AL EZZ STEEL REBARS REPORTS CONSOLIDATED FULL YEAR 2007 RESULTS

Strong Operating Performance; Growth Opportunities Progressed

Cairo, 27 May 2008 – Al Ezz Steel Rebars S.A.E. ("ezzsteel") (CASE: 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 2007. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	2006	**2007**	+/-
• Net sales	11.6bn	**16.2bn**	+40%
• Gross profit	3.2bn	**3.6bn**	+12%
• EBITDA*	3.6bn	**3.9bn**	+8%
• Net profit before tax	2.6bn	**2.9bn**	+11%
• Tax and deferred tax	611m	**653m**	+7%
• Net profit after tax and minority interests	995m	**1.1bn**	+12%
• EPS on a weighted average number of shares	5.85	**6.26**	+7%
• Net debt to Equity	1.26x	**0.99x**	-21%

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

Comment

Commenting on the 2007 results, Mr. Ahmed Ezz, Chairman and Managing Director of Ezz Steel, said:

""2007 reinforced our position as a leading steel producer, both in the Middle East and internationally and our results are a testament to this, with total net sales reaching EGP 16.2 billion and total production capacity of 5.3 million tonnes per year.

“These results should be viewed in the context of a highly dynamic global steel market. Internationally, steel prices rose considerably during 2007, and continue to do so, underpinned by an increasing supply and demand imbalance and the impact of rising raw materials prices. While visible in our top line, this is also reflected in our margins.

“Despite the record levels of production achieved during the year and efficiency levels which rival those of our international peer group, our focus has been on securing the future because of this industry context. In 2007, we initiated strategies for growth and improved integration efficiency across our operations, designed to build on the production performance we have become synonymous with.”

Outlook

The Company is building on its strong market position at home and overseas, expanding and optimizing existing operations as well as forging ahead with plans for the development of new facilities to further enhance productivity, minimize our exposure to industry pressures and pursue the opportunities presented by robust demand conditions.

The Company expects to maintain its current production in the near term and to benefit from the expansion and enhancement projects as they come on-stream.

The Company expects that there will continue to be strong demand for long products in Egyptian and regional markets. Demand for flat steel products is expected to continue to grow strongly in the Egyptian market as the country becomes increasingly industrialized. Steel prices globally have risen considerably in recent months, underpinned by an increasing supply and demand imbalance and the impact of rising raw materials prices.

2007 was also a landmark year for ezzsteel, making its first expansion outside of Egypt. This involved signing a Memorandum of Understanding with the Algerian Government to build and operate an integrated mini-mill complex that will provide the company a platform from which to serve the booming Algerian construction industry.

Algeria is attractive to ezzsteel because it is a country that is rich in oil and natural gas and has an economy that is growing rapidly. The country is a net importer of steel, consuming 2.8 million tonnes of rebar annually, but only producing in the region of 600 thousand tonnes domestically. There is a strong pipeline of government approved projects such as house building and road construction.

Full Year 2007 Operational Review

Regional steel sector overview

Steel consumption throughout the region has expanded rapidly in recent years underpinned by demand from the construction sector. Strong growth in demand has supported production growth across the region. MENA steel production was up by 9 per cent in 2007 and now represents one of the highest growth markets worldwide. MENA countries produced approximately 25.9 million tonnes of crude steel in 2007. Despite the growth in total crude steel output in the region, supply continues to be outpaced by MENA demand which grew 12 per cent to 38.1 million tonnes in 2007. As a result, the region remained a net importer of steel. Considering the high oil prices, steady GDP growth and construction projects in the pipeline, particularly in GCC region, the demand for rebar is expected to continue to grow.

Steel prices respond to supply and demand and fluctuate in response to general and industry-specific economic conditions. The price of steel – long and flat – continued to rise in 2007 as worldwide demand surged and the price of raw materials rose significantly.

During the course of 2007, Egyptian steel demand grew 15 per cent, compared with just 4 per cent in 2006 as the impact of major infrastructure projects and the expansion of real estate market took effect. The outlook for steel demand remains robust and all indications are that local market demand will be sustained.

As the market leader in Egypt, with over 65 per cent domestic market share in terms of sales, ezzsteel's priority is to facilitate industrial and economic growth in our home market and output is, therefore, first directed internally. Egypt is the Company's largest single market, with long and flat products having established a reputation for the highest quality and prompt delivery. Almost 74 per cent of sales in 2007 were derived from Egypt.

Sales

All of the below financial breakdowns are based on ezzsteel's consolidated financials which include 12 months financial performance of ezzsteel (ESR/ESM), EZDK and EFS. This is the first full year of consolidation for all of these entities, resulting from the restructuring undertaken in 2006.

Consolidated net sales for 2007 were EGP 16.2 billion compared with EGP 11.6 billion during 2006, representing a rise of 40 per cent. Long steel products accounted for 64 per cent of total sales and flat steel products represented 35 per cent of sales in 2007. Local sales accounted for 74 per cent of total sales, a rise of 13 per cent, this resulted from the Company's commitment to supply demand in the local market as a priority. The EU was ezzsteel's largest export market accounting for 72 percent of flat product in 2007, up from 34 per cent in 2006. Greatest demand for long product outside of Egypt came from the MENA region, which took 85 per cent of ezzsteel's rebar export compared to 62 per cent in 2006.

The contributions of ezzsteel, EZDK and EFS to net sales for the period ending 31 December 2007 were 28 per cent, 54 per cent, and 18 per cent respectively.

Sales EGP Mn	ESR/ESM	EZDK	EFS	Total
Long	4,536.17	5,865.06		**10,401.23**
Flat		2,701.69	2,916.40	**5,618.09**
Others	1.26	128.67	10.13	**140.06**
Total	**4,537.43**	**8,695.42**	**2,926.53**	**16,159.38**

The Egyptian market remains the focus for sales of long products while flat sales were mainly directed towards international markets, as illustrated below:

EGP Mn	Domestic	per cent	Export	per cent
Long	9,466	91	935	9
Flat	2,291	41	3,327	59

Rigorous attention to achieving best practice remained a focal point, as did a strong focus on developing the skills of the workforce. In 2007, production per employee stood at 883 tpa.

