AL EZZ STEEL REBARS REPORTS CONSOLIDATED FULL YEAR 2008 RESULTS

RECORD SALES AND PROFITABILITY DESPITE CHALLENGING GLOBAL MARKETS

Cairo, 22 April 2009 - Al Ezz Steel Rebars S.A.E. ("ezzsteel") (EGX: ESRS; London Stock Exchange: AEZD), the largest 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 2008. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	2007	**2008**	+/-
• Net sales	16.2bn	**21.8bn**	35%
• EBITDA*	4.0bn	**4.5bn**	13%
• EBITDA* / tonne	815	**965**	18%
• Net profit before tax	2.9bn	**3.3bn**	14%
• Tax and deferred tax	653mn	**746mn**	14%
• Net profit after tax and minority interests	1.1bn	**1.2bn**	9%
• Number of shares (at end of period)**	182mn	**543mn**	
• EPS (on number of shares at end of period)	6.15	**2.25**	
• Net debt to Equity	0.99x	**0.51x**	

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

*** increase in shares on due to rights issue in September 2008*

Comment

Commenting on the results, Mr Ahmed Ezz, Chairman and Managing Director of ezzsteel, said:

"2008 was an outstanding year for ezzsteel, in which we achieved record sales and profits, and the highest turnover of any listed Egyptian industrial company. Despite cost pressures and the global downturn that was seen during the fourth quarter, ezzsteel was still able to significantly improve year on year profitability.

“The Egyptian market, where we are the market leader, has proven extremely resilient to the global financial crisis and economic downturn. This has resulted both in strong demand for our long products and continued access to funding, to further enhance our robust financial position. As a result of our operational flexibility and modern technology, we have been able to adapt quickly to changing market conditions and limit our exposure to weaker export markets.

“While much of the global steel sector is at a standstill due to the global economic turmoil, we continue to pursue our growth strategy and are confident that ezzsteel will emerge even stronger from these challenging markets.”

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

Al Ezz Steel Rebars (ezzsteel) is the largest steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 5.3 million tonnes of finished steel.

In 2008, the Company produced 3.2 million tonnes of long products (typically used in construction) and 1.4 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

Sales and Production

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

Sales EGP Mn	ESR/ESM	EZDK	EFS	Total
Long	6,565.08	8,301.62		**14,866.70**
Flat		3,145.00	3,632.78	**6,777.77**
Others	0.41	142.06	5.09	**147.56**
Total	**6,565.49**	**11,588.67**	**3,637.88**	**21,792.03**

Consolidated net sales for 2008 were EGP 21.8 billion compared with EGP 16.2 billion during 2007, representing a rise of 35 per cent. Long steel products accounted for 69 per cent of total sales and flat steel products represented 31 per cent of sales in 2008.

The contributions of ESR/ESM, EZDK and EFS to net sales for the period ending 31 December 2008 were 30 per cent, 53 per cent, and 17 per cent respectively.

EGP Mn	Domestic	per cent	Export	per cent
Long	14,771	99%	96	1%
Flat	2,572	38%	4,206	62%

Long products

Long product volumes sold were very strong in 2008 as sales were again primarily directed towards servicing the construction growth within the local market, which at c.10 per cent grew more than twice the GDP growth rate in the fourth quarter[1]. Local demand for long products rose by 21% over 2007 to reach a record market size of 5.0 million tonnes per annum in 2008. This has been largely attributable to the growth of the private home building sector.

In line with the global steel industry, local prices for long products rose strongly in the first nine months of 2008, before a sharp decline in the fourth quarter. However, while prices fell, the demand for long steel products in the Egyptian market remained robust, unlike the significant drop in demand in most other markets.

Long products production for 2008 reached 3,184,895 tonnes compared with 3,125,974 during 2007, representing a 2 per cent year-on-year increase. Given the significant production cuts

1 Ministry of Economic Development, February 2009

necessitated by the deterioration of demand in the large steel consuming markets, ezzsteel was one of the few steel companies able to achieve year on year production increases.

Flat products

The global market for flat products also performed strongly in the first nine months of the year, before severe demand destruction in the fourth quarter led to sharp price declines and heightened volatility. As a result, a large number of steel producers took action to curtail production in the fourth quarter to improve industry fundamentals.

ezzsteel's exposure to the global steel market is primarily through its flat steel production at EFS, of which the majority is sold to export markets. Consequently, in November, the Company stopped flat steel production at EFS until global market conditions improve. ezzsteel's flat production at EZDK continues unaffected.

Flat products production for 2008 was 1,423,100 tonnes, which was 17 per cent lower than 2007 production of 1,707,630 tonnes. Flat steel production volumes were lower as a result of damage to an electrical transformer at EZDK in July and the decision to shutdown production at EFS in November.

Cost of Goods Sold

Consolidated cost of goods sold for the year ended 31 December 2008 represented 80 per cent of consolidated net sales, compared to 76 per cent in 2007. While the ratio had been maintained at 76 per cent at the end of third quarter 2008, this rose by year end as a result of the significant drop in steel prices in the fourth quarter and management's decision to consume the more expensive raw materials rather than carry over into 2009.

