



AL EZZ STEEL REBARS REPORTS CONSOLIDATED H1 2009 RESULTS

Cairo, 27 August 2009 – Al Ezz Steel Rebars S.A.E. (“ezzsteel”) (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated H1 results for the period ending 30 June 2009. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	EGP	H1 2008	H1 2009
• Net sales		11.1bn	6.4bn
• Gross profit		2.7bn	732mn
• EBITDA*		2.7bn	838mn
• Net profit before tax		2.3bn	305mn
• Net profit after tax and minority interests		1.0bn	101mn
• Number of shares (at end of period)**		182mn	543mn
• EPS (on number of shares at end of period)		5.69	0.19
• Net debt to Equity		0.71x	0.88x

**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 Paul Chekaiban, Managing Director of ezzsteel, said:

“The Egyptian market remained strong during the first half of 2009 and although domestic prices have declined in line with international prices, we continued to enjoy a sustained level of demand for our products.

“Despite the cyclical nature of the steel industry, our flexible business model has enabled us to position ourselves as one of the best performers throughout the cycle. Even during industry downturns, such as over the last half year, this flexible model has allowed us to operate profitably, unlike the majority of our peers.”

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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, 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

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 & Production

Consolidated net sales for the first half of 2009 were EGP 6.4 billion compared with EGP 11.1 billion during the first half of 2008, representing a decline of 42 per cent. This lower level of sales has resulted from lower steel prices, the prevailing weakness in the flat steel market and the shutdown at EFS.

Long steel sales volume reached 1,578 thousand tonnes during the first half of 2009, which represents a 2 per cent increase over the 1,546 thousand tonnes sold during the same period in 2008. Flat steel volumes on the other hand witnessed a sharp decline from 940 thousand tonnes in the first half of 2008 to 523 thousand tonnes in the first half of 2009. This was due to the shutdown of the EFS production facility, with any residual demand met by production at EZDK, which increased by 10 per cent to 492 thousand tonnes.

Long steel products accounted for 78 per cent of total sales in the first half of 2009, while flat steel products represented 22 per cent of sales. Long product exports accounted for less than 1 per cent of total long sales, due to the continued strength of the domestic market demand for long products. Flat product exports accounted for 54 per cent of total flat sales.

Long steel production volume reached 1,688 thousand tonnes during the first half of 2009 representing a 10 per cent increase over the 1,533 thousand tonnes produced during the same period in 2008. Flat steel production volumes on the other hand were 45 per cent lower at 470 thousand tonnes in the first half of 2009 when our EFS production facility was shutdown.

On a plant basis, ESR/ESM long steel production rose by 12 per cent during the half, while EZDK long production was up by nine percent over the same period. Flat production at EZDK was up 18 per cent in the first half of 2009, as production was increased to supply demand from EFS customers while EFS remained closed.

The contributions of ESR/ESM, EZDK and EFS to net sales for the period ending 30 June 2009 were 32 per cent, 67 per cent, and 1 per cent respectively.

Sales <i>EGP Mn</i>	ESR/ESM	EZDK	EFS	Total
Long	2,052	2,857		4,909
Flat		1,347	65	1,412
Others		64	2	66
Total	2,052	4,268	67	6,388

ezzsteel's exposure to the weaker global steel market is primarily through its flat steel products, with long steel products primarily directed to serving the buoyant domestic market.

<i>EGP Mn</i>	Domestic	per cent	Export	per cent
Long	4,865	99%	44	1%
Flat	656	46%	757	54%

Cost of Goods Sold

Consolidated cost of goods sold for the half ended 30 June 2009 represented 89 per cent of sales, compared to 75 per cent in the first half of 2008. This figure was largely impacted by the shutdown in production at EFS during the half and the proportionally higher costs at EZDK.

EGP Mn	Standalone figures			Consolidated
	ESR/ESM	EZDK	EFS	ezzsteel
Sales	2,052	4,285	256	6,388
COGS	1,814	3,594	453	5,656
COGS/Sales	88%	84%		89%

Gross profit

Gross profit of EGP 731 million was recorded in H1 2009, a 73 per cent decline from the EGP 2.7bn recorded in the first half of 2008. Lower profits were largely a result of production curtailment at EFS, and lower global steel pricing, as well as the continued weakness in the flat steel market.

EBITDA

EBITDA for the period reached EGP 838 million, down from EGP 2.7 billion for the same period in 2008 representing a decrease of 69 per cent.

Net profit after tax and minority interests

For the six months to 30 June 2009, net profit after tax and minority interests was EGP 101 million, down from EGP 1.0 billion in the first half of 2008.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2.4 billion and net debt of EGP 5.4 billion. The company has a conservative level of gearing of Net Debt / Equity of 0.88 times.

Outlook

ezzsteel remains confident about the continued strength of the Egyptian market, which has remained largely unaffected by the global economic slowdown. Long product demand is expected to continue to be strong, due to the private housing market and local real-estate activity. Conditions in the global flat steel market had been very weak since the last quarter of 2008, but we are starting to see some signals that there is a pickup in the market of flat steel, evidenced by the increase in flat product prices.