Cost of Goods Sold

EGP Mn	ESR/ESM	EZDK	EFS	The Company
Sales	4,537	8,826	2,932	16,159
COGS	4,215	5,710	2,721	12,511
COGS / Sales	**93per cent**	**65per cent**	**93per cent**	**77per cent**

In 2007, scrap and billet prices increased by 18 per cent and 29 per cent in dollar terms respectively. Freight costs, which influence overall feedstock prices, were stable for most of the year, however, sharp increases were seen in the final two months of 2007. Compared with global prices, ezzsteel's energy prices remained low and accounted for just 7 per cent of total costs.

Fluctuating feedstock prices continue to represent a challenge for the industry and the outlook remains volatile. ezzsteel took significant steps in 2007 towards reducing its ongoing exposure to this volatility. In addition to the existing DRI plants in operation at its EZDK facility in Alexandria, 2007 saw ezzsteel laying the foundations for two new DRI plants to be located in close proximity to its existing operations. Both plants will provide a captive supply of DRI for internal company use, thus reducing ezzsteel's reliance on externally sourced scrap. The plants are expected to process an additional 3.2 million tonnes of DRI for internal consumption, with production scheduled to commence in Q3 2010.

Gross profit

Increased vertical integration allows ezzsteel to protect and improve gross margin. Gross profit for the period ended 31 December 2007 was EGP 3.6 billion up from EGP 3.2 billion in 2006. The significant price appreciation witnessed in global raw material prices has put some pressure on our gross margin, which ended the year at 23 per cent.

EBITDA

EBITDA for the period reached EGP 3.9 billion, up from EGP 3.6 billion for the same period in 2006 reflecting a 10% growth in the absolute value of EBITDA between 2007 and 2006.

At ezzsteel, EBITDA is calculated as follows: Sales – cost of goods sold – selling & marketing expenses – G&A expenses + Depreciation and amortization.

Tax and deferred tax

The corporate tax rate for Egyptian companies is 20 per cent of net income. Tax and deferred tax reached EGP 653 million in 2007, compared to EGP 611 million in 2006, making ezzsteel one of the largest corporate tax payers in Egypt. Income tax paid during 2006 amounted to EGP 492 million.

Net profit after tax and minority interests

Net profit after minority interests was EGP 1.1 billion, up 13 per cent in comparison to the same period in 2006. This has delivered earnings per share (EPS) of EGP 6.26 in 2007, a 7 per cent increase versus EGP 5.85 per share in 2006 on a weighted average number of shares basis.

Net debt

During the course of 2007, cash generated from operations has been used to reduce net debt. By 31 December, 2007 Net Debt stood at EGP 5.3 billion. This represents a Net Debt / EBITDA ratio of 1.3x compared to 1.8x in 2006.

Divisional Overview

Please note that the below mentioned overview reflects the full year performance of each entity on a stand alone basis rather than the consolidated portions within the 2007 ezzsteel consolidated financials.

EZDK (Alexandria)

		2007	2006	% change
Sales:				
	Value:	EGP 8.8 bn	EGP 8.1 bn	8.6%
	Volume:			
	Long:	1,824 thousand ton	1,785 thousand ton	2.2%
	Flat:	770 thousand ton	962 thousand ton	-20%
	Exports as % of Sales:			
	Long:	10%	27%	
	Flat:	47%	54%	
	EBITDA:	EGP 3.5bn	EGP 3.4bn	+5%
Production:				
	Long Products:	1,759 thousand ton	1,721 thousand ton	2%
	Flat Products:	775 thousand ton	984 thousand ton	-21%
	Billets:	1,869 thousand ton	1,818 thousand ton	3%
	No. of Employees:	3,500		

ESR/ESM (Sadat City & 10th of Ramadan City)

		2007	2006	% change
Sales:				
	Value:	EGP 4.5 bn	EGP 3.5 bn	29%
	Volume:	1,395 thousand ton	1,281 thousand ton	19%
	Exports as % of Sales:	8%	18%	
	EBITDA:	EGP 314 mn	EGP 312mn	+1%
Production:				
	Long Products:	1,367 thousand ton	1,243 thousand ton	10%
	Billets:	788 thousand ton	763 thousand ton	3%
	No. of Employees:	1,700		

EFS (Suez)

		2007	2006	% change
Sales:				
	Value:	EGP 2.9 bn	EGP 2.3 bn	26%
	Volume:	892 thousand ton	781 thousand ton	14%
	Exports as % of Sales:	71%	60%	
	EBITDA:	EGP 291 mn	EGP 343mn	-15%
Production:				
	Flat Products:	932 thousand ton	784 thousand ton	19%
	No. of Employees:	1,000		

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

Al Ezz Steel Rebars (ezzsteel) is the largest independent steel producer in the Middle East and North Africa, with a total actual capacity of 5.3 million tonnes of finished steel per annum in 2007. It is the Egyptian market leader with over 65 per cent market share in terms of sales.

In 2007, the Company produced 3.1 million tonnes of long products (typically used in construction) and 1.7 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 70 per cent of its plants are less than 10 years old using the latest in modern steel making technology.

Disclaimer:

Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, or any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments nor shall assume, and each of ezzsteel, any of its directors, officers or employees or any other person expressly disclaims, any obligation, except as required by law, the listing rules of the CASE or the LSE or the FSA, to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

By accepting any copy of this document, you agree to be bound by the foregoing limitations and restrictions.

Translation from Arabic

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements for the Year Ended 31 December 2007
and Auditor's Report

Translation from Arabic

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Translation from Arabic

Auditor's Report
To The Shareholders of AL EZZ STEEL REBARS Company (S.A.E)

We have audited the Consolidated Financial Statements of AL EZZ STEEL REBARS Company (An Egyptian Joint Stock Company) which comprises the consolidated balance sheet as of 31 December 2007, and the related consolidated statements of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the period then ended. These consolidated financial statements are the responsibility of the Company's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We have obtained the information and explanations which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the financial position of the Company as of 31 December 2007, and the results of its operations and its consolidated cash flows for the period then ended in accordance with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

The Company keeps proper accounting records which include all that is required by law and by the statutes of the Company, and the financial statements are in agreement therewith. The Company also maintains proper cost accounting records that meet the purposes thereof. The inventory count was performed by the Company's management in accordance with methods in practice.