There were structural increases in both gas and electricity costs in Egypt during the first half of 2008, as global energy prices increased. However, despite these increases, both electricity and gas costs for ezzsteel remain highly competitive on a global basis.

Gross profit

Gross profit of EGP 4.3 billion in 2008 represented an increase of 18 per cent over the EGP 3.6 billion recorded in 2007, largely as a result of record selling prices during the first nine months of the year.

Gross profit per tonne of EGP 929 /tonne in 2008 represented an increase of 25 per cent over the EGP 745 /tonne recorded in 2007. This strong increase in profitability per tonne was achieved even though the 2007 levels were the highest recorded to date.

EBITDA

EBITDA for the period reached EGP 4.5 billion, up from EGP 4.0 billion for the same period in 2008 representing an increase of 12 per cent.

EBITDA per tonne for the period reached EGP 965 / tonne, up from EGP 815 / tonne for the same period in 2007 representing an increase of 18 per cent.

Tax and deferred tax

ezzsteel continues to be one of the largest corporate tax payers in Egypt, with Tax and Deferred Tax amounting to EGP 746 million for 2008, up from EGP 653 million in 2007.

Net profit after tax and minority interests

For the year ended 31 December 2008, net profit after tax and minority interests was EGP 1.2 billion, up 9 per cent from the comparable period in 2007.

Liquidity and capital resources

ezzsteel completed a successful EGP1.1 billion bond issue in June and conducted a capital increase of EGP1.8 billion by way of a rights issue in September.

At the end of the period, ezzsteel had cash on hand of EGP 4.1 billion and net debt of EGP 3.6 billion. The company has a conservative level of gearing of Net Debt / Equity of 0.51 times, and Net Debt / EBITDA of 0.80 times.

During the year, ezzsteel also increased its stake in EZDK from 50.28% to 53.24%.

Outlook

Despite the global slowdown, the Egyptian economy has remained resilient with continued strong demand, particularly in respect of private home building. The local market for long products is expected to continue to grow significantly throughout 2009 due to private construction and infrastructure projects that are part of the stimulus package announced in late 2008.

ezzsteel's exposure to the global steel industry, through its exports of flat steel, will remain limited while EFS remains shutdown until market conditions improve.

Reflective of the global price environment for finished products, the price of raw materials fell sharply during the fourth quarter of 2008. Raw material prices in 2009 are expected to continue to trade at levels that closely follow movements in global steel prices.

ezzsteel is well positioned to outperform many international peers, and continues to be one of the best performing steel producers globally, due to a number of factors:

- Leading market position in a high growth market
- Modern technology and operational flexibility allow swift response to changing market dynamics
- Strong financial position and continued access to funding
- Reiterated commitment to its growth plans

Stand Alone Performance - Divisional Overview

EZDK Performance

Sales (EGP):		**2007**	**2008**	
Value		8.8	11.6	Bn
Volume				
	Long	1,823,832	1,784,962	Tonnes
	Flat	769,758	687,386	Tonnes
Export as % of Sales				
	Long	10%	1%	
	Flat	47%	41%	
EBITDA		3.4	4.3	Bn

Production	**2007**	**2008**	
Long Product	1,759,054	1,811,562	Tonnes
Flat Product	755,168	694,551	Tonnes
Billets	1,869,332	1,911,276	Tonnes

ESR/ERM Performance

Sales (EGP):	**2007**	**2008**	
Value	4.5	6.6	Bn
Volume	1,394,418	1,381,692	Tonnes
Export as % of Sales	8%	0%	
EBITDA	314	148	Mn

Production	**2007**	**2008**	
Long	1,366,920	1,373,333	Tonnes
Billets	787,988	747,677	Tonnes

EFS Performance

Sales (EGP):	**2007**	**2008**	
Value	2.9	3.8	Bn
Volume	891,660	770,537	Tonnes
Export as % of Sales	71%	80%	
EBITDA	287	21	Mn

Production	**2007**	**2008**	
Flat Product	932,462	728,549	Tonnes

- Ends -

Disclaimer:

This press release is issued by Al Ezz Steel Rebars S.A.E. ("ezzsteel" or the "Company"), in connection with the disclosure of the Company's financials results for the 12 month period ending 31 December 2008. This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long products in Egypt and in regional markets and for flat steel in the international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, or any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments nor shall assume, and each of ezzsteel, any of its directors, officers or employees or any other person expressly disclaims, any obligation, except as required by law, the listing rules of the CASE or the LSE or the FSA, to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Al Ezz Steel Rebars Company
<u>(An Egyptian Joint Stock Company)</u>

Consolidated Financial Statements

For the Financial Year Ended December 31, 2008
<u>& Auditor's Report</u>

AUDITOR'S REPORT

To The Shareholders of Al Ezz Steel Rebars Company

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al-Ezz Steel Rebars Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated income statement, statement of changes in equity and statement of 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 consolidated financial statements are the responsibility of Company’s management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Al-Ezz Steel Rebars Company as of December 31, 2008 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.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the Company maintains proper costing accounts, the inventory was counted 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 12, 2009