We continue to believe that our key competitive advantage lies in our flexibility and our product and market diversification; this is why our current expansion efforts are focused on vertical integration through:

- Adding a billet caster at our flat steel production facility in Suez (EFS) to enable the site to become flexible in producing either flat steel or semi-finished long products at times when the flat steel market is in a low cycle. Construction of the billet caster has already begun and it is expected to be in production during the first quarter of 2010.
- Adding a 1.8 mn tonne per year DRI production facility to be located in Suez in order to further increase our level of backward integration and decrease our production costs, replicating our EZDK model at our other production facilities. Construction of the DRI facility has already started and it is expected to be in production during the 2nd half of 2011.

Divisional Overview

<u>EZDK Performance</u>		H1 2008	H1 2009	
<u>Sales (EGP):</u>				
	Value:	6.0	4.3	bn
	Volume:			
	Long:	890,300	925,298	Tonnes
	Flat:	445,186	492,235	
	Exports as % of Sales:			
	Long:	2%	2%	
	Flat:	40%	55%	
	EBITDA:	EGP 2.3	0.8	bn
Production:				
	Long Products:	876,711	952,899	Tonnes
	Flat Products:	398,750	469,881	Tonnes
	Billets:	961,060	1,013,918	Tonnes
<u>ESR/ESM Performance</u>				
<u>Sales (EGP):</u>		H1 2008	H1 2009	
	Value:	3.0	2.1	bn
	Volume:	657,959	657,472	Tonnes
	Exports as % of Sales:	1%	0%	
	EBITDA:	303	207	mn
Production:				
	Long Products:	655,822	734,715	Tonnes
	Billets:	397,175	418,261	Tonnes
<u>EFS (Suez)</u>				
		H1 2008	H1 2009	
<u>Sales (EGP):</u>				
	Value:	2.1	0.3	bn
	Volume:	494,850	30,728	Tonnes
	Exports as % of Sales:	82%	100%	
	EBITDA:	89	-129	mn
Production:				
	Flat Products:	460,889	0	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 six months to 30 June 2009. 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
(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For the Financial Period Ended June 30, 2009
& Auditor's Report

AUDITOR'S REPORT
To The Board of directors 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 June 30, 2009 and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial period 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 June 30, 2009 and of its financial performance and its cash flows for the period then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains financial accounting records, which includes all that is required by law and the Company's statutes, and the consolidated financial statements are in agreement with these records. The Company applies costing system that satisfies the purpose thereof and inventory count was performed by management in accordance with methods in practice.

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo, August 19, 2009

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

Consolidated Balance Sheet
As of June 30, 2009

	Note No.	30/6/2009 LE(000)	31/12/2008 LE(000)
<u>Long Term Assets</u>			
Fixed assets (net)	(3-3) (4)	9 932 438	10 020 402
Projects under construction	(3-4) (5)	450 071	421 618
Investments	(3-5) (6)	48 944	49 013
Long term lending to others	(7)	1 982	3 427
Goodwill	(3-6)	315 214	315 214
Total long term assets		10 748 649	10 809 674
<u>Current Assets</u>			
Inventory	(3-7) (8)	2 746 627	3 177 861
Trade and notes receivable	(3-8) (9)	92 301	57 844
Debtors and other debit balances	(3-8) (10)	728 961	420 770
Advances to suppliers	(3-8)	24 509	33 873
Cash and cash equivalents	(3-13) (12)	2 351 297	4 090 266
Total current assets		5 943 695	7 780 614
<u>Current Liabilities</u>			
Banks credit accounts and overdrafts	(13)	560 476	1 889 775
Loan installments and facilities due within one year	(3-17) (14)	2 188 228	2 023 871
Bonds loan due within one year	(23)	110 000	—
Trade and notes payable	(3-9) (15)	967 013	831 308
Advances from customers	(3-9)	629 437	952 186
Creditors and other credit balances	(3-9) (16)	380 198	1 425 972
Provisions	(3-12) (17)	46 876	48 408
Total current liabilities		4 882 228	7 171 520
Working capital		1 061 467	609 094
Total investment		11 810 116	11 418 768
<u>Financed as follows:</u>			
<u>Shareholders' Equity</u>			
Issued and paid in capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	3 943 001	3 912 129
Retained earnings		1 089 201	1 862 181
Net profit for the period / year		101 301	1 223 350
Interim dividends		—	(1 179 313)
Treasury stocks	(22)	(71 921)	(71 921)
Translation difference adjustments		50 973	37 553
Company's share in employees dividends & board of directors remunerations of - EZDK - a subsidiary company		—	(39 900)
		7 828 880	8 460 404
The difference resulting from the acquisition of EZDK	(3-1)	(3 280 493)	(3 280 493)
Total holding company shareholders' equity		4 548 387	5 179 911
Minority interest		1 639 141	1 757 283
Total Shareholders' equity		6 187 528	6 937 194
<u>Long Term Liabilities</u>			
Loans and credit facilities	(3-17) (14)	3 929 439	2 635 923
Other liabilities	(18)	108 622	173 599
Bonds loan	(23)	990 000	1 100 000
Deferred tax liabilities	(3-15) (24)	594 527	572 052
Total long term liabilities		5 622 588	4 481 574
Total equity and long term liabilities		11 810 116	11 418 768

