AL EZZ STEEL REBARS REPORTS CONSOLIDATED THIRD QUARTER 2008 RESULTS

Cairo, 16 December 2008 - 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 third quarter results for the period ending 30 September 2008. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	9M 2007	**9M 2008**	YoY+/-
• Net sales	12.0bn	**17.4bn**	+45%
• Gross profit	2.9bn	**4.1bn**	+43%
• EBITDA*	3.2bn	**4.2bn**	+32%
• Net profit before tax	2.2bn	**3.4bn**	+56%
• Tax and deferred tax	442mn	**674mn**	+53%
• Net profit after tax and minority interests	917mn	**1,520mn**	+66%
• EPS on a weighted average number of shares	5.12	**8.49**	+66%
• Net debt to Equity	0.99x	**0.33x**	

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

Commenting on the results, Mr Paul Chekaiban, Managing Director, said:

"ezzsteel saw exceptional growth during the third quarter of 2008 as a result of record global and domestic steel demand and prices. The extra-ordinary performance of the first nine months of 2008 was an outstanding achievement. This has enabled us to build a robust balance sheet, which, coupled with the solid demand in our domestic market, will help us to effectively confront the global slowdown that has taken place since the close of the period."

Operational Review

Sales

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

Sales EGP Mn	ESR/ESM	EZDK	EFS	Total
Long	5,112	6,450		**11,562**
Flat		2,389	3,294	**5,684**
Others	0	121	1	**122**
Total	**5,112**	**8,961**	**3,295**	**17,368**

Consolidated net sales for 9M 2008 were EGP 17.4 billion compared with EGP 12 billion during 9M 2007, representing an increase of 45% per cent. Long steel products accounted for 67 per cent of total sales and flat steel products represented 33 per cent of sales in 9M 2008.

The contributions of ESR/ESM, EZDK and EFS to net sales for the period ending 30 September 2008 were 29 per cent, 52 per cent, and 19 per cent respectively.

EGP Mn	Domestic	per cent	Export	per cent
Long	11,446	99%	96	1%
Flat	2,192	38%	3,492	61%

Sales of long products constituted the largest proportion of consolidated net sales in the period as demand within the Egyptian market remained robust. Again, long product sales were primarily directed towards servicing the construction growth within the local market, with only 1% of long products exported. The majority of flat product is exported, with a similar proportion as in the first 9 months of 2007.

Production

Long products production for 9M 2008 reached 2,370,742 tonnes compared with 2,335,569 during 9M 2007, representing a slight year-on-year increase.

Flat products production for 9M 2008 was 1,227,231 tonnes, a slight decrease from 9M 2007 production of 1,259,209 tonnes. Flat steel production volumes at EZDK were lower than Q2 2008 as a result of damage to an electrical transformer that resulted in a 27 day shutdown of the flat products facility in July.

Cost of Goods Sold

Consolidated cost of goods sold for 9M 2008 represented 76 per cent of consolidated net sales. Despite inflation in global raw material costs, this ratio was managed at the same level from 9M 2007.

Gross profit

Gross profit of EGP 4.1bn in 9M 2008 represented an increase of 43 per cent over the EGP 2.9bn recorded in 9M 2007, largely as a result of record selling prices during the quarter. Despite cost inflation, the company maintained a gross profit margin of 24%, as the benefits of its integration strategy were felt.

EBITDA

EBITDA for the period reached EGP 4.2 billion, up from EGP 3.2 billion for the same period in 2007 representing an increase of 32 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 674 million in 9M 2008, up from EGP 442 million in 9M 2007.

Net profit after tax and minority interests

In 9M 2008, net profit after minority interests was EGP 1.5billion, up 66 per cent from the comparable period in 2007.

Correspondingly, the earnings per share of EGP 8.49 in 9M 2008 was 66% higher than EGP 5.12 per share reported in 9M 2007 on a weighted average number of shares basis.