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of December 31, 2008

	Note No.	31/12/2008 LE(000)	31/12/2007 LE(000)
Long Term Assets			
Fixed assets (net)	(3-3) (4)	10 020 402	10 484 611
Projects under construction	(3-4) (5)	421 618	116 977
Investments	(3-5) (6)	49 013	62 973
Long term lending to others	(7)	3 427	6 021
Goodwill	(3-6)	315 214	—
Deferred tax assets	(3-15) (24)	—	245
Total long term assets		10 809 674	10 670 827
Current Assets			
Inventory	(3-7) (8)	3 177 861	2 547 576
Trade and notes receivable	(3-8) (9)	57 844	265 407
Debtors and other debit balances	(3-8) (10)	420 770	346 316
Advances to suppliers	(3-8)	33 873	125 290
Cash and cash equivalents	(3-13) (12)	4 090 266	1 892 432
Total current assets		7 780 614	5 177 021
Current Liabilities			
Banks credit accounts and overdrafts	(13)	1 889 775	1 355 855
Loan installments and facilities due within one year	(3-17) (14)	2 023 871	1 901 056
Trade and notes payable	(3-9) (15)	831 308	715 580
Advances from customers	(3-9)	952 186	616 330
Creditors and other credit balances	(3-9) (16)	1 425 972	1 304 748
Provisions	(17)	48 408	51 886
Total current liabilities		7 171 520	5 945 455
Excess (Deficit) of current assets over current liabilities		609 094	(768 434)
Total investment		11 418 768	9 902 393
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(20-2)	2 716 325	911 941
Reserves	(21)	3 912 129	3 859 586
Retained earnings		1 862 181	997 623
Net profit for the year		1 223 350	1 121 956
Interim dividends		(1 179 313)	(240 017)
Treasury stocks	(22)	(71 921)	(35 884)
Translation difference adjustments		37 553	39 794
Company's share in employees dividends & board of directors remunerations of - EZDK - a subsidiary company		(39 900)	(44 081)
		8 460 404	6 610 918
The difference resulting from the acquisition of EZDK	(3-1)	(3 280 493)	(3 280 493)
Total holding company shareholders' equity		5 179 911	3 330 425
Minority interest		1 757 283	1 970 949
Total Shareholders' equity		6 937 194	5 301 374
Long Term Liabilities			
Loans and credit facilities	(3-17) (14)	2 635 923	3 892 117
Other liabilities	(18)	173 599	195 631
Bonds loan	(23)	1 100 000	—
Deferred tax liabilities	(3-15) (24)	572 052	513 271
Total long term liabilities		4 481 574	4 601 019
Total equity and long term liabilities		11 418 768	9 902 393

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Chairman

Eng. Ahmed Abdel Aziz Ezz

Auditor's Report "attached"

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Consolidated Income Statement
For the Financial Year Ended December 31, 2008

	Note No.	2008 LE (000)	2007 LE (000)
Sales (net)	(3-10)	21 792 031	16 159 380
Less :			
Cost of sales		17 492 886	12 510 614
Gross profit		4 299 145	3 648 766
Less :			
Selling and marketing expenses		297 528	200 508
General and administrative expenses		221 645	170 417
Impairment loss on assets	(11)	22 040	—
Provisions	(17)	—	5 955
Total expenses		541 213	376 880
		3 757 932	3 271 886
Add (Less) :			
Financing expenses	(3-11)	(590 519)	(709 601)
Interest income		130 159	66 660
Reversal of impairment loss on assets	(11)	49 214	56 634
Foreign exchange differences		(101 577)	9 030
Other revenues		65 404	180 104
Capital gains (losses)		409	(82)
Net profit for the year before income tax & minority interest		3 311 022	2 874 631
Less:			
Income tax	(3-15)	(687 270)	(491 657)
Deferred tax	(3-15)(24)	(59 026)	(161 344)
Net profit for the year before minority interest		2 564 726	2 221 630
Less:			
Minority interest		1 341 376	1 099 674
Net profit for the year		1 223 350	1 121 956
Earnings per share for the year (LE/share)	(29)	4.54	5.90

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash Flows
For the Financial Year Ended December 31, 2008