The accompanying notes from No. (1) to No. (29) 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 Period Ended June 30, 2009

	Note No.	For the financial period from 1/4/2009 to 30/6/2009 <u>LE (000)</u>	For the financial period from 1/1/2009 to 30/6/2009 <u>LE (000)</u>	For the financial period from 1/4/2008 to 30/6/2008 <u>LE (000)</u>	For the financial period from 1/1/2008 to 30/6/2008 <u>LE (000)</u>
Revenues (net)	(3-10)	2 976 093	6 387 967	6 012 290	11 054 996
Less :					
Cost of sales		2 568 545	5 656 076	4 571 612	8 323 987
Gross profit		<u>407 548</u>	<u>731 891</u>	<u>1 440 678</u>	<u>2 731 009</u>
Less :					
Selling and marketing expenses		27 157	55 951	78 980	145 915
General and administrative expenses		69 045	133 121	100 466	143 321
Impairment loss on assets		—	—	52 220	52 220
Total expenses		<u>96 202</u>	<u>189 072</u>	<u>231 666</u>	<u>341 456</u>
Results from operating activities		311 346	542 819	1 209 012	2 389 553
Add (Less) :					
Financing expenses	(3-11)	(177 156)	(390 786)	(130 896)	(271 315)
Interest income		23 423	63 765	22 691	41 164
Provisions no longer required		—	—	7 043	7 043
Reversal of impairment loss on assets	(11)	3 410	3 410	—	—
Foreign exchange differences		(21 227)	61 410	90 047	27 220
Other revenues		2 687	24 250	64 179	73 626
Capital (losses) gains		(51)	(51)	(10)	227
Net profit for the period before income tax & minority interest		<u>142 432</u>	<u>304 817</u>	<u>1 262 066</u>	<u>2 267 518</u>
Less:					
Income tax	(3-15)	37 386	70 229	235 578	419 977
Deferred tax	(3-15) (24)	13 106	22 475	2 947	14 710
Net profit for the period before minority interest		<u>91 940</u>	<u>212 113</u>	<u>1 023 541</u>	<u>1 832 831</u>
Less:					
Minority interest		57 023	110 812	440 945	813 842
Net profit for the period		<u>34 917</u>	<u>101 301</u>	<u>582 596</u>	<u>1 018 989</u>
Earnings per share for the period (LE/share)	(29)	<u>0.06</u>	<u>0.19</u>	<u>3.25</u>	<u>5.69</u>
		(For three months)	(For six months)	(For three months)	(For six months)

The accompanying notes from No. (1) to No. (29) 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 Period Ended June 30, 2009

	Note No.	For the financial period from 1/1/2009 to 30/6/2009 <u>LE (000)</u>	For the financial period from 1/1/2008 to 30/6/2008 <u>LE (000)</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax & minority interest		304 817	2 267 518
<u>Adjustments to reconcile net profit to net cash (used in) provided by operating activities</u>			
Depreciation	(4)	293 739	327 607
Amortization of bonds issuance costs		1 100	183
(Reversal of impairment loss) impairment loss on assets	(11)	(3 410)	52 220
Capital losses (gains)		51	(227)
Provisions no longer required		—	(7 043)
Foreign currency exchange differences		(23 804)	(49 501)
		<u>572 493</u>	<u>2 590 757</u>
<u>Changes in working capital</u>			
Decrease (Increase) in inventory		441 862	(1 024 669)
(Increase) Decrease in trade receivables, debtors and other debit balances		(1 945 406)	165 815
Increase in creditors and other credit balances		777 936	933 221
Provisions used	(17)	(1 532)	(278)
Net cash flows (used in) provided by operating activities		<u>(154 647)</u>	<u>2 664 846</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects under construction		(163 589)	(214 339)
Payments for purchase of investments		—	(397 633)
Proceeds from sale of fixed assets		38	357
Payments for creditors purchase of fixed assets		(11 601)	(11 126)
Payments to decrease minority interest		(10 000)	—
Proceeds from investment disposal due to liquidation		70	—
Payments for lending to others		(3 570)	(1 448)
Proceeds from lending to others		5 015	1 793
Net cash used in investing activities		<u>(183 637)</u>	<u>(622 396)</u>
<u>Cash flows from financing activities</u>			
Increase (Decrease) in credit facilities		224 999	(371 282)
Payments of loans		(1 564 700)	(1 071 128)
Proceeds from loans		2 295 000	—
Change in other long-term liabilities		—	(11)
Proceeds from bonds loan		—	1 100 000
Payments to purchase treasury stocks		—	(5 658)
Dividends paid		(1 024 136)	(968 292)
Net cash used in financing activities		<u>(68 837)</u>	<u>(1 316 371)</u>
Net change in cash and cash equivalents during the period		(407 121)	726 079
Cash and cash equivalents at beginning of the period		2 201 293	538 345
Translation differences		208	(637)
Cash and cash equivalents at end of the period	(3-13)(12)	<u>1 794 380</u>	<u>1 263 787</u>