Stand Alone Performance - Divisional Overview

EZDK Performance

Sales (EGP):		Sep-07	Sep-08	
Value		6.6	9.0	BN
Volume				
	Long	1,379,614	1,308,415	Tonnes
	Flat	574,293	531,739	Tonnes
Export as % of Sales				
	Long	11%	2%	
	Flat	47%	37%	
EBITDA		2.7	3.7	BN

Production		Sep-07	Sep-08	
	Long Product	1,316,354	1,355,476	Tonnes
	Flat Product	566,154	527,185	Tonnes
	Billets	1,403,100	1,428,025	Tonnes

ESR/ERM Performance

Sales (EGP):	Sep-07	Sep-08	
Value	3.4	5.1	BN
Volume	1,045,729	1,007,492	Tonnes
Export as % of Sales	9%	1%	
EBITDA	282	414	Mn

Production		Sep-07	Sep-08	
	Long	1,019,215	1,015,266	Tonnes
	Billets	598,257	524,667	Tonnes

EFS Performance

Sales (EGP):	Sep-07	Sep-08	
Value	2.2	3.3	BN
Volume	668,080	712,682	Tonnes
Export as % of Sales	72%	80%	
EBITDA	223	50	MN

Production		Sep-07	Sep-08	
	Flat Product	693,055	700,046	Tonnes

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 3.7 billion and net debt of EGP 2.8 billion. The company has a conservative level of gearing of Net Debt / Equity of 0.33 times, and Net Debt / Annualised EBITDA of 0.51 times.

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

Outlook

Global steel prices have collapsed in the face of a significant fall in demand, and this will continue to have an impact on domestic prices which are linked to global markets. However, the price of raw materials and consumables have also fallen sharply, and although there will be a period of adjustment, margins will in due course reflect this.

Despite the global slowdown, which will impact export markets, local demand is still very strong, in particular in respect of private house building. A Government stimulus package is also expected to support demand for long products in Egypt.

ezzsteel's choice of technology allows it increased flexibility to adjust production without undue cost or damage to production facilities. An example of this flexibility, was the recent suspension of production at EFS, during which major maintenance planned for 2009 was implemented.

ezzsteel's flexible processes mean that it can take advantage of changes to raw material costs and balance its requirements across scrap, DRI or billet accordingly. ezzsteel's proactive procurement policy has also diversified sourcing consumables away from western suppliers to a greater proportion of Asian suppliers with a direct impact on costs.

- Ends -

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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, with a total actual capacity of 5.3 million tonnes of finished steel. It is the Egyptian market leader with over 65 per cent market share in terms of sales.

In 2007, the Company produced 3.1 million tonnes of long products (typically used in construction) and 1.7 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel's customer base is geographically diversified, with flat products mainly directed to export markets, whereas long products are sold in the domestic market. More than 70 per cent of its plants are less than 10 years old using the latest in modern steel making technology.

Disclaimer:

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 9 month period ending 30 September 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
(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For the Financial Period Ended September 30, 2008
& Auditor's Report

Translation from Arabic

Auditor's Report
To The Board of Directors of Al Ezz Steel Rebars Company

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 of September 30, 2008 and the consolidated statements of income, cash flows and changes in shareholders' equity for the financial period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of provisions of applicable Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have obtained the information and explanations which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the company as of September 30, 2008, and the results of its consolidated operation and cash flows for the financial period then ended, in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, November 13, 2008