(KPMG Hazem Hassan)

Cairo, 25 March 2008

Al Ezz Steel Rebars Company - S.A.E

Consolidated Balance Sheet as of 31 December 2007

In thousands of Egyptian pounds	Note No.	31/12/2007	31/12/2006
Long Term Assets			
Property, plant & equipment (Net)	(3-3) (4)	10 484 284	11 163 131
Projects under construction	(3-4) (5)	116 977	22 772
Investments (Net)	(3-5) (6)	62 973	6 340
Long term lending	(7)	6 021	8 142
Other assets (Net)	(3-6)	327	653
Deferred tax assets	(3-15) (22)	245	15 089
Total long term assets		10 670 827	11 216 127
Current Assets			
Inventories	(3-7) (8)	2 547 576	2 565 206
Trade and notes receivable (Net)	(3-8) (9)	265 407	312 601
Advances to suppliers (Net)		125 290	130 576
Debtors and other debit balances (Net)	(3-8) (10)	346 316	323 255
Cash and cash equivalents	(3-13) (11)	1 892 432	798 749
Total current assets		5 177 021	4 130 387
Current Liabilities			
Provisions	(3-12) (12)	51 886	208 294
Banks - overdraft	(13)	1 355 855	668 107
Trade and notes payable	(3-9) (14)	715 580	523 464
Advances from customers		616 330	573 803
Creditors and other credit balances	(3-9) (15)	1 304 748	924 809
Credit facilities and loans installments due within one year	(3-17) (16)	1 901 056	1 719 753
Total current liabilities		5 945 455	4 618 230
(Excess of current liabilities over current assets)		(768 434)	(487 843)
Total investment		9 902 393	10 728 284

Translation from Arabic

Al Ezz Steel Rebars Company - S.A.E

Consolidated Balance Sheet as of 31 December 2007

In thousands of Egyptian pounds	Note No.	31/12/2007	31/12/2006
Total investment		9 902 393	10 728 284
Financed as follows:			
Shareholders' Equity			
Issued & paid in capital	(19)	911 941	911 561
Reserves	(3-16) (20)	3 859 586	3 772 792
Retained earnings		997 623	463 209
Net profit for the year		1 121 956	994 860
Interim dividends		(240 017)	-
Convertible bonds		-	1 672
Treasury stocks	(3-18) (21)	(35 884)	(35 884)
Exchange differences from translation	(3-2)	39 794	79 829
Profit share to employees and for the Board of Directors (EZDK - Alexandria) regarding the year dividends		(44 081)	(40 609)
Total shareholders' equity		6 610 918	6 147 430
The difference resulting from the acquisition of EZDK - Alexandria	(2-5)	(3 280 493)	(3 280 493)
Net shareholders' equity		3 330 425	2 866 937
Minority interest		1 970 949	2 283 266
Long Term Liabilities			
Loans	(3-17) (16)	3 892 117	4 902 129
Other liabilities	(17)	195 631	309 180
Deferred tax liabilities	(3-15) (22)	513 271	366 772
Total long term liabilities		4 601 019	5 578 081
Total finance of working capital and long term assets		9 902 393	10 728 284

The accompanying notes from No. (1) to No. (28) are an integral part of these financial statements.

Auditor's Report "attached"

(Chairman)

Eng./ Ahmed Abdel Aziz Ezz

Al Ezz Steel Rebars Company - S.A.E

Consolidated Income Statement for the Year Ended 31 December 2007

In thousands of Egyptian pounds	Notes No.	2007 LE	2006 LE
Net sales	(3-10)	16 159 380	11 643 116
Less :			
Cost of sales		12 510 614	8 411 767
Gross profit		3 648 766	3 231 349
Selling and marketing expenses		(200 508)	(84 064)
General and administrative expenses		(170 417)	(126 488)
Finance expenses	(3-11)	(709 601)	(570 103)
Trade receivable impairment losses	(3-14)	-	(1 484)
Provisions	(3-12)(12)	(5 955)	(81 679)
Provisions no longer needed		-	104 500
Reversed impairment for investments available for sale	(3-14)	56 634	-
Interest income		66 660	31 490
Gain from investments		-	6 167
Gain on sale of investments		-	436
Foreign exchange differences		9 030	(7 379)
Other income		180 104	49 108
Capital (loss)/ gain		(82)	11 178
Net profit before taxes		2 874 631	2 563 031
Income tax			
Income tax	(3-15)	(491 657)	(488 232)
Deferred tax	(3-15) (22)	(161 344)	(122 965)
Net profit for the year before minority interest		2 221 630	1 951 834
Minority interest		(1 099 674)	(956 974)
Net profit for the year after minority interest		1 121 956	994 860
Earning per share (LE/Share)	(27)	6.26	5.85

The accompanying notes from No. (1) to No. (28) are an integral part of these financial statements.