The accompanying notes from No. (1) to No. (29) 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 Period Ended June 30, 2009

	<u>Capital</u>	<u>Reserves</u>	<u>The Difference</u> <u>resulting from</u> <u>the acquisition</u> <u>of Al Ezz</u> <u>El Dekhaila for</u> <u>Steel-Alexandria</u>	<u>Retained</u> <u>earnings</u>	<u>Translation</u> <u>difference</u> <u>adjustments</u>	<u>Treasury</u> <u>stocks</u>	<u>Net</u> <u>profit</u>	<u>Employees and</u> <u>board of</u> <u>directors' share</u> <u>in interim</u> <u>distributions</u>	<u>Interim</u> <u>dividends</u>	<u>Total</u> <u>Holding</u> <u>company</u> <u>Shareholders</u>	<u>Minority</u> <u>Interest</u>	<u>Total</u> <u>Shareholders'</u> <u>Equity</u>
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Balance as of 1/1/2008	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
Transferred to legal reserve	—	10 279	—	(10 279)	—	—	—	—	—	—	—	—
Setting off profit of year 2007 in retained earnings	—	—	—	1 121 956	—	—	(1 121 956)	—	—	—	—	—
Setting off the employees and the board of directors' share in the dividends of 2007	—	—	—	(44 081)	—	—	—	44 081	—	—	—	—
Setting off interim dividends of year 2007 in retained earnings	—	—	—	(240 017)	—	—	—	—	240 017	—	—	—
Setting off company's share in employees and the board of directors' share in the interim dividends of 2007	—	—	—	(15 951)	—	—	—	—	—	(15 951)	—	(15 951)
Purchased treasury stocks	—	—	—	—	—	(6 600)	—	—	—	(6 600)	—	(6 600)
Sold treasury stocks	—	—	—	(1 163)	—	2 105	—	—	—	942	—	942
Company's share & Minority in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	—	—	—	—	(18 647)	—	(18 647)	(31 446)	(50 093)
Company's share in participation percentage increase in redemption	—	—	—	29 991	—	—	—	—	—	29 991	—	29 991
Translation difference adjustments	—	—	—	—	(36 022)	—	—	—	—	(36 022)	(11 910)	(47 932)
Interim dividends during the year 2008	—	—	—	—	—	—	—	—	—	—	(604 601)	(604 601)
Reduction in minority interest due to participation percentage change	—	—	—	—	—	—	—	—	—	—	(105 568)	(105 568)
Net profit for the period from 1/1/2008 to 30/6/2008	—	—	—	—	—	—	1 018 989	—	—	1 018 989	813 842	1 832 831
Balance as of 30/6/2008	911 941	3 869 865	(3 280 493)	1 838 079	3 772	(40 379)	1 018 989	(18 647)	—	4 303 127	2 031 266	6 334 393
Capital increase	1 804 384	—	—	—	—	—	—	—	—	1 804 384	—	1 804 384
Minority interest participation in subsidiary's capital	—	—	—	—	—	—	—	—	—	—	139	139
Purchased treasury stocks	—	—	—	—	—	(31 542)	—	—	—	(31 542)	—	(31 542)
Company's share & Minority in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	—	—	—	—	(21 253)	—	(21 253)	(35 095)	(56 348)
Company's share in gain from sale of treasury stocks	—	—	—	15 549	—	—	—	—	—	15 549	—	15 549
Translation difference adjustments	—	—	—	8 553	33 781	—	—	—	—	42 334	14 545	56 879
Interim dividends during the year 2008	—	42 264	—	—	—	—	—	—	(1 179 313)	(1 137 049)	(781 106)	(1 918 155)
Net profit for the period from 1/7/2008 to 31/12/2008	—	—	—	—	—	—	204 361	—	—	204 361	527 534	731 895
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

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Financial Period Ended June 30, 2009

