according to forms Nos. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

The Tax Authority has garnished the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute provided that the company should pay LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million fell due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011 .The said lawsuit is referred to the Alexandria Court of first instance to be considered.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 96.5 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the Appeal Committee.
- The company's tax inspection was made for years 2007/2008 and the company has not been notified of any form for inspection result.
- The company submitted its tax returns for the years 2009-2010 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns. The Company's books for years 2007/2009 are currently being inspected.

31.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The tax inspection for the years 2005-2007 was finalized and the company was notified of form No. (38 – Salaries) with tax differences amounting to LE 11.6 million, and objection was made thereto. The Internal Committee is in the process of being held for the purpose of presenting the documents supporting the company's point of view in order to settle the dispute concerning the due tax amount.
- Tax inspection was made for the years 2008-2010 and the company has not been notified of the results up to this date.

31.3.3 Sales Tax

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

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

- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company has not been notified of the results up to this date.

31.3.4 Service Charges Paid to the Customs Authority

- The company filed a lawsuit to reimburse the service charges pertaining to the equipment imported to be used in production which were paid to the Customs Authority under No. 2112/2002 regarding the shipments represented in the equipment and spare parts in implementation of the provision of law No. 66 / 1963, article No. (111) which stipulated the unconstitutionality thereof, since the Customs Authority has not rendered any services to our company with respect to the shipments incoming to the company from abroad. The amounts claimed by the company from the Customs Authority amounted to LE 126 million. On February 27, 2011 a ruling was issued by Alexandria Civil Court with respect to lawsuit No. (2012), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement. The Ministry of Finance has taken an objection to this ruling before the court of appeal, and the case is still in the process of being considered before court.

31.4 Al Ezz Flat Steel Company

31.4.1 Corporate tax

- In the light of issuing law No. 114 of 2008 on May 5th, 2008, the private free zones were deleted and the company become subject to corporate tax from that date.
- The company submitted its tax returns for years 2008 till 2010 in the due dates.
- The Tax Authority inspected the Company's books for year 2008 and the result of the inspection was tax losses for this year.
- The Company's books for year 2009 are currently being inspected.

31.4.2 Payroll tax

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

31.4.3 Sales tax

The Tax Authority inspected the Company's books until 30/6/2010 and the company paid the due amount.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial instruments

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

32.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduction of bonds issuance cost), loans and credit facilities which amounted to LE 8 173 575 K as of December 31, 2011 (LE 8 638 928 K as of December 31, 2010). Financing interest and expenses related to these balances amounted to LE 764 067 K during the year (LE 754 435 K during the previous year).

Time-deposits and investment fund amounted to LE 282 642 K as of December 31, 2011 (LE 61 201 K as of December 31, 2010), interest income related to these balances amounted to LE 63 748 K during the year (LE 67 156 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

32.3 Credit risk

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

32.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 510 290 K and LE 4 565 987 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	(398 972)
Euro	(55 119)
Swiss Frank	14
Sterling Pound	(210)
Japanese Yen	(3 310 804)
Algeria Dinar	107 295

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

33. EARNINGS PER SHARE FOR THE PERIOD

	2011	2010
Net profit for the year (LE 000)	202 400	251 711
Less:		
Employees' share in profit – holding company	-	15 091
Holding company's share in employees and board of directors' share in the subsidiaries dividends	76 509	64 099
	125 891	172 521
Average number of outstanding shares during the year	533 802 313	533 802 313
Earnings per share for the year (LE / share)	0.24	0.32

The employees' share in Ezz Steel profit for year 2011 has not been deducted, as the amount has not been approved and determined yet.

- The earnings per share for the year 2010 has been amended, after deducting the employees' and board of directors' share in profit of Ezz Steel which was decided by the General Assembly meeting held on September 10, 2011.Also the employees' and board of directors' share in Al Ezz El Dekheila for Steel - Alexandria (EZDK) profit has been deducted according to the General Assembly meeting held on August 27, 2011

34. THE LITIGATION STATUS

34.1 Al-Ezz Rolling Mills Company & Al-Ezz Flat Steel Company– Subsidiaries Companies

Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting therefrom.

The company's management and its legal counsel are of the opinion that as the pronouncement of the ruling indicates that the penalty shall be imposed on the defendants in their personal capacity since the penalty is a personal one, hence the court did not issue a ruling that imposes a penalty on Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. In addition, the company's management is of the opinion that even in case of obtaining new licenses and paying their fees by the two subsidiaries, the percentage of increase in the investment cost -if incurred- in the light of the expected returns shall not substantially affect the economic feasibility of the expansion projects, accordingly, there are no current negative indicators referring to impairment of the assets related to such licenses of the two subsidiaries as a result of withdrawal of the two licenses.

34.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

34.2.1 Workers Lawsuits Regarding Profits Differences

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

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

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

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

34.2.2 The lawsuits Referred to The Criminal Court

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

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

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

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

Some individuals and companies trespassed a part of the company's lands with an area of approximately 19 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated. December 13, 1998 issued by virtue of decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. Accordingly, the company took legal procedures against the trespassers who made the above mentioned violations on such lands and the said lawsuits are still considered before court and the session is scheduled for this purpose on May 6, 2012

35. OTHER TOPICS

35-1 EZDK Steel UK limited Company

On July 11, 2011, a ruling was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD, a subsidiary company, to be under the managerial control of BDO LLP England Institute in the United Kingdom due to its insolvency and based on the fact that the shareholders reached an agreement in regard to the procedures necessary to be taken to the effect of the company's liquidation.
However, the company still under the managerial control that Institute till the financial statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

35-2 Alexandria Port Authority

On June 19, 2011 Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011.

The amounts kept at the banks under attachment reached the amount of LE 66 million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of lawsuit No. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit is scheduled to be considered during the session dated May 23, 2012.

Despite the fact that Alexandria Port Authority has been notified of the unlawfulness of the administrative attachment imposed on the company's funds or its movables as a result of being established according to the provisions of the Arab and Foreign Funds Investment and Free Zones law and its amendments, in addition to the nullification of all the procedures of imposing the attachment as the materials stevedoring category is not subjected to sales tax.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company has filed lawsuit No. 1409 / 2011 in order to cancel the attachment, however, the lawsuit was postponed for consideration during the session that shall be held on April 19, 2012 and all banks were notified of the lawsuit of canceling the attachment.

36. COMPARATIVE FIGURES

Certain comparative figures of the balance sheet were reclassified to comply with the current year classification as a result of Al-Ezz Rolling Mills Company – a subsidiary reclassification of certain comparative figures of its balance sheet as follows:

	Before Adjustment (000)	After Adjustment (000)
Sales tax installments – Long term assets	85 113	130 964
Debtors and other debit balances	617 337	586 039
Creditors and other credit balances	662 154	676 707