Al Ezz Steel Rebars Company - S.A.E

Consolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2007

In thousands of Egyptian pounds

	Note No.	Share Capital	Reserves	The Difference Resulting from the Acquisition of Al Ezz El Dekhaila for Steel- Alexandria	Retained Earnings	Exchange Differences from Translation	Treasury Stocks	Net Profit for the Year	Employees and Board of Directors Share in Interim Distributions	Convertible Bonds	Interim Dividends	Total
Balance as of 1 January 2006		430 000	18 597	-	35 521	-	(35 884)	450 341	-	-	-	898 575
Increase in capital	(19-2)	481 561	-	-	-	-	-	-	-	-	-	481 561
Additional paid in capital	(20)	-	3 731 678	-	-	-	-	-	-	-	-	3 731 678
The difference resulting from the acquisition of EZDK		-	-	(3 280 493)	-	-	-	-	-	-	-	(3 280 493)
Transferred to legal reserve		-	22 517	-	-	-	-	(22 517)	-	-	-	-
Closing year 2005 profits in retained earnings		-	-	-	427 824	-	-	(427 824)	-	-	-	-
Adjusting retained earnings by the Company's share in employees profits and the board of directors bonus distributed from Al Ezz El Dekhaila for Steel - Alexandria for 2005		-	-	-	(11 223)	-	-	-	-	-	-	(11 223)
Adjusting retained earnings by the Company's share in EFS profit		-	-	-	11 087	-	-	-	-	-	-	11 087
Cumulative translation adjustment of EFS		-	-	-	-	79 829	-	-	-	-	-	79 829
Employees and the board of directors' share in the dividends of the Year		-	-	-	-	-	-	-	(40 609)		-	(40 609)
convertible bonds		-	-	-	-	-	-	-	-	1 672	-	1 672
Net profit for the year		-	-	-	-	-	-	994 860	-	-	-	994 860
Balance as of 31 December 2006		911 561	3 772 792	(3 280 493)	463 209	79 829	(35 884)	994 860	(40 609)	1 672	-	2 866 937
Increase in capital	(19-2)	380	-	-	-	-	-	-	-	(380)	-	-
Additional paid in capital	(20)	-	1 292	-	-	-	-	-	-	(1 292)	-	-
Closing the employees and the board of directors' share in the dividends of 2006		-	-	-	(40 609)	-	-	-	40 609	-	-	-
Closing year 2006 profits in retained earnings		-	-	-	994 860	-	-	(994 860)	-	-	-	-
Transferred to legal reserve from ESR dividends		-	85 502	-	(48 139)	-	-	-	-	-	(37 363)	-
Employees and shareholders' share in ESR 2006 distributions		-	-	-	(202 569)	-	-	-	-	-	-	(202 569)
Reduction of retained earnings against treasury stocks of Al Ezz El Dekhaila for Steel - Alexandria		-	-	-	(160 529)	-	-	-	-	-	-	(160 529)
Translation adjustment		-	-	-	(5 178)	(40 035)	-	-	-	-	-	(45 213)
Reverse of ESR treasury shares in profit distribution		-	-	-	5 926	-	-	-	-	-	-	5 926
Company's share in employees and the board of directors' share in the dividends of 2006		-	-	-	(9 348)	-	-	-	-	-	-	(9 348)
Company's share in employees and the board of directors' share in the dividends of 2007		-	-	-	-	-	-	-	(44 081)	-	-	(44 081)
Interim dividends		-	-	-	-	-	-	-	-	-	(202 654)	(202 654)
Net profit for the year		-	-	-	-	-	-	1 121 956	-	-	-	1 121 956
Balance as of 31 December 2007		911 941	3 859 586	(3 280 493)	997 623	39 794	(35 884)	1 121 956	(44 081)	-	(240 017)	3 330 425

The accompanying notes from No. (1) to No. (28) are an integral part of these financial statements.

Al Ezz Steel Rebars Company - S.A.E.
Consolidated Statement of Cash Flows for the Year Ended 31 December 2007

In thousands of Egyptian pounds	Note No.	2007	2006
Cash Flows from Operating Activities			
Net profit for the year after minority interest		1 121 956	994 860
Adjustments:			
Depreciation	(4)	659 100	561 326
Amortization of other assets		327	327
Investments income		-	(6 167)
Deferred tax		161 344	122 965
Income taxes		491 657	488 232
Change in minority interest		1 099 674	956 974
Amortization of bonds' issuance discount		-	69
Trade receivable impairment losses		-	1 484
Change in projects under construction		-	743
Provisions		5 955	81 679
Provisions reversed		-	(104 500)
Reversed impairment for available for sale investments		(56 634)	-
(Gain) on sale of investments		-	(436)
Capital losses/(gain)		82	(11 178)
Foreign exchange differences		(42 431)	(15)
		3 441 030	3 086 363
Changes in working capital			
Change in inventories		422	(45 426)
Change in trade and notes receivable, debtors and other debit balances		(35 955)	275 242
Change in trade and notes payable, creditors and other credit balances		468 661	(504 361)
Payments of income tax		(548 927)	(128 660)
Provision used	(12)	(162 363)	(13 718)
Net cash provided by operating activities		3 162 868	2 669 440
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment and projects under construction		(196 853)	(111 077)
Acquisition of investments		(308 479)	(546 958)
Proceeds from selling of property, plant and equipment		380	11 234
Proceeds from selling investments		-	1 311
Payments for fixed assets suppliers		-	(19)
Proceeds from lending to others		2 121	746
Payments for sales tax installments		(1 315)	(2 507)
Net cash (used in) investing activities		(504 146)	(647 270)
Cash Flows from Financing Activities			
Change in credit facilities		181 729	469 272
Change in long term liabilities		(305 775)	-
Payments for loans		(865 098)	(1 181 213)
Payments for bonds		-	(7 567)
Cash payments for purchase of treasury stocks		(319 277)	-
Dividends paid		(945 132)	(992 098)
Net cash (used in) financing activities		(2 253 553)	(1 711 606)
Net change in cash and cash equivalents		405 169	310 564
Cash and cash equivalents at the beginning of the year		129 522	(179 934)
Currency differences resulting from translation		1 887	12
Cash and cash equivalents at the end of the year	(3-13) (11)	536 578	130 642

The accompanying notes from No. (1) to No. (28) are an integral part of these financial statements.

1. Background

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

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.

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

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

Following is an analysis of investments in the subsidiary Companies of Al Ezz Steel Rebars which are included in the consolidated financial statements:

	31/12/2007 Share percentage %	31/12/2006 Share percentage %
Al Ezz Rolling Mills Company (ERM)	90.73	90.73
Al Ezz El Dekheila For Steel-Alexandria (EZDK)	50.28	50.28
Al Ezz Flat Steel (EFS)	75.15	54.23

2. Basis of preparation

2.1 Statement of compliance

The financial statements are prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

2.2 Basis of measurement

The financial statements are prepared on the historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Egyptian pound (L.E.), which is the Company's functional currency.

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, revenue and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that the Company's management believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a going basis, revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Basis of consolidation

- All inter-Company balances, transactions and unrealized income were eliminated.
- Minority interest in the net equity and in net earnings of subsidiary companies is included in a separate item "minority 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. Minority share in profits and losses of the subsidiary Companies are included in a separate line item in the income statement.
- The effect of the capitalization of foreign currency exchange differences on the fixed assets item of the financial statements of Al Ezz Rolling Mills (ERM) Company was eliminated for the purpose of preparing the consolidated financial statements.