	<u>Capital</u> <u>LE (000)</u>	<u>Reserves</u> <u>LE (000)</u>	<u>The Difference</u> <u>resulting from</u> <u>the acquisition</u> <u>of Al Ezz</u> <u>El Dekhaila for</u> <u>Steel-Alexandria</u> <u>LE (000)</u>	<u>Retained</u> <u>earnings</u> <u>LE (000)</u>	<u>Translation</u> <u>difference</u> <u>adjustments</u> <u>LE (000)</u>	<u>Treasury</u> <u>stocks</u> <u>LE (000)</u>	<u>Net</u> <u>profit</u> <u>LE (000)</u>	<u>Employees and</u> <u>board of</u> <u>directors' share</u> <u>in interim</u> <u>distributions</u> <u>LE (000)</u>	<u>Interim</u> <u>dividends</u> <u>LE (000)</u>	<u>Total</u> <u>Holding</u> <u>company</u> <u>Shareholders</u> <u>LE (000)</u>	<u>Minority</u> <u>Interest</u> <u>LE (000)</u>	<u>Total</u> <u>Shareholders'</u> <u>Equity</u> <u>LE (000)</u>
Balance as of 1/1/ 2009	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
Transferred to legal reserve	—	30 872	—	—	—	—	(30 872)	—	—	—	—	—
Company's share & Minority in employees and the board of directors' share in EZDK interim dividends of 2008	—	—	—	(53 204)	—	—	—	39 900	—	(13 304)	(14 970)	(28 274)
Setting off inetrim dividends of year 2008	—	—	—	—	—	—	(1 179 313)	—	1 179 313	—	—	—
Payments to decrease minority interest	—	—	—	(9 073)	—	—	—	—	—	(9 073)	(927)	(10 000)
Translation difference adjustments	—	—	—	—	13 420	—	—	—	—	13 420	4 512	17 932
Dividends for the year 2008	—	—	—	(710 703)	—	—	(13 165)	—	—	(723 868)	(217 569)	(941 437)
Net profit for the period from 1/1/2009 to 30/6/2009	—	—	—	—	—	—	101 301	—	—	101 301	110 812	212 113
Balance as of 30/6/2009	<u>2 716 325</u>	<u>3 943 001</u>	<u>(3 280 493)</u>	<u>1 089 201</u>	<u>50 973</u>	<u>(71 921)</u>	<u>101 301</u>	<u>—</u>	<u>—</u>	<u>4 548 387</u>	<u>1 639 141</u>	<u>6 187 528</u>

The accompanying notes from No. (1) to No. (29) 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 Period Ended June 30, 2009**

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:

	<u>30/6/2009</u>	<u>31/12/2008</u>
	Percentage	Percentage
	Share %	Share %
Al Ezz Rolling Mills Company (ERM)	90.73	90.73
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	53.24	53.24
Al Ezz Flat Steel (EFS)	75.15	75.15
Al Ezz Steel Algeria	98	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 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.

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 period 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 period. 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:

<u>Asset</u>	<u>Estimated useful life Periods</u>
Buildings and constructions	25 – 50
Other buildings	8
Central air conditions 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

During the period Al Ezz El Dekheila for Steel – Alexandria – subsidiary company - amended the assets' estimated useful lives starting from January 1, 2009 according to the company's board of directors decree dated March 11, 2009 and as a result the depreciation expense for the current period was decreased by LE 31.2 million.

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 period.

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, spare parts, materials, and supplies: at cost up to bringing them to warehouses, using the first-in first-out or moving or weighted average method according to the type of inventory.
- 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 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, 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 periods is computed based on the fair 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 period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

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 period 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 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)

	Land <u>LE (000)</u>	Buildings & constructions <u>LE (000)</u>	Machinery & equipment <u>LE (000)</u>	Vehicles <u>LE (000)</u>	Furniture & Office equipment <u>LE (000)</u>	Tools & appliances <u>LE (000)</u>	Leashold improvements <u>LE (000)</u>	Capital lease <u>LE (000)</u>	Total <u>LE (000)</u>
Cost as of 1 January 2009	582 168	2 818 576	12 207 619	87 888	76 719	52 058	6 876	477 804	16 309 708
Additions during the period	—	1 022	127 014	2 427	3 689	1 475	—	—	135 627
Disposals during the period	—	—	(31 473)	—	—	—	—	—	(31 473)
Transferred assets	—	—	477 804	—	—	—	—	(477 804)	—
Translation differences	838	24 668	57 797	26	130	291	—	—	83 750
Cost as of June 30, 2009	<u>583 006</u>	<u>2 844 266</u>	<u>12 838 761</u>	<u>90 341</u>	<u>80 538</u>	<u>53 824</u>	<u>6 876</u>	<u>—</u>	<u>16 497 612</u>
Accumulated depreciation as of January 1, 2009	—	789 371	5 104 415	85 369	64 803	36 930	6 875	201 543	6 289 306
Depreciation for the period	—	35 721	245 810	822	2 246	1 323	—	7 817	293 739
Accumulated depreciation of disposals	—	—	(31 384)	—	—	—	—	—	(31 384)
Accumulated depreciation of transferred assets	—	—	209 360	—	—	—	—	(209 360)	—
Translation differences	—	2 340	10 981	25	106	61	—	—	13 513
Accumulated depreciation as of June 30, 2009	<u>—</u>	<u>827 432</u>	<u>5 539 182</u>	<u>86 216</u>	<u>67 155</u>	<u>38 314</u>	<u>6 875</u>	<u>—</u>	<u>6 565 174</u>
Carrying amount as of June 30, 2009	<u>583 006</u>	<u>2 016 834</u>	<u>7 299 579</u>	<u>4 125</u>	<u>13 383</u>	<u>15 510</u>	<u>1</u>	<u>—</u>	<u>9 932 438</u>
Carrying amount as of December 31, 2008	<u>582 168</u>	<u>2 029 205</u>	<u>7 103 204</u>	<u>2 519</u>	<u>11 916</u>	<u>15 128</u>	<u>1</u>	<u>276 261</u>	<u>10 020 402</u>

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

	<u>30/6/2009</u>
	<u>L.E(000)</u>
Selling expenses	450
Operating expenses	289 464
General & administrative expenses	3 825
	<u>293 739</u>

Translation from Arabic

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

	30/6/2009 <u>LE (000)</u>
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
	<u>477 804</u>
Transferred to fixed assets - machinery	(477 804)
	<u>-</u>
	=====

Al Ezz El Dekheila for Steel – Alexandria paid in full the present value of the full installments and the accrued interest according to the signed financing lease agreements with the Islamic Development Bank and Investment Fund Shares relating to the Steel Direct Reduction and Flat Steel Production Unit factories' machinery and equipment, currently the procedures of ownership transfer of these agreements to the company are being finalized.