	Note No.	2008 LE(000)	2007 LE(000)
Cash flows from operating activities			
Net profit for the year before income tax & minority interest		3 311 022	2 874 631
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	659 185	659 427
Provisions	(17)	—	5 955
Amortization of bonds issuance costs		1 284	—
Reversal of impairment loss on assets	(11)	(49 214)	(56 634)
Impairment loss on assets	(11)	22 040	—
Capital (gains) / losses		(409)	82
Foreign currency exchange differences		120 041	(42 431)
		4 063 949	3 441 030
Changes in working capital			
(Increase) Decrease in inventory		(583 114)	422
Increase in trade receivables, debtors and other debit balances		(1 740 567)	(35 955)
Increase (Decrease) in creditors and other credit balances		1 845 078	(80 266)
Provisions used	(17)	(3 478)	(162 363)
Net cash flows provided by operating activities		3 581 868	3 162 868
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(526 889)	(196 853)
Payments for purchase of investments		(390 791)	(308 479)
Proceeds from sale of fixed assets		539	380
Payments for fixed assets creditors		(13 583)	—
Payments to decrease minority interest		—	(319 277)
Payments for lending to others		(3 387)	—
Proceeds from lending to others		5 982	2 121
Payments for sales tax installments		—	(1 315)
Net cash used in investing activities		(928 129)	(823 423)
Cash flows from financing activities			
Proceeds from capital increase		1 804 384	—
Proceeds from minority for participation in a subsidary's capital		139	—
Changes in credit facilities		(71 069)	183 496
Payments of loans		(1 376 016)	(1 170 873)
Proceeds from loan substitutions		168 148	—
Proceeds from bonds loan		1 100 000	—
Proceeds from sale of treasury stocks - owned by a subsidiary	(22)	18 079	—
Payments for purchase of treasury stocks - owned by a subsidiary	(22)	(38 142)	—
Dividends paid		(2 596 163)	(945 132)
Net cash used in financing activities		(990 640)	(1 932 509)
Net change in cash and cash equivalents during the year		1 663 099	406 936
Cash and cash equivalents at beginning of the year		538 345	129 522
Translation differences		(151)	1 887
Cash and cash equivalents at the end of the year	(3-13)(12)	2 201 293	538 345

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity
For the Financial Year Ended December 31, 2008

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel-Alexandria LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim distributions LE (000)	Convertible bonds LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Minority Interest LE (000)	Total Shareholders' Equity LE (000)
Balance as of 1/1/2007	911 561	3 772 792	(3 280 493)	463 209	79 829	(35 884)	994 860	(40 609)	1 672	—	2 866 937	2 283 266	5 150 203
Capital increase	380	—	—	—	—	—	—	—	(380)	—	—	—	—
Transferred to reserves	—	1 292	—	—	—	—	—	—	(1 292)	—	—	—	—
Setting off the employees and the board of directors' share in the dividends of 2006	—	—	—	(40 609)	—	—	—	40 609	—	—	—	—	—
Setting off profit of year 2006 in retained earnings	—	—	—	994 860	—	—	(994 860)	—	—	—	—	—	—
Transferred to legal reserve	—	85 502	—	(48 139)	—	—	—	—	—	(37 363)	—	—	—
Employees and shareholders' share in ESR's 2006 dividends	—	—	—	(202 569)	—	—	—	—	—	—	(202 569)	—	(202 569)
Reduction of retained earnings against EZDK treasury stocks	—	—	—	(160 529)	—	—	—	—	—	—	(160 529)	—	(160 529)
Translation difference adjustments	—	—	—	(5 178)	(40 035)	—	—	—	—	—	(45 213)	—	(45 213)
Reversal of the company treasury stocks share in the dividends	—	—	—	5 926	—	—	—	—	—	—	5 926	—	5 926
Company's share in employees and the board of directors' share in EZDK dividends of 2006	—	—	—	(9 348)	—	—	—	—	—	—	(9 348)	—	(9 348)
Company's share in employees and the board of directors' share in EZDK dividends of 2007	—	—	—	—	—	—	—	(44 081)	—	—	(44 081)	(56 532)	(100 613)
Purchase of treasury stocks and change in the investment percentage	—	—	—	—	—	—	—	—	—	—	—	(462 920)	(462 920)
Interim dividends during the year 2007	—	—	—	—	—	—	—	—	—	(202 654)	(202 654)	(892 539)	(1 095 193)
Net profit for 2007	—	—	—	—	—	—	1 121 956	—	—	—	1 121 956	1 099 674	2 221 630
Balance as of 31/12/2007	911 941	3 859 586	(3 280 493)	997 623	39 794	(35 884)	1 121 956	(44 081)	—	(240 017)	3 330 425	1 970 949	5 301 374

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Financial Year Ended December 31, 2008

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel-Alexandria LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim distributions LE (000)	Convertible bonds LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Minority Interest LE (000)	Total Shareholders' Equity LE (000)
Balance as of 31/12/ 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	1 970 949	5 301 374
Capital increase	1 804 384	–	–	–	–	–	–	–	–	–	1 804 384	–	1 804 384
Minority interest participation in subsidiary's capital	–	–	–	–	–	–	–	–	–	–	–	139	139
Transferred to legal reserve	–	10 279	–	–	–	–	(10 279)	–	–	–	–	–	–
Setting off profit of year 2007 in retained earnings	–	–	–	1 111 677	–	–	(1 111 677)	–	–	–	–	–	–
Setting off company's share in employees and the board of directors' share in the interim dividends of 2007	–	–	–	(44 081)	–	–	–	44 081	–	–	–	–	–
Setting off interim dividends of year 2007 in retained earnings	–	–	–	(240 017)	–	–	–	–	–	240 017	–	–	–
Company's share in employees and the board of directors' share in the interim dividends of 2007	–	–	–	(7 398)	–	–	–	–	–	–	(7 398)	–	(7 398)
Purchased treasury stocks	–	–	–	–	–	(38 142)	–	–	–	–	(38 142)	–	(38 142)
Sold treasury stocks	–	–	–	(1 163)	–	2 105	–	–	–	–	942	–	942
Company's and minority interest share in employees and the board of directors' share in the interim dividends of 2008	–	–	–	–	–	–	–	(39 900)	–	–	(39 900)	(66 541)	(106 441)
Company's share in participation percentage increase in EZDK's shareholders' equity due to treasury stocks redemption	–	–	–	29 991	–	–	–	–	–	–	29 991	–	29 991
Translation difference adjustments	–	–	–	–	(2 241)	–	–	–	–	–	(2 241)	(709)	(2 950)
Company's share in gain from sale of treasury stocks	–	–	–	15 549	–	–	–	–	–	–	15 549	–	15 549
Reduction of Minority interest for the inveestment percentage change	–	–	–	–	–	–	–	–	–	–	–	(103 978)	(103 978)
Interim dividends during the year 2008	–	42 264	–	–	–	–	–	–	–	(1 179 313)	(1 137 049)	(1 383 953)	(2 521 002)
Net profit for the year	–	–	–	–	–	–	1 223 350	–	–	–	1 223 350	1 341 376	2 564 726
Balance as of 31/12/2008	2 716 325	3 912 129	(3 280 493)	1 862 181	37 553	(71 921)	1 223 350	(39 900)	–	(1 179 313)	5 179 911	1 757 283	6 937 194