Acquisition cost was allocated as follows

- The difference between the acquisition cost of the shares of Al Ezz Rolling Mills Company by Al Ezz Steel Rebars Company and the carrying amount of these shares, which amounts to LE 956 thousand, was recognized as impairment losses of trade receivables, which the parent Company deemed necessary upon acquisition.

- The difference between the acquisition cost of additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital (represents 29.39% from its capital) and net carrying amount of these shares which amounts to LE 3.28 billion. As this difference resulted from the restructuring between companies within the same group, it was reduced from the total shareholders' equity.

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3. Significant accounting policies

3.1 Basis for preparation of consolidated financial statements

The accounting policies listed below have been consistently applied during the financial years presented in these consolidated financial statements.

3.2 Foreign currency translation

The Company maintains its books of accounts in Egyptian pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the dates of transactions. At the financial statements date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing exchange rates of the banks that the Company deal with at that date. The exchange differences resulting from the value of transactions carried during the period and the value of retranslation at the financial statements date are recorded in the income statement.

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 Pounds at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pounds at the average exchange rate for the period. Exchange differences arising from the translation are included in the shareholders equity.

3.3 Property, plant & equipment and related depreciation

Property, plant & equipment are stated at historical cost less accumulated depreciation and impairment losses, as shown in note No.(4). Depreciation is charged to the income statement on straight-line basis over the estimated useful lives of assets.
The estimated useful life for each item is as follows:

Asset	**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)

3.4 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 property, plant and equipment caption when they are completed and are ready for their intended use.

3.5 Investments

3.5.1 Investments in subsidiaries & associates

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

3.5.2 Available for sale investments

Other financial instruments that are kept are classified as available for sale investments, and are recorded at its fair value except those that are not listed in the stock exchange market. This caption is recorded at the fair value. Direct gain or loss is included in the stockholders equity.

When the asset is disposed of, the previously recognized gain or loss included in the stockholders' equity is charged to the income statement except for the impairment losses.

The investments that are not listed on stock exchange market are stated at cost less impairment losses.

3.6 Other assets

Other assets are carried at cost, less accumulated depreciation, less any recognized impairment losses. Other assets are represented in fixtures and improvements in leasehold occupied by the Company. These assets are depreciated using the lower of lease term or assets useful lives.

3.7 Inventories

Inventories are measured at the lower of cost and net realizable value. 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:

- The cost of raw materials and spare parts inventories is based on the first-in first-out or weighted or moving average principles depending on the type of inventories, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.
- Work in progress inventory cost is determined based on the actual industrial costs according to the last phase that production reached.
- Finished goods inventory is based on the industrial costs according to costs sheets.

3.8 Trade and notes receivable, debtors and other debit balances

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

3.9 Trade and notes payable, creditors and other credit balances

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

3.10 Revenue recognition

Revenue is recognized when the client receives goods together with its related risks and benefits and issuance of invoices to clients.

3.11 Borrowing costs

Borrowing costs are charged directly to the income statement and are classified within finance expenses account.

Borrowing costs that are incurred to finance the acquisition of fixed assets are capitalized during the construction installation period until the asset is ready for economic use.

3.12 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 an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

3.13 Cash and cash equivalents

For the purpose of preparing the cash flows statement, cash and cash equivalents comprise cash balances, call deposits that do not exceed three months and Banks' overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.14 Impairment

The carrying amounts of the Company's assets, (other than inventories), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-assessed. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement and the annual depreciation related to the impaired assets for the following years is computed based on the adjusted value. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.15 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 for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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 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.

3.16 Reserves

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

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

3.17 Borrowings

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

3.18 Repurchase of share capital

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

3.19 Leased assets

The leased assets are classified as property, plant & equipment 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 within current liabilities.

4. Property, plant & equipment (Net)

Description *In thousands of Egyptian pounds*	*** Land**	**Buildings & constructions**	**Machinery & equipment**	**Vehicles**	**Furniture & office equipment**	**Tools & appliances**	**Leased assets**	**Total**
Cost as of 1 January 2007	395 839	2 863 777	12 248 043	92 170	71 227	40 262	477 804	16 189 122
Additions during the year	70 000	1 633	40 677	1 420	3 642	5 852	-	123 224
Disposals during the year	-	(402)	(29 707)	(5 943)	-	-	-	(36 052)
Foreign exchange differences	(1 552)	(45 653)	(107 134)	(51)	(226)	(218)	-	(154 834)
Cost as of 31 December 2007	464 287	2 819 355	12 151 879	87 596	74 643	45 896	477 804	16 121 460
Accumulated depreciation as of 1 January 2007	-	649 985	4 032 648	89 086	57 475	33 369	163 428	5 025 991
Depreciation for the year	-	71 131	561 903	1 253	4 292	1 464	19 057	659 100
Accumulated depreciation of disposals	-	(402)	(28 620)	(5 749)	-	-	-	(34 771)
Foreign exchange differences	-	(2 282)	(10 714)	(29)	(88)	(31)	-	(13 144)
Accumulated depreciation as of 31 December 2007	-	718 432	4 555 217	84 561	61 679	34 802	182 485	5 637 176
Net book value as of 31 December 2007	464 287	2 100 923	7 596 662	3 035	12 964	11 094	295 319	10 484 284
Net book value as of 31 December 2006	395 839	2 213 792	8 215 395	3 084	13 752	6 893	314 376	11 163 131

* Al Ezz Steel Rebars acquired its land by virtue of a temporary handing over report. The procedures of registering the land in the Company's name, according to the conditions of the new urban communities, are still in process.

* Al Ezz Steel Rebars acquired land amounting to LE 70 million by virtue of a primary sales contract. The procedures of registering the land in the Company's name are still in process.

* Al Ezz El Dekhaila for Steel - Alexandria is still taking the necessary procedures to register its full ownership of the acquired land from Alexandria governrate, Army forces and others.

4.1 Leased assets (Al Ezz El Dekheila for Steel – Alexandria)

In thousands of Egyptian pounds	
- Equipment concerning DRI plant & steel plant (Agreements concluded with IDB and IBP) (refer to note 15 & 17)	251 553
- Equipment concerning Flat Steel plant (Agreements concluded with IDB, IBP & UIF) (refer to note 15 & 17)	226 251
	477 804

The ownership of the equipment is to be transferred to the Company at the end of the rental period as a grant.