5. PROJECTS UNDER CONSTRUCTION

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Constructions expansion	7 267	7 529
Machinery under installation	147 047	204 392
Advance payments for purchase of Land *	39 260	39 011
Advance payments for purchase of Machinery	230 936	170 686
Advance payments for projects construction	13 077	-
Computers and software	572	-
Consulting fees	2 159	-
Salaries and other expenses capitalized as cost of new projects constructions	9 636	-
Others	117	-
	<u>450 071</u>	<u>421 618</u>
	=====	=====

* Advance payments for acquisition of land includes an amount of LE 28.5 million for 2 plots of land purchased from Gulf of Suez Development Company with a total area of 971 668.30 m², 928 456.25 m² with a total value of LE 29.644 million, 28.315 million respectively including the Suez Tory's fees for the purpose of establishing industrial projects on them.

6. INVESTMENTS

	Participation Percentage %	Investments cost 30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
6-1 <u>Investments in subsidiaries & associates</u>			
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
EZDK Steel UK LTD Co.	50	1	1
		<u>45 098</u>	<u>45 167</u>
6-2 <u>Investments in other companies</u>			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		<u>17 806</u>	<u>17 806</u>
Less:			
Impairment losses on Arab Company for Special Steel		13 960	13 960
		<u>3 846</u>	<u>3 846</u>
Total		<u>48 944</u>	<u>49 013</u>

7. LONG TERM LENDING TO OTHERS

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

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
The loan granted to the Company's employees housing Co-operative association (interest free).	-	1 766
The loans granted to the Company's employees (interest free)	1 982	1 661
	<u>1 982</u>	<u>3 427</u>

Translation from Arabic

8. INVENTORY

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Raw materials and supplies	885 969	1 157 672
Work in process	156 142	186 087
Finished products	542 188	561 283
Spare parts	1 072 219	1 015 920
Goods in transit	76 532	171 043
Consignment goods	-	46 148
Letters of credit for purchasing raw materials and spare parts	13 577	39 708
	<u>2 746 627</u>	<u>3 177 861</u>
	=====	=====

9. TRADE AND NOTES RECEIVABLE (NET)

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Trade receivables	84 663	64 434
Notes receivable	40 293	26 822
	<u>124 956</u>	<u>91 256</u>
Impairment losses on trade receivables	(32 655)	(33 412)
	<u>92 301</u>	<u>57 844</u>
	=====	=====

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Deposits with others		99 310	99 029
Tax authority		114 400	158 755
Customs authority		6 306	5 894
Accrued revenues		4 265	17 226
Prepaid expenses		71 773	23 996
Employees' loans		2 270	1 560
Tax Authority – sales tax		76 317	78 204
Alexandria port authority		42 489	42 489
Short - term lending		99	300
Letters of guarantee cash margin		496	491
Indemnities debtors		-	11 394
Due from related parties	(19-1)	311 537	10 219
Other debit balances		54 658	31 088
		<u>783 920</u>	<u>480 645</u>
Impairment losses on debtors and other debit balances		(54 959)	(59 875)
		<u>728 961</u>	<u>420 770</u>
		=====	=====

11. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2009 LE (000)	Used during the period LE (000)	Reversal of impairment loss LE (000)	Balance as of 30/6/2009 LE (000)
Impairment loss on trade receivables	(9)	33 412	-	(757)	32 655
Impairment loss on debtors and other debit balances	(10)	59 875	(4 916)	-	54 959
Impairment loss on advances to suppliers		4 267	-	(2 653)	1 614
Impairment loss on investments available for sale	(6-2)	13 960	-	-	13 960
		<u>111 514</u>	<u>(4 916)</u>	<u>(3 410)</u>	<u>103 188</u>

12. CASH AND CASH EQUIVALENTS

	30/6/2009 LE (000)	31/12/2008 LE (000)
Banks – Deposits	1 558 291	3 006 949
Banks – current accounts	643 072	772 392
Cheques under collection	27 737	9 315
Cash on hand	14 099	334
Investments fund *	108 098	301 276
	<u>2 351 297</u>	<u>4 090 266</u>
<u>Less:</u>		
Banks – overdraft	556 917	1 888 973
Cash and cash equivalents in the statement of cash flows	<u>1 794 380</u>	<u>2 201 293</u>

* Represents a number of 871 489 investment deeds with accumulated daily interest.

13. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 560 476 K as of June 30, 2009 against 1 889 775 K as of December 31, 2008 in the balances of banks – overdrafts amounting to LE 556 917 K as of June 30, 2009 (against L.E 1 888 973 K as of December 31,2008) and banks - credit accounts amounting to LE 3 559 K as of June 30, 2009 (against L.E 802 K as of December 31,2008) 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**

<u>Borrowing company</u>	<u>Borrowing purpose</u>	<u>Interest rate</u>	<u>Payment terms</u>	<u>Period</u>	<u>Short term portion</u> <u>30/6/2009</u> <u>LE(000)</u>	<u>Long term portion</u> <u>30/6/2009</u> <u>LE(000)</u>	<u>Total</u> <u>30/6/2009</u> <u>LE(000)</u>	<u>Collateral</u>
		<u>%</u>						
<u>Al Ezz Steel Rebars</u>								
Banks - credit facilities					877 475	—	877 475	
<u>Al Ezz Rolling Mills</u>								
Loans - local currency	To finance machines and equipment of the plant	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	10 663	16 455	27 118	First degree mortgage on the land, buildings, machinery and equipment in favor of the bank.
Loans - foreign currency		1% Over the lending rate of banks in foreign currencies			9 498	14 285	23 783	
<u>Al Ezz El Dekheila for Steel - Alexandria</u>								
Loans - local currency		Lending rate & discount + 0.5% below lending rate & discount		2-6 years	313 408	2 401 033	2 714 441	
	To finance Steel Rebars activities and Flat Steel	Libor + 0.75% - 1%	Semiannual installments					
Loans - foreign currency		1% over Libor 5.15% - 5.49% 3% - 3.5% & 5.15%		2-8 years	237 973	462 049	700 022	
<u>Al Ezz Flat Steel</u>								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	18 August 2004 until 18 February 2013	44 465	117 809	162 274	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					297 788	917 808	1 215 596	
Banks - credit facilities					396 958	—	396 958	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 30 June 2009					2 188 228	3 929 439	6 117 667	
Balance as of 31 December 2008					2 023 871	2 635 923	4 659 794	

- According to Al Ezz El Dekheila for Steel - Alexandria's financing policy in replacing some long-term loans and credit facilities with a medium-term loan and according to the board of directors decrees issued relating to this matter, a joint short-term financing contract with a group of banks were signed, the Arab African International Bank is the Agent and the Principal Co-ordinator for this loan (banks acting as the Principal Co-ordinator and banks acting as participating banks) with an aggregate amount that does not exceed LE 3.5 billion, the amount withdrawn from this loan as of June 30, 2009 amounts to LE 2.295 billion. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the Company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for six months.

15. TRADE AND NOTES PAYABLE

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Trade payables	964 195	828 850
Notes payable	2 818	2 458
	<u>967 013</u>	<u>831 308</u>
	=====	=====

16. CREDITORS AND OTHER CREDIT BALANCES

	Note <u>No.</u>	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Fixed assets - creditors		2 093	16 969
Accrued interest		131 353	63 864
Accrued expenses		25 786	24 669
Tax authority		23 951	24 139
Performance guarantee retention		6 952	6 546
Sales tax installments		23	23
Sales tax authority		-	58 843
Income tax for the period / year		70 229	687 270
Dividends payable		79 986	477 407
Financing lease agreements		-	13 950
Due to related parties	(19-2)	97	1 183
Alexandria port authority		12 140	23 106
Other credit balances		27 588	28 003
		<u>380 198</u>	<u>1 425 972</u>
		=====	=====

17. PROVISIONS

	Balance as of 1/1/2009 <u>LE (000)</u>	Used during the period <u>LE (000)</u>	Balance as of 30/6/2009 <u>LE (000)</u>
Lawsuits provision	26 677	-	26 677
Claims provision	21 731	(1 532)	20 199
	<u>48 408</u>	<u>(1 532)</u>	<u>46 876</u>
	=====	=====	=====

18. OTHER LIABILITIES

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Fixed assets creditors	235	235
Financing lease agreements – flat steel project	-	69 750
Alexandria Port Authority *	108 387	103 614
	<u>108 622</u>	<u>173 599</u>
	=====	=====

* 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 spite of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities item represents sales tax and delayed interests 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 and August 31, 2008 to postpone the payments of such balances until the legal dispute is resolved and the Port Authority's eligibility to claim the sales tax on the stevedoring fees.

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 period are represented in the purchase of raw materials for production amounted to LE 9 530 K and sales transactions of some products in favor of those companies amounted to LE 622 716 K, in addition to some mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance on 30/6/2009 LE (000)	Balance on 31/12/2008 LE (000)	Balance Sheet caption
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	497 681	-	17 864	Advances from customers
	Purchases	6 108	91	1 180	Due to related parties
Al Ezz Foreign Trade	Sales	125 035	-	1 631	Advances from customers
EZDK Steel UK LTD.	Purchases	2 882	-	-	
Al Ezz for Ceramics and Porcelain (GEMMA)	Sales	-	20 492	11	Due from related parties
	Purchases	540	-	-	