Translation from Arabic

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

Consolidated Balance Sheet
As of September 30, 2008

	Note No.	30/9/2008 LE(000)	31/12/2007 LE(000)
Long Term Assets			
Fixed assets (net)	(3-3) (4)	10 111 086	10 484 611
Projects under construction	(3-4) (5)	418 206	116 977
Investments	(3-5) (6)	55 855	62 973
Long term lending to others	(7)	4 225	6 021
Goodwill	(3-6)	315 214	—
Deferred tax assets	(3-15) (22)	—	245
Total long term assets		10 904 586	10 670 827
Current Assets			
Inventory	(3-7) (8)	4 415 265	2 547 576
Trade and notes receivable	(3-8) (9)	105 225	265 407
Debtors and other debit balances	(10)	438 182	346 316
Advances to suppliers	(3-8)	44 616	125 290
Cash and cash equivalents	(3-13) (11)	3 681 772	1 892 432
Total current assets		8 685 060	5 177 021
Current Liabilities			
Provisions		51 608	51 886
Banks credit accounts and overdrafts	(12)	247 386	1 355 855
Trade and notes payable	(3-9) (13)	1 064 014	715 580
Advances from customers		1 116 440	616 330
Creditors and other credit balances	(3-9) (14)	1 370 969	1 304 748
Loan installments and facilities due within one year	(3-17) (15)	2 351 291	1 901 056
Total current liabilities		6 201 708	5 945 455
Working capital / excess of current liabilities over current assets		2 483 352	(768 434)
Total investment		13 387 938	9 902 393
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(18-2)	911 941	911 941
Proceeds from shareholders for capital increase	(18-3)	1 804 384	—
Reserves	(19)	3 869 865	3 859 586
Retained earnings		1 853 628	997 623
Net profit for the period / year		1 520 496	1 121 956
Interim dividends		—	(240 017)
Treasury stocks & payments for capital increase subscription	(20)	(71 921)	(35 884)
Translation difference adjustments		31 325	39 794
Company's share in employees dividends & board of directors remunerations of EZDK - a subsidiary company		(38 362)	(44 081)
		9 881 356	6 610 918
The difference resulting from the acquisition of EZDK		(3 280 493)	(3 280 493)
Total shareholders' equity attributes to equity holders of the parent		6 600 863	3 330 425
Minority interest		2 081 146	1 970 949
Total Shareholders' Equity		8 682 009	5 301 374
Long Term Liabilities			
Loans and credit facilities	(3-17) (15)	2 828 907	3 892 117
Other liabilities	(16)	220 658	195 631
Bonds loan	(21)	1 100 000	—
Deferred tax liabilities	(3-15) (22)	556 364	513 271
Total long term liabilities		4 705 929	4 601 019
Total equity and long term liabilities		13 387 938	9 902 393

The accompanying notes from No. (1) to No. (28) 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 September 30, 2008

	Note No.	For the financial period from 1/7/2008 to 30/9/2008 LE (000)	For the financial period from 1/1/2008 to 30/9/2008 LE (000)	For the financial period from 1/7/2007 to 30/9/2007 LE (000)	For the financial period from 1/1/2007 to 30/9/2007 LE (000)
Revenues (net)	(3-10)	6 313 613	17 368 609	4 164 485	11 992 714
Less :					
Cost of sales		4 908 749	13 232 736	3 173 681	9 104 273
Gross profit		1 404 864	4 135 873	990 804	2 888 441
Less :					
Selling and marketing expenses		106 820	252 735	44 116	118 770
General and administrative expenses		64 869	208 190	48 227	134 590
Financing expenses	(3-11)	141 791	413 106	172 163	530 317
Impairment loss on assets		(23 136)	29 084	—	
Total expenses		290 344	903 115	264 506	783 677
Results from operating activities		1 114 520	3 232 758	726 298	2 104 764
Add (Less) :					
Interest income		36 335	77 499	13 444	37 470
Reversal of impairment loss on assets		38 667	45 710	3 659	31 972
Foreign exchange differences		(24 017)	3 203	(13 356)	5 531
Other revenues		6 743	80 369	6 464	23 751
Capital gains (losses)		142	369	(109)	(82)
Net profit for the period before income tax & minority interest		1 172 390	3 439 908	736 400	2 203 406
Less:					
Income tax	(3-15)	210 830	630 807	130 710	371 498
Deferred tax	(3-15) (22)	28 628	43 338	23 711	70 026
Net profit for the period before minority interest		932 932	2 765 763	581 979	1 761 882
Less:					
Minority interest		431 425	1 245 267	290 107	844 727
Net profit for the period		501 507	1 520 496	291 872	917 155
Earnings per share for the period (LE/share)	(27)	2.80	8.49	1.63	5.12
		(For three months)	(For nine months)	(For three months)	(For nine months)

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

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

Consolidated Cash Flows Statement
For the Financial Period Ended September 30, 2008