5. Projects under construction

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
- Construction expansions	1 659	17
- Machinery under installation	68 200	-
-Advance payments for		
* land purchase	18 444	13 767
- Machinery and equipment	28 674	8 988
	116 977	22 772

* This item represents the advance payments for the three plots of land purchased from Gulf of Suez Development Company with a total area of 1 830 001 m^2, at a total value of LE 46 million.

6. Investments

In thousands of Egyptian pounds	**Share percentage %**	**Investments cost 31/12/2007**	**Investments cost 31/12/2006**
Investments in subsidiaries & associates companies			
Iron For Industrial, Trading and Constructing Steel Company (Contra Steel) S.A.E	90	45 000	48 614
Egyptian German Co. for Marketing Flat Steel (Franco) (under liquidation)	40	72	72
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
EZDK Steel Europe GMBH Co.	50	69	69
EZDK Steel UK LTD Co.	50	1	1
		45 167	48 781
Impairment of investments in Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) S.A.E		-	(48 614)
		45 167	167
Available for sale investments			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
Impairment of investment in Arab Company for Special Steel (SAE)		-	(11 633)
		17 806	6 173
		62 973	6 340

7. Long term lending

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

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
The loan granted to the Staff Cooperative Society for Building & Housing (interest free).	4 590	6 790
The loans granted to the Company's staff (interest free).	1 431	1 352
	6 021	8 142

8. Inventories (Net)

In thousands of Egyptian pounds	31/12/2007	31/12/2006
Raw materials	848 326	800 475
Work in progress	134 352	114 659
Finished products	533 072	517 649
Spare parts	857 511	808 296
Goods in transit	67 732	89 098
Letters of credit	106 583	235 029
	2 547 576	2 565 206

9. Trade and notes receivable (Net)

In thousands of Egyptian pounds	31/12/2007	31/12/2006
Trade receivable	168 877	275 825
Notes receivable	135 490	75 736
	304 367	351 561
Impairment losses	(38 960)	(38 960)
	265 407	312 601

10. Debtors and other debit balances (Net)

In thousands of Egyptian pounds	31/12/2007	31/12/2006
Deposits with others	59 782	57 636
Tax authority	106 536	125 616
Customs authority	11 435	8 547
Accrued revenues	3 983	31 005
Prepaid expenses	22 090	18 610
Advances to employees	1 113	1 078
Customs draw back	-	2 413
Sales tax authority	60 470	59 017
Alexandria port authority	42 489	42 489
Short - term lending (refer to note 7)	507	3 960
Letters of guarantee cash margin	494	511
Indemnities debtors'	67 184	-
Due from related parties (refer to note 18-1)	7 810	1 461
Other debit balances	14 218	27 707
	398 111	380 050
Impairment losses	(51 795)	(56 795)
	346 316	323 255

11. Cash and cash equivalents

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
Deposits	358 790	385 172
Banks - current accounts	1 469 226	261 282
Cheques under collection	60 282	33 750
Cash on hand	3 514	2 247
Investment fund*	620	116 298
	1 892 432	798 749
For statement of cash flows preparation purposes		
Less		
Banks overdraft	(1 355 855)	(668 107)
	(536 578)	(130 642)

* Represents a number of 5 644 investment deeds with accumulated daily interest.

12. Provisions

In thousands of Egyptian pounds	**Balance as of 1/1/2007**	**Formed during the year**	**Used during the year**	**Balance as of 31/12/2007**
Claims and contingent liabilities provision	208 294	5 955	(162 363)	51 886

13. Banks – overdraft

This item represents banks – overdraft classified within the current liabilities caption which amounts to LE 1 355 855 thousand as of 31 December 2007 (LE 668 107 thousand as of 31 December 2006) obtained from banks which the Company and its subsidiaries deal with, with an average interest of 14% for Egyptian pounds and 7% for US$ approximately.

14. Trade and notes payable

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
Trade payable	701 256	507 219
Notes payable	14 324	16 245
	715 580	523 464

15. Creditors and other credit balances

In thousands of Egyptian pounds	31/12/2007	31/12/2006
Fixed assets creditors	36 542	10 467
Accrued interest	78 604	108 496
Accrued expenses	35 302	81 100
Tax authority	21 812	17 695
Social insurance authority	5 703	5 548
Sales tax installments (Refer to note 17)	17 290	1 338
Sales tax authority	85 047	53 505
Income tax	491 657	490 368
Dividends payable *	421 295	12 601
Leased assets agreements (Refer to note 17)	28 985	99 187
Due to related parties (Refer to note 18-2)	5 429	691
Other credit balances	60 717	39 899
Alexandria Port Authority	16 365	3 914
	1 304 748	924 809

***** Dividends payable represent the minority share as well as the remaining share of the employees and Board of Directors' share in Al Ezz El Dekheila for Steel – Alexandria dividends declared according to the general assembly meeting resolution on 27 December 2007.

16 - Loans

Borrowing company	Loans purpose	Interest rate %	Payment terms	Date	Short term 31/12/2007	Long term 31/12/2007	Total 31/12/2007	Collateral
In thousands of Egyptian pounds								
Al Ezz Steel Rebars Co								
Loans - local currency	Finance part of importing cost of machinery, equipment, and construction work.	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	108 198	341 145	449 343	Real estate mortgage on the company's land and buildings as well as a commercial pledge on all tangible and intangible assets and what is added to it.
Loans - foreign currency	For the production lines in addition to financing part of its investment.	1% Over the price of banks borrowings in foreign currencies	30 Quarterly installments	31 March 2004 until 30 June 2011	30 813	97 655	128 468	
Banks - credit facilities					710 845	-	710 845	Second degree real state mortgage on the land , buildings as well as a second degree commercial pledge on all tangible and intangible assets.
Al Ezz Rolling Mills								
Loans - local currency	To finance machines and equipment of the plant	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	8 499	28 535	37 034	First degree mortgage on the land, buildings, machinery and equipment in favor of the bank.
Loans - foreign currency		1% Over the price of banks borrowings in foreign currencies			9 684	31 966	41 650	
Banks - credit facilities					15	-	15	
Al Ezz El Dekheila for Steel - Alexandria (Dekheila)								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	14%	Semiannual installments	2-6 years	7 926	602 707	610 633	
Loans - foreign currency		1% over Libor		2-8 years	305 180	1 266 605	1 571 785	
Al Ezz Flat Steel								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	18 August 2004 until 18 February 2013	39 918	184 571	224 489	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					274 442	1 338 933	1 613 375	
Banks - credit facilities					405 536	-	405 536	Possession mortgage on inventories amounted to US Dollars 80 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery and fire for the banks favor
Balance as of 31 December 2007					1 901 056	3 892 117	5 793 173	
Balance as of 31 December 2006					1 719 753	4 902 129	6 621 882	