The accompanying notes from No. (1) to No. (31) form an integral part of these financial statements.

Al Ezz Steel Rebars Company
(An Egyptian Joint Stock Company)

Notes to the consolidated financial statements
For the Financial Year Ended December 31, 2008

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.

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 - was established in 1998 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997.

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

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:

	31/12/2008 Percentage Share %	31/12/2007 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	90.73	90.73
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	53.24	50.28
Al Ezz Flat Steel (EFS)	75.15	75.15
Al Ezz Steel Algeria	98	-

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 difference between the acquisition costs of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital (represents 29.39% from its capital) and the net carrying amount of these shares that amounts to LE 3.28 billion, was reduced from the total shareholders' equity as this difference was internally generated as a result from the restructuring between companies within the same group.

3.2 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 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 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.

3.3 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.
Depreciation is charged to the income statement on straight-line basis over the estimated useful lives of assets.

The estimated useful life for each item is as follows:

Asset	Estimated useful life 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

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 fixed assets at its cost 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.

3.6 Goodwill

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

3.7 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: at its cost up to bringing them to warehouses, using the first in first out method.

- Spare parts, materials, and supplies: at cost up to bringing them to warehouses, using the moving or 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.

3.8 Trade & notes receivable and debtors & other debit balances

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

3.9 Trade & notes payable and creditors & other credit balances

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

3.10 Revenue recognition

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

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 year 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, 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 and Banks' overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.14 Impairment on assets

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

Impairment losses recognized in prior years 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 or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

3.16 Reserves

Legal reserve:

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

Other reserves:

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

3.17 Borrowing

Borrowing is recognized initially at the proceeds received and the amounts that are accrued within a year are classified as current liabilities, unless the Company preserves the right to postpone the payment of the loans balances for years 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 consideration paid including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury stocks and presented as a deduction from total equity.

3.19 Leased assets

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

4. FIXED ASSETS (NET)

Description	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)	Capital lease LE (000)	Total LE (000)
Cost as of 1 January 2008	464 287	2 819 355	12 151 879	87 596	74 643	45 896	6 876	477 804	16 128 336
Additions during the year	117 983	2 227	73 380	800	3 344	6 196	—	—	203 930
Disposals during the year	—	—	(10 592)	(505)	(1 245)	(5)	—	—	(12 347)
Translation differences	(102)	(3 006)	(7 048)	(3)	(23)	(29)	—	—	(10 211)
Cost as of December 31, 2008	582 168	2 818 576	12 207 619	87 888	76 719	52 058	6 876	477 804	16 309 708
Accumulated depreciation as of January 1, 2008	—	718 432	4 555 217	84 561	61 679	34 802	6 549	182 485	5 643 725
Depreciation for the year	—	71 179	560 788	1 316	4 380	2 138	326	19 058	659 185
Accumulated depreciation of disposals	—	—	(10 462)	(505)	(1 245)	(5)	—	—	(12 217)
Translation differences	—	(240)	(1 128)	(3)	(11)	(5)	—	—	(1 387)
Accumulated depreciation as of December 31, 2008	—	789 371	5 104 415	85 369	64 803	36 930	6 875	201 543	6 289 306
Carrying amount as of December 31, 2008	582 168	2 029 205	7 103 204	2 519	11 916	15 128	1	276 261	10 020 402
Carrying amount as of December 31, 2007	464 287	2 100 923	7 596 662	3 035	12 964	11 094	327	295 319	10 484 611

Depreciation for the year are charged to income statement as follows:-

	31/12/2008 L.E(000)
Selling expenses	957
Operating expenses	650 790
General & administrative expenses	7 438
	659 185

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

	31/12/2008 LE (000)
Equipment of DRI & Steel plants (Agreements concluded with IDB and IBP)	251 553
Equipment of Flat Steel plant (Agreements concluded with IDB, IBP & UIF)	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

	31/12/2008 LE (000)	31/12/2007 LE (000)
Construction expansion	7 529	1 659
Machinery under installation	204 392	68 200
Advance payments for purchase of Land *	39 011	18 300
Advance payments for purchase of Machinery	170 686	28 818
	421 618	116 977

* Advance payments for acquisition of land includes an amount of LE 18.3 million for a plot of land purchased from Gulf of Suez Development Company with a total area of 971 668.30 m^2, with a total value of LE 24.3 million.