	Note No.	For the financial period from 1/1/2008 to 30/9/2008 LE(000)	For the financial period from 1/1/2007 to 30/9/2007 LE(000)
Cash flows from operating activities			
Net profit for the period before income tax & minority interest		3 439 908	2 203 406
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	492 964	496 695
Amortization of bonds issuance costs		733	—
Impairment loss on assets		29 084	—
Reversal of impairment loss on assets		(45 710)	(31 972)
Capital (gains) / losses		(369)	82
Foreign currency exchange differences		14 666	(27 250)
		3 931 276	2 640 961
Changes in working capital			
(Increase) Decrease in inventory		(1 835 499)	193 974
(Increase) Decrease in trade receivables, debtors and other debit balances		(1 499 121)	337 108
Increase (Decrease) in creditors and other credit balances		2 039 321	(255 898)
Provisions used		(278)	—
Net cash flows provided by operating activities		2 635 699	2 916 145
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(472 794)	(138 368)
Payments for purchase of investments		(397 633)	(281 134)
Proceeds from sale of fixed assets		499	384
Payments for fixed assets creditors		(4 008)	—
Proceeds from sale of treasury stocks		17 137	—
Payments to decrease minority interest		—	(287 027)
Payments for lending to others		(2 689)	(3 227)
Proceeds from lending to others		4 486	4 058
Payments for sales tax installmets		—	(1 308)
Net cash used in investing activities		(855 002)	(706 622)
Cash flows from financing activities			
Proceeds from shareholders for capital increase		1 804 384	—
Changes in credit facilities		437 600	(287 299)
Payments of loans and long term liabilities		(1 208 927)	(742 578)
Proceeds from loan substitutions		129 384	—
Changes in long term liabilities		(22)	—
Proceeds from bonds loan		1 100 000	—
Payments for purchase of treasury stocks & capital increase subscription		(37 200)	—
Dividends paid		(1 109 747)	(691 270)
Net cash provided by (used in) financing activities		1 115 472	(1 721 147)
Net change in cash and cash equivalents during the period		2 896 169	488 376
Cash and cash equivalents at beginning of the period		538 345	129 905
Translation differences		(128)	885
Cash and cash equivalents at the end of the period	(3-13) (11)	3 434 386	619 166

The accompanying notes from No. (1) to No. (28) 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 September 30, 2008

	Capital LE(000)	Proceeds from shareholders for capital increase 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 and payments for capital increase subscription 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 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
Capital increase	380	—	—	—	—	—	—	—	—	(380)	—	—
Premium share	—	—	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	—	—	48 139	—	(48 139)	—	—	—	—	—	—	—
Employees and shareholders' share in ESR's 2006 dividends	—	—	—	—	(202 569)	—	—	—	—	—	—	(202 569)
Transferred to retained earnings from EZDK's share in interim dividends of 2007	—	—	—	—	2 061	—	—	—	—	—	—	2 061
Reduction of retained earnings against EZDK treasury stocks	—	—	—	—	(144 314)	—	—	—	—	—	—	(144 314)
Translation difference adjustments	—	—	—	—	(5 178)	(27 472)	—	—	—	—	—	(32 650)
Reversal of ESR's treasury stocks share in the dividends	—	—	—	—	2 963	—	—	—	—	—	—	2 963
Employees and the board of directors' share in the dividends of year 2006	—	—	—	—	(9 348)	—	—	—	—	—	—	(9 348)
Company's share in employees and the board of directors' share in the dividends of 2007	—	—	—	—	—	—	—	—	(29 160)	—	—	(29 160)
Net profit for the period from 1/1/2007 to 30/9/2007	—	—	—	—	—	—	—	917 155	—	—	—	917 155
Balance as of 30/9/2007	911 941	—	3 822 223	(3 280 493)	1 012 936	52 357	(35 884)	917 155	(29 160)	—	—	3 371 075
Transferred to legal reserve from ESR dividends	—	—	37 363	—	—	—	—	—	—	—	(37 363)	—
Reduction of retained earnings against EZDK treasury stocks	—	—	—	—	(16 215)	—	—	—	—	—	—	(16 215)
Translation difference adjustments	—	—	—	—	—	(12 563)	—	—	—	—	—	(12 563)
Reversal of ESR's treasury stocks share in the dividends	—	—	—	—	2 963	—	—	—	—	—	—	2 963
Transferred from retained earnings from EZDK's share in interim dividends of 2007	—	—	—	—	(2 061)	—	—	—	—	—	—	(2 061)
Interim Dividends	—	—	—	—	—	—	—	—	—	—	(202 654)	(202 654)
Company's share in employees and the board of directors' share in the interim dividends of 2007	—	—	—	—	—	—	—	—	(14 921)	—	—	(14 921)
Net profit for the period from 1/10/2007 to 31/12/2007	—	—	—	—	—	—	—	204 801	—	—	—	204 801
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

Translation from Arabic

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Financial Period Ended September 30, 2008