17. Other liabilities

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
Sales tax installments	654	18 954
Fixed assets creditors	258	284
Leased assets agreements – flat steel project	100 097	142 167
Alexandria port authority *	94 622	147 775
	195 631	309 180

* Al Ezz El Dekheila for Steel – Alexandria has previously recorded the materials stevedoring category in El-Dekheila port according to the category assigned by the authority inspite of the legal dispute raised in the court case no.6652 for 2002 Civil court which is raised from the Alexandria port authority against the Company which decided to accept the Company's proposed allegations that the decree no. 95 for 1988 issued by the Minister of Transportation was unconstitutional as well as the Alexandria Port decree no.60 for 1988 and 79 for 1991.

Formalities for filing a case alleging unconstitutionality with the higher constitutional court was taken as the claims of the port authority have been suspended until the decision of the higher constitutional court is issued.

It was finally agreed with the port authority to pay the disputed materials stevedoring category (4.4 US$/Ton) under the authority acceptance of the Company's qualifications which stated that the final settlement of the stevedoring category will be temporary till final settlement from the ordinary and constitutional court.

The Company paid the amounts according to the previous agreement regarding the materials stevedoring category and the balance of long term loans and facilities represent items under dispute and both parties has agreed on its pending.

Al Ezz El Dekheila for Steel – Alexandria Company's legal advisor's point of view is that according to the higher constitutional court procedures, the court's final judgment and accounting basis establishment will not take place for at least three years.

18. Related parties transactions

The Company conducts commercial transactions according to terms, which are approved by the Board of Directors with some related parties – subsidiaries & associates. These transactions that occurred during the year are represented in the purchase of raw materials for production amounting to LE 62 024 thousand and sales transactions of some products for those companies amounting to LE 572 140 thousand, in addition to some mutual services which resulted in the following balances:

Company's name *In thousands of Egyptian pounds*	**Nature of transaction**	**Transaction volume**	**31/12/2007**	**Financial statement caption**
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	126 081	10 893	Trade and notes receivable (Net)
	Purchases	35 166	5 415	Due to related parties
Al Ezz foreign trade	Sales	446 059	1 920	Trade and notes receivable (Net)
	Purchases	26 857		

18.1 Due from related parties

In thousands of Egyptian pounds	**Nature of relationship**	**31/12/2007**	**31/12/2006**
Al Ezz Holding Company for Industry & Investment	Ultimate Parent Company	20	192
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary Company	-	1 269
Gulf of Suez Development for Steel		2 773	-
Gulf of Suez Development		2	-
Al Ezz for engineering heavy project		4 265	-
Al Ezz for Ceramic & Porcelain Company (GEMMA)	Associate Company	750	-
		7 810	1 461

18.2 Due to related parties

In thousands of Egyptian pounds	**Nature of relationship**	**31/12/2007**	**31/12/2006**
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary Company	5 415	-
Al Ezz for Ceramic & Porcelain (GEMMA)	Associate Company	14	691
		5 429	691

19. Share capital

19.1 Authorized share capital

The Company's authorized share capital amounts to LE 8 billion.

19.2 Issued and paid in capital

According to the Board of Directors held on 30 January 2007, it was resolved to increase the issued capital through the conversion of 292 bonds (two hundred and ninety two bonds) from the Company's issued bonds to shares equivalent to 75 920 shares (seventy five thousand nine hundred and twenty shares) at 260 shares for each bond at LE 22 per share (twenty two Egyptian pounds) at par value of LE 5 per share in addition to LE 17 as additional paid in capital. Accordingly, the issued and fully paid-in capital increased from LE 911 561 thousand (nine hundred and eleven million, five hundred and sixty one thousand Egyptian pounds) to LE 911 941 thousand (nine hundred eleven million nine hundred and forty one thousand Egyptian pounds) fully paid and distributed at 182 388 194 shares with a par value of LE 5 per share. The increase was registered in the Company's commercial register no. 472 Menouf according to the request No. 371 on 18 April 2007.

20. Reserves

In thousands of Egyptian pounds	**31/12/2007**	**31/12/2006**
Legal reserve	126 616	41 114
Special reserve *	3 732 970	3 731 678
	3 859 586	3 772 792

***** Represents the additional paid in capital resulting from the increase in issued and paid in capital against the acquisition of Al Ezz El Dekheila for steel – Alexandria shares and the bonds converted into shares.

21. Treasury stocks

Represent 3 265 841 shares of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills with a total cost amounting to LE 35 884 thousand and is classified as treasury stocks for consolidation purposes.

22. Deferred Tax Assets and Liabilities

In thousands of Egyptian pounds	31/12/2007 Assets	31/12/2007 Liabilities	31/12/2006 Assets	31/12/2006 Liabilities
Deferred Tax				
Property, plant and equipment	344	(545 894)	-	(366 772)
Inventories	9 711	-	1 000	-
Provisions	19 338	-	10 614	-
Tax losses carried over	3 475	-	3 475	-
Deferred Tax	32 868	(545 894)	15 089	(366 772)
Netting off	(32 623)	32 623	-	-
Net Deferred Tax	245	(513 271)	15 089	(366 772)

Net deferred tax which resulted in a liability for the year that was charged to the income statement for the year amounted to LE 161 344 thousand.