19.1 Due from related parties - Debtors and other debit balances

	<u>Nature of Relationship</u>	30/6/2009 LE (000)	31/12/2008 LE (000)
El-Gawhara Real State Investment	Associate company	2	4
Al Ezz Holding Company for Industry & Investment	Holding company	95	-
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	20 492	11
Al Ezz for Engineering Heavy Industries	Affiliated company	11 250	8 130
Al Ezz for Trading and Distributing Building Materials	Affiliated company	279 269	-
Al Ezz Metals Overseas LTD.	Affiliated company	429	-
Gulf of Suez Company for Industrial Investments	Associate company	-	2 074
		<u>311 537</u>	<u>10 219</u>
		=====	=====

19.2 Due to related parties

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	91	1 180
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	5	2
Gulf of Suez Company for Industrial Investments	Associate company	1	1
		<u>97</u>	<u>1 183</u>
		=====	=====

20. CAPITAL

20.1 Authorized capital

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

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 135 (two billion, seven hundred and sixteen million, three hundred and twenty five thousand and one hundred and thirty five Egyptian pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid capital after the increase was registered in the Company's commercial register with no. 1176 Menouf on October 30, 2008.

21. RESERVES

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Legal reserve	210 031	179 159
Premium share *	3 732 970	3 732 970
	<u>3 943 001</u>	<u>3 912 129</u>
	=====	=====

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

22. TREASURY STOCKS

This item in 30/6/2009 represents 9 462 714 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. BONDS LOAN

According to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1 100 million (one billion and one hundred million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that is due on June 30, 2010) with the value of LE 110 million per installment.

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.

The installments due within one year amounting to LE 110 million were included in the current liabilities in the balance sheet.

24. DEFERRED TAX ASSETS AND LIABILITIES

	30/6/2009		31/12/2008	
	Assets <u>LE (000)</u>	Liabilities <u>LE (000)</u>	Assets <u>LE (000)</u>	Liabilities <u>LE (000)</u>
<u>Deferred Tax</u>				
Fixed assets	-	(763 563)	-	(599 217)
Provisions	22 400	-	23 690	-
Tax losses carried over	146 636	-	3 475	-
Total deferred tax	<u>169 036</u>	<u>(763 563)</u>	<u>27 165</u>	<u>(599 217)</u>
Netting off	(169 036)	169 036	(27 165)	27 165
Net deferred tax (liabilities)/assets	<u>-</u>	<u>(594 527)</u>	<u>-</u>	<u>(572 052)</u>

Net deferred tax which resulted in a liability for the period that was charged to the income statement for the period amounted to LE 22 475 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:

	30/6/2009 <u>LE (000)</u>	31/12/2008 <u>LE (000)</u>
Egyptian Pound	12 416	7 666
US Dollar	39 712	74 574
Kuwaiti Dinar	-	12 012

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 June 30, 2009 amounted to:

- LE 40 million represents the value of improving and developing the first rolling line and the melting oven of the flats factory, and constructing a new dust-extraction system from the melting oven, and constructing a number of (2) convertors for the ovens number (2) and (3) of the rolling factory to the Al Ezz El Dekheila for Steel – Alexandria Company.
- LE 4 million representing the remaining value of a plot of land purchased by the company from Gulf of Suez Development Company for the purpose of establishing industrial projects for El Ezz Rolling Mills Company.
- LE 15 million representing the remaining value of a plot of land purchased by the company from Gulf of Suez Development Company for the purpose of establishing industrial project, And an amount of LE 98 million represents value of constructing new projects after deducting the advance payment to the Al Ezz Flat Steel Company.

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 2008 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 2008 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'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.

27.2.3 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 2008 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 2008. 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 31/12/2007 and there are no tax disputes or outstanding dues.

The Company submits its monthly sales tax returns on a timely basis.

No tax inspection for year 2008.

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 7 778 143 K as of June 30, 2009 (LE 7 649 569 K as of December 31, 2008). Financing interest and expenses related to these balances amounted to LE 390 786 K during the period ended June 30, 2009 (LE 271 315 K during the same period in the previous year). Time-deposits and Investment fund amounted to LE 1 666 389 K as of June 30, 2009 (LE 3 308 225 K as of December 31, 2008), Interest income related to these balances amounted to LE 63 765 K during the period ended June 30, 2009 (LE 41 164 K during the same period in the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically lowers the risk of interests.

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 3 055 376 K and LE 3 155 763 K respectively, as of the Balance sheet date.

The Company's net exposures in foreign currencies at the Balance sheet date are as follows:

<u>Foreign Currency</u>	<u>(Deficit)/Surplus</u> <u>In thousand</u>
US\$	70 925
Euro	3 411
Sterling Pound	(210)
Japanese Yen	(7 810 363)
Algeria Dinar	51 072

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

29. EARNINGS PER SHARE FOR THE PERIOD

	For the Financial period From 1/1/2009 to 30/6/2009	For the financial period from 1/1/2008 to 30/6/2008
Net profit for the period (in thousands LE)	101 301	1 018 989
Average number of outstanding shares during the period	533 802 313	179 122 353
Earnings per share for the period (L.E / share)	0.19	5.69
	(for six months)	(for six months)