6. INVESTMENTS

6-1 Investments in subsidiaries & associates

	Participation Percentage %	Investments cost 31/12/2008 LE (000)	Investments cost 31/12/2007 LE (000)
Iron For Industrial, Trading and Constructing Steel Company "Contra Steel" (S.A.E)	90	45 000	45 000
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	72	72
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
EZDK Steel Europe GMBH Co.	50	69	69
EZDK Steel UK LTD Co.	50	1	1
		45 167	45 167

6-2 ***Investments in other companies***

	Participation Percentage %	Investments cost 31/12/2008 LE (000)	31/12/2007 LE (000)
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
Less:			
Impairment losses on Arab Company for Special Steel		13 960	-
		3 846	17 806
Total		49 013	62 973

7. LONG TERM LENDING TO OTHERS

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

	31/12/2008 LE (000)	31/12/2007 LE (000)
The loan granted to the Company's employees housing Co-operative association (interest free).	1 766	4 590
The loans granted to the Company's employees (interest free)	1 661	1 431
	3 427	6 021

8. INVENTORY

	31/12/2008 LE (000)	31/12/2007 LE (000)
Raw materials	1 157 672	848 326
Work in process	186 087	134 352
Finished products	561 283	533 072
Spare parts	1 015 920	857 511
Goods in transit	171 043	67 732
Consignment goods	46 148	-
Letters of credit for purchasing raw materials and spare parts	39 708	106 583
	3 177 861	2 547 576

Inventory of spare parts is presented after deducting the decline in inventory amounting to LE 9.3 million arising from obsolete and slow moving items.

9. TRADE AND NOTES RECEIVABLE (NET)

	31/12/2008 LE (000)	31/12/2007 LE (000)
Trade receivables	64 434	168 877
Notes receivable	26 822	135 490
	91 256	304 367
Impairment losses on trade receivables	(33 412)	(38 960)
	57 844	265 407

10. DEBTORS AND OTHER DEBIT BALANCES

	31/12/2008 LE (000)	31/12/2007 LE (000)
Deposits with others	99 029	59 782
Tax authority	158 755	106 536
Customs authority	5 894	11 435
Accrued revenues	17 226	3 983
Prepaid expenses	23 996	22 090
Employees' loans	1 560	1 113
Tax Authority – sales tax	78 204	60 470
Alexandria port authority	42 489	42 489
Short - term lending	300	507
Letters of guarantee cash margin	491	494
Indemnities debtors	11 394	67 184
Due from related parties	10 219	7 810
Other debit balances	31 088	14 218
	480 645	398 111
Impairment losses on debtors and other debit balances	(59 875)	(51 795)
	420 770	346 316

11. IMPAIRMENT LOSS ON ASSETS

	Note No.	1/1/2008 LE (000)	Charged to income statement during the year LE (000)	Reversal of impairment loss LE (000)	31/12/2008 LE (000)
Impairment loss on trade receivables	(9)	38 960	-	(5 548)	33 412
Impairment loss on debtors and other debit balances	(10)	51 795	8 080	-	59 875
Decline in inventory	(8)	48 000	-	(38 666)	9 334
Impairment loss on advances to suppliers		9 267	-	(5 000)	4 267
Impairment loss on investments available for sale	(6-2)	-	13 960	-	13 960
		148 022	22 040	(49 214)	120 848

12. CASH AND CASH EQUIVALENTS

	31/12/2008 LE (000)	31/12/2007 LE (000)
Banks – Deposits	3 006 949	358 790
Banks – current accounts	772 392	1 469 226
Cheques under collection	9 315	60 282
Cash on hand	334	3 514
Investments fund *	301 276	620
	4 090 266	1 892 432
Less:		
Banks – overdraft	1 888 973	1 354 087
Cash and cash equivalents in the statement of cash flows	2 201 293	538 345

* Represents a number of 2 530 975 investment deeds with accumulated daily interest.

13. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 1 889 775K as of December 31, 2008 against LE 1 355 855 K as of December 31, 2007 in the balances of banks – overdrafts amounting to LE 1 888 973 K and banks - credit accounts amounting to LE 802 K in Egyptian pound and US dollars obtained from banks the company already deals with, with an average interest rate 12-14.5 % for the Egyptian pound and 1-2 % over Libor for the US$ approximately.