23. Contingent liabilities

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

In thousands	31/12/2007	31/12/2006
Letters of guarantee		
LE	32 015	2 015
US$	68 144	113 182
Kuwaity Dinar	13 104	14 196

24. Capital Commitments

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of 31 December 2007 amounted to LE 232.7 million represented in the following:

- LE 27.4 million, representing the remaining value of three plots of land purchased by Al Ezz Steel Rebars in the western north of Suez Gulf for the purpose of establishing industrial projects.
- LE 30.3 million, representing the remaining value of the Fume treatment plant and the cooling system of Al Ezz Steel Rebars.
- LE 175 million, representing the value of improving the rolling line and portion of the melting oven of Al Ezz El Dekheila for steel – Alexandria.

25. Taxation

25.1 Al Ezz Steel Rebars

Corporate tax

The Company established its factory in Sadat City (one of the new urban communities) and according to the provisions of Law No. 59 for 1979 related to development of the 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 1 January 1997 and ended on 31 December 2006.

The tax authority inspected the Company's books until there are no outstanding due or tax disputes as of 31 December 2004 .

The Company submits tax returns for 2005/2006 under Law No. 91 of 2005 and no inspection took place until that date.

Sales tax

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

Payroll tax

The tax authority inspected the Company's books until 2004 and there are no amounts due on the Company in that concern.

Stamp tax

The tax authority inspected the Company's books until July 2006 and settlement was made and there are no amounts due on the Company in that concern.

25.2 Al Ezz Rolling Mills

Corporate tax

The Company established its factory in the 10^{th} of Ramadan City, the Company is tax exempted until 31 December 1999.

The tax authority inspected the Company's books and settlement was made until 2002 and there are no tax outstanding dues until this date.

The Company's books has not been inspected by the tax authority for the years from 2003 until 2006.

Sales tax

The Company submits sales tax returns on a timely basis. The tax authority inspects the Company's books regularly and there are no tax disputes or outstanding dues until 2005.

Payroll tax

The tax authority inspected the Company's books and settlement was made until 2002 and there are no amounts due on the Company in that concern.

The Company's books has not been inspected by the tax authority for the years from 2003 until 2006.

25.3 Al Ezz El Dekheila for Steel – Alexandria

Corporate tax

- The Company submits tax returns annually and on a timely basis to the tax authority, and pays the tax dues from these tax returns – if any.
- The Company was inspected from year 2001 until 2003; the Company was informed of tax form (no. 18).
- The Company submitted a claim within the due date and the dispute was submitted to an internal committee of appeal 2000/2003 where all the disputes were settled during the fourth quarter of 2006 by separating rebar and Flat projects with an exemption for the rebar project by 66.6% till 2003 and a full exemption for the Flat project.
- In January 2007, tax inspection for 2004 was finalized and the internal committee recalculated the income tax according to an agreed basis in respect of the segregation between the rebar and the flat activities. The flat activity is fully exempted. The Company restated tax return for 2005 applying the same agreed upon basis in accounting for previous years after completion of all exemptions until 31 December 2005 and this tax differences relating to 2005 amounted to LE 92 820thousand and is included in the income statement of year 2006 and was paid in the 1st quarter of 2007.
- Thus the Company has no tax obligations till 2004.
- The Company submitted the tax returns for 2005 and 2006 within the legal date according to the provisions of law, all amounts due were paid according to the tax returns.

Payroll tax

Tax inspection has been made till year 2004 and all disputed matters were settled and there are no tax obligations concerning these years.
The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law for year 2005 and 2006.

Sales tax

Tax inspection has been made till 31/12/2006 and there are no tax disputes or outstanding dues.
The Company submits sales tax returns on a timely basis.

Stamp tax

Tax inspection has been made till 2004 and there are no tax obligations concerning these years.
Tax inspection has been made for the period starting from 1/1/2005 until 31/7/2006 and the Company did not receive any observations from tax authority.

Real estate tax

Tax inspection took place until year 2006 and there is no liability till that date.

25.4 Al Ezz Flat Steel

Corporate tax

The Company is not subject to corporate tax as it was established under private free zones system.

Payroll tax

The tax authority inspected the Company's books until 2006 and there are no disputes or amounts due on the Company in that concern.

Stamp tax

The Company is established under private free zones system, therefore it is not subject to stamp tax according to the Company's tax card.

26. Financial instruments and risk management

26.1 Financial instruments

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

26.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rate. The Company is exposed to interest rate risk on its deposits, loans and overdrafts. The instruments are of short and medium term nature and are denominated in US$ and Egyptian Pounds.

26.3 Credit risk

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

26.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 680 068 thousand and LE 3 780 225 thousand 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 (In Thousands)	(Shortage)/Surplus
US$	(384 247)
Euro	(4 993)
Swiss Franc	1 426
Sterling Pound	(1 500)
Japanese Yen	(10 553 768)
Kuwaity Dinar	(13 458)
Islamic Dinar	(13 102)

As shown in note no. (3-2) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valuated using the prevailing exchange rate of the banks that the Company deals with at the Balance sheet date.

27. Earnings per share

27.1 Basic earnings per share

In thousands of Egyptian pounds	31/12/2007	31/12/2006
Net profit for the year	1 121 956	994 860
Divided by:		
*Weighted average for number of outstanding shares	179 100 210	169 981 613
Earning per share	6.26	5.85

* Weighted average for shares as of (31/12/2007)	
182 312 274*12/12	182 312 274
Weighted average for treasury stocks	
3 265841 *12/12 =	(3 265 841)
Weighted average for shares converted from bonds at 17 April 2007	
75 920 *8.5/12=	53 777
	179 100 210

Weighted average for shares as of (31/12/2006)	
86 000 000*12/12=	86000 000
Weighted average for treasury stocks	
3 265841 *12/12 =	(3 265 841)
Weighted average for new shares at 1 February 2006	
87 979 534 *11/12=	80647 906
Weighted average for shares converted from bonds at 16 February 2006	
7 542 340 *10.5/12=	6599 548
	169 981 613

28. Comparative Figures

Comparative figures was adjusted as follows:

In thousands of Egyptian pounds

	Trade and notes receivable	Trade and notes payable
Balance as of 31 December 2006 before adjustments	455 384	666 247
Elimination of inter-company balances between related companies by eliminating Al Ezz El Dekheila for Steel – Alexandria (EZDK) notes receivable in return to Al Ezz Flat Steel Company's notes payable	(142 783)	(142 783)
Balance as of 31 December 2006 after adjustments	312 601	523 464