14- LOANS & CREDIT FACILITIES

Borrowing company	Loans purpose	Interest rate %	Payment terms	Period	Short term 31/12/2008 LE(000)	Long term 31/12/2008 LE(000)	Total 31/12/2008 LE(000)	Collateral
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 (Fully paid)	—	—	—	
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 (Fully paid)	—	—	—	
Banks - credit facilities					709 440	—	709 440	
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	9 498	19 035	28 533	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			10 469	21 401	31 870	
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	333 742	578 140	911 882	
Loans - foreign currency		1% over Libor		2-8 years	294 091	827 481	1 121 572	
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	44 417	140 154	184 571	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					286 199	1 049 712	1 335 911	
Banks - credit facilities					336 015	—	336 015	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 2008					2 023 871	2 635 923	4 659 794	
Balance as of 31 December 2007					1 901 056	3 892 117	5 793 173	

* **During the second quarter of 2008, an accelerated payement of the loans balances in local and foreign currencies were made by using the proceeds of the bonds.**

15. TRADE AND NOTES PAYABLE

	31/12/2008 LE (000)	31/12/2007 LE (000)
Trade payables	828 850	701 256
Notes payable	2 458	14 324
	831 308	715 580

16. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2008 LE (000)	31/12/2007 LE (000)
Fixed assets - creditors	16 969	36 542
Accrued interest	63 864	78 604
Accrued expenses	24 669	35 302
Tax authority	24 139	21 812
Performance guarantee retention	6 546	5 703
Sales tax installments	23	17 290
Sales tax authority	58 843	85 047
Income tax for the year	687 270	491 657
Dividends payable *	477 407	421 295
Financing lease agreements	13 950	28 985
Due to related parties	1 183	5 429
Alexandria port authority	23 106	16 365
Other credit balances	28 003	60 717
	1 425 972	1 304 748

* Dividends payable represent the minority's share as well as the remaining share of the employees' dividends and Board of Directors' remunerations in Al Ezz El Dekheila for Steel – Alexandria declared according to the resolution of the General Assembly Meeting on December 18, 2008.

17. PROVISIONS

	1/1/2008 LE (000)	Used during the year LE (000)	31/12/2008 LE (000)
Lawsuits provision	26 955	(278)	26 677
Claims provision	24 931	(3 200)	21 731
	51 886	(3 478)	48 408

18. OTHER LIABILITIES

	31/12/2008 LE (000)	31/12/2007 LE (000)
Sales tax installments	-	654
Fixed assets creditors	235	258
Financing lease agreements – flat steel project	69 750	100 097
Alexandria Port Authority *	103 614	94 622
	173 599	195 631

* Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority in spit of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities item represents delayed interests on the payment of some of the port authority's dues for previous years which are still being disputed and studied and that is according to the agreement reached between both parties on November 22, 2007 to postpone the payments of such balances until the legal dispute is resolved.

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

19. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions according to terms, which are approved by the board of directors with some related parties – subsidiaries and associates. These transactions that occurred during the year are represented in the purchase of raw materials for production amounted to LE 23 197 K and sales transactions of some products in favor of those companies amounted to LE 1 125 947 K, in addition to some mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	31/12/2008 LE (000)	31/12/2007 LE (000)	Balance Sheet caption
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	443 491	17 864	10 893	Advances from customers
	Purchases	19 830	1 180	5 415	Due to related parties
Al Ezz Foreign Trade	Sales	682 456	1 631	-	Advances from customers
	Purchases	3 079	-	1 920	Trade and notes receivable
Al Ezz for Ceramics and Porcelain (GEMMA)	Sales	-	11	750	Due from related parties
	Purchases	288	-	-	Due to related parties

20. CAPITAL

20.1 Authorized capital

The company's authorized capital is LE 8 billion.

20.2 The 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 share for each bond at LE 22 per share (twenty two Egyptian pound) 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 K (nine hundred and eleven million, five hundred and sixty one thousand Egyptian pound) to LE 911 941 K (nine hundred eleven million nine hundred and forty one thousand Egyptian pound) 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.

- The company's board of directors decided on its meeting dated 30/7/2008 to increase the company's issued capital – within the limit of the authorized capital – form LE 911 940 970 (nine hundred and eleven million, nine hundred and forty thousand and nine hundred and seventy Egyptian pound) to LE 2 735 822 910 (two billion, seven hundred and thirty five million, eight hundred and twenty two thousand and nine hundred and ten Egyptian pound) with an increase of LE 1 823 881 940 (one billion, eight hundred twenty three million, eight hundred and eighty one thousand and nine hundred forty Egyptian pound) by issuing 364 776 388 new shares (three hundred sixty four million, seven hundred and seventy six thousand and three hundred eighty eight shares) at par value of LE 5 to be paid in full in cash on the basis of 2 shares for each share owned by the company's shareholders.

- On September 29, 2008 a subscription in 360 876 833 shares from the company's capital increase shares amounting to LE 1 804 384 165, On October 30, 2008 the capital increase was registered in the Company's commercial register with no. 1176 by an amount of L.E 1 804 384 165, the issued and paid capital after the increase became LE 2 716 325 135 distributed over 543 265 027 shares with a par value of LE 5 per share.

21. RESERVES

	31/12/2008 LE (000)	31/12/2007 LE (000)
Legal reserve	179 159	126 616
Premium share *	3 732 970	3 732 970
	3 912 129	3 859 586

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

22. TREASURY STOCKS

This item in 31/12/2008 represents 9 462 714 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to L.E 71 921 k, and it is classified as treasury stock for the consolidation purpose.

23. BONDS LOAN

According to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of L.E 1 100 million (one thousand and one hundred million Egyptian pound) at a nominal value of L.E 100 per bond, subject to accelerated payment at any date starting from the third year from issuance.

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

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

24. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2008		31/12/2007	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	-	(599 217)	344	(545 894)
Inventory	-	-	9 711	-
Provisions	23 690	-	19 338	-
Tax losses carried over	3 475	-	3 475	-
Net deferred tax	27 165	(599 217)	32 868	(545 894)
Netting off	(27 165)	27 165	(32 623)	32 623
Net deferred tax (liabilities)/assets	-	(572 052)	245	(513 271)

Net deferred tax which resulted in a liability for the year that was charged to the income statement for the year amounted to LE 59 026 K.

25. CONTINGENT LIABILITIES

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

	31/12/2008 LE (000)	31/12/2007 LE (000)
Letters of guarantee		
Egyptian Pound	7 666	32 015
US Dollar	74 574	68 144
Kuwaiti Dinar	12 012	13 104

26. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of December 31, 2008 amounted to LE 43 million represent the value of improving and amending the rolling line and the melting oven of Al Ezz El Dekheila for Steel – Alexandria.

27. TAXATION

27.1 Al Ezz Steel Rebars

27.1.1 Corporate tax

The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
The tax authority inspected the Company's books until December 31, 2004 and there are no outstanding due or tax disputed.
The Company submits tax returns for 2005 until 2007 according to the provisions of Law No. 91 of 2005 and no inspection took place until that date.

27.1.2 Sales tax

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

27.1.3 Payroll tax

The tax authority inspected the Company's books until 2005 and there are no amounts due on the Company in that concern.

27.2 Al Ezz Rolling Mills

27.2.1 Corporate tax

The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
The tax authority inspected the Company's books and settlement was made until 2002 and there are no tax outstanding dues until that date.

The Company's books have been inspected by the tax authority for the years 2003, 2004 and the dispute was referred to the internal committee.

The Company submits tax returns for 2005 until 2007 according to the provisions of Law No. 91 of 2005 and no inspection took place for these years until that date.

27.2.2 Sales tax

The Company 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. The company's books were inspected & settlement was made until December 31, 2007.

27.2.3 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 have been inspected by the tax authority for the years 2003, 2004 and the dispute was referred to the internal committee.

27.3 Al Ezz El Dekheila for Steel – Alexandria

27.3.1 Corporate tax

The Company submits tax returns annually and on a timely basis to the tax authority, and pays the tax dues from these tax returns – if any.
The tax settlement is finalized till year 2004 and the company paid all the tax liability.
The Company submitted its tax returns for the years 2005 to 2007 on a timely basis according to the provisions of the law and paid all the tax liability according to these tax returns.

27.3.2 Payroll tax

Tax inspection has not been made for the years 2005 to 2007. The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law.

27.3.3 Sales tax

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

27.4 Al Ezz Flat Steel

27.4.1 Corporate tax

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

27.4.2 Payroll tax

The tax authority inspected the Company’s books until 2007 and there are no disputes or amounts due on the Company in that concern during the period.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28.1 Financial instruments

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

28.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan, credit facilities and banks credit accounts which amounted to LE 7 649 569 k as of December 31, 2008 (LE 7 149 028 k as of December 31, 2007). Financing interest and expenses related to these balances amounted to LE 590 516 k during the year ended December 31, 2008 (LE 709 610 k during the previous year).Time-deposits and Investment fund amounted to LE 3 308 225 k as of December 31, 2008 (LE 359 410 k as of December 31, 2007), Interest income related to these balances amounted to LE 130 159 k during the year ended December 31, 2008 (LE 66 660 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 lowers the risk of interests.

28.3 Credit risk

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

28.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 602 516 K and LE 3 460 986 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$	(8 218)
Euro	1 811
Sterling Pound	(612)
Japanese Yen	(8 316 861)
Algeria Dinar	180 982
Kuwaiti Dinar	(12 301)
Islamic Dinar	(9 827)

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.

29. EARNINGS PER SHARE FOR THE YEAR

	2008 LE (000)	2007 LE (000)
Net profit for the year	1 223 350	1 121 956
Less:		
Employees share in profit *	96 474	20 265
	1 126 876	1 101 691
Less:		
The parent company's share in employees & board of directors' share of EZDK	39 900	44 081
	1 086 976	1 057 610
Average number of outstanding shares during the year	239 266 332	179 100 210
Earnings per share for the year (L.E / share)	4.54	5.90
	========	========

* The employees' share in the profit represents their share in the declared dividends in the company's Ordinary General Assembly meeting held on November 16, 2008 and March 5, 2009.

30. COMPARATIVE FIGURES

Certain comparative figures of balance sheet and statement of cash flows were reclassified to conform to the current year presentation.

31. SUBSEQUENT EVENTS

According to the company's Ordinary General Assembly meeting held on March 5, 2009, it has been approved to distribute a dividend of L.E 1.3 per share for the period from 1/1/2008 till 30/9/2008 amounting to L.E. 706 245 k.