	Capital LE(000)	Proceeds from shareholders for capital increase 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 and payments for capital increase subscription 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 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
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 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	—	—	—	—	(15 951)	—	—	—	—	—	—	(15 951)
Purchased treasury stocks	—	—	—	—	—	—	(6 600)	—	—	—	—	(6 600)
Sold treasury stocks	—	—	—	—	(1 163)	—	2 105	—	—	—	—	942
Company's share in employees and the board of directors' share in the interim dividends of 2008	—	—	—	—	—	—	—	—	(38 362)	—	—	(38 362)
Company's share in participation percentage increase in EZDK's shareholders' equity due to treasury stocks redemption	—	—	—	—	29 991	—	—	—	—	—	—	29 991
Translation difference adjustments	—	—	—	—	—	(8 469)	—	—	—	—	—	(8 469)
Company's share in gain from sale of treasury stocks	—	—	—	—	15 549	—	—	—	—	—	—	15 549
Payments from a subsidiary for capital increase subscription	—	—	—	—	—	—	(31 542)	—	—	—	—	(31 542)
Proceeds from shareholders for capital increase	—	1 804 384	—	—	—	—	—	—	—	—	—	1 804 384
Net profit for the period from 1/1/2008 to 30/9/2008	—	—	—	—	—	—	—	1 520 496	—	—	—	1 520 496
Balance as of 30/9/2008	911 941	1 804 384	3 869 865	(3 280 493)	1 853 628	31 325	(71 921)	1 520 496	(38 362)	—	—	6 600 863

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

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and 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.

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:

	30/9/2008 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

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, the same accounting policies and principles applied to the periodical financial statements were implemented.

- 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 effect of the capitalization of foreign currency exchange differences on the fixed assets item of the financial statements of Al Ezz Rolling Mills (ERM) Company was eliminated for the purpose of preparing the consolidated financial statements.

- 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:

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 when they are completed and are ready for their intended use.

3.5 Investments

3.5.1 Investments in subsidiaries & associates

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

3.5.2 Available for sale investments

Other financial instruments that are kept are classified as available for sale investments, and are recorded at its fair value except those that are not listed in the stock exchange market. Gain or loss on available for sale investments shall be recognized directly in equity, through the statement of changes in equity.

When the asset is disposed of, the previously recognized gain or loss included in the stockholders' equity is charged to the income statement except for the impairment losses.
The investments that are not listed on stock exchange market are stated at cost less impairment losses.

3.6 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: 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 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 years 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 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 Interest bearing 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 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)

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 period	117 983	1 606	27 627	800	2 323	2 893	—	—	153 232
Disposals during the period	–	–	(4 768)	(505)	—	—	—	—	(5 273)
Translation differences	(388)	(11 417)	(26 783)	(12)	(65)	(101)	—	—	(38 766)
Cost as of September 30, 2008	581 882	2 809 544	12 147 955	87 879	76 901	48 688	6 876	477 804	16 237 529
Accumulated depreciation as of 1 January 2008	–	718 432	4 555 217	84 561	61 679	34 802	6 549	182 485	5 643 725
Depreciation for the period	–	53 316	419 354	957	3 255	1 544	245	14 293	492 964
Accumulated depreciation of disposals	–	—	(4 638)	(505)	—	—	—	—	(5 143)
Translation differences	–	(885)	(4 151)	(10)	(39)	(18)	—	—	(5 103)
Accumulated depreciation as of September 30, 2008	–	770 863	4 965 782	85 003	64 895	36 328	6 794	196 778	6 126 443
Carrying amount as of September 30, 2008	581 882	2 038 681	7 182 173	2 876	12 006	12 360	82	281 026	10 111 086
Carrying amount as of 31 December 2007	464 287	2 100 923	7 596 662	3 035	12 964	11 094	327	295 319	10 484 611

Depreciation for the period are charged as follows:-

	30/9/2008 L.E(000)
Selling expenses	679
Operating expenses	486 713
General & administrative expenses	5 572
	492 964

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

	30/9/2008 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

	30/9/2008 LE (000)	31/12/2007 LE (000)
- Construction expansion	967	1 659
- Machinery under installation	218 763	68 200
- Advance payments for acquisition of:		
Land *	28 891	18 300
Machinery	169 585	28 818
	418 206	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

	Participation Percentage %	Investments cost 30/9/2008 LE (000)	Investments cost 31/12/2007 LE (000)
6-1 Investments in subsidiaries & associates			
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
EZZ Steel Algeria	98	6 842	-
		52 009	45 167
6-2 Available for sale investments			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
Less:			
Impairment losses on Arab Company for Special Steel		13 960	-
		3 846	17 806
		55 855	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:

	30/9/2008 LE (000)	31/12/2007 LE (000)
The loan granted to the Company's employees housing Co-operative association (interest free).	2 596	4 590
The loans granted to the Company's employees (interest free).	1 629	1 431
	4 225	6 021
	=======	=======

8. INVENTORY

	30/9/2008 LE (000)	31/12/2007 LE (000)
Raw materials	1 880 239	848 326
Work in process	320 496	134 352
Finished products	854 196	533 072
Spare parts	969 826	857 511
Goods in transit	210 164	67 732
Consignment goods	92	-
Letters of credit for purchasing raw materials and spare parts	180 252	106 583
	4 415 265	2 547 576

9. TRADE AND NOTES RECEIVABLE (NET)

	30/9/2008 LE (000)	31/12/2007 LE (000)
Trade receivables	85 685	168 877
Notes receivable	58 500	135 490
	144 185	304 367
Impairment losses on trade and notes receivable	(38 960)	(38 960)
	105 225	265 407

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2008 LE (000)	31/12/2007 LE (000)
Deposits with others		99 226	59 782
Tax Authority – income tax		133 029	106 536
Customs Authority		8 045	11 435
Accrued revenues		19 465	3 983
Prepaid expenses		34 454	22 090
Advances to employees		4 176	1 113
Tax Authority – sales tax		89 247	60 470
Alexandria Port Authority		42 489	42 489
Short - term lending		300	507
Letters of guarantee cash margin		1 523	494
Indemnities debtors		-	67 184
Due from related parties	(17-1)	32 743	7 810
Other debit balances		33 360	14 218
		498 057	398 111
Impairment losses on debtors and other debit balances		(59 875)	(51 795)
		438 182	346 316

11. CASH AND CASH EQUIVALENTS

	30/9/2008 LE (000)	31/12/2007 LE (000)
Banks – Deposits	708 175	358 790
Banks – current accounts	1 080 339	1 469 226
Cheques under collection	63 255	60 282
Cash on hand	25 240	3 514
Investments fund *	379	620
Blocked account for capital increase **	1 804 384	-
	3 681 772	1 892 432
Less:		
Banks – overdraft	247 386	1 354 087
Cash and cash equivalents in the cash flow statement	3 434 386	538 345

* Represents a number of 3 256 investment deeds with accumulated daily interest.

** The blocked account for capital increase represents the amount paid by the company's shareholders for the increase of the company's capital and this amount will be released upon the registration of this increase in the Company's commercial register which took place on October 30, 2008.

12. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represents banks credit accounts and overdrafts in Egyptian pound and US dollars classified within the current liabilities caption which amounts to LE 247 386 K as of September 30, 2008 against LE 1 355 855 K as of December 31, 2007 and obtained from banks the company already deals with, with an average interest rate 12.54 % for the Egyptian pound and 5.01 % for the US$ approximately.

13. TRADE AND NOTES PAYABLE

	30/9/2008 LE (000)	31/12/2007 LE (000)
Trade payables	1 050 193	701 256
Notes payable	13 821	14 324
	1 064 014	715 580

14. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2008 LE (000)	31/12/2007 LE (000)
Fixed assets - creditors		26 671	36 542
Accrued interest		70 090	78 604
Accrued expenses		27 030	35 302
Tax Authority		34 800	21 812
Social Insurance Authority		6 731	5 703
Sales tax installments		23	17 290
Sales Tax Authority		118 267	85 047
Income tax		630 807	491 657
Dividends payable *		397 181	421 295
Financing lease agreements		27 942	28 985
Due to related parties	(17-2)	1 033	5 429
Other credit balances		18 771	60 717
Alexandria Port Authority		11 623	16 365
		1 370 969	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 September 22, 2008.

15- LOANS & CREDIT FACILITIES

Borrowing company	Loans purpose	Interest rate %	Payment terms	Period	Short term 30/9/2008 LE(000)	Long term 30/9/2008 LE(000)	Total 30/9/2008 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					1 205 474	—	1 205 474	
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	9 263	21 410	30 673	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			10 214	23 872	34 086	
Banks - credit facilities					—	—	—	
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	95 201	202 565	297 766	
Loans - foreign currency		1% over Libor		2-8 years	355 289	1 397 847	1 753 136	
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					284 384	1 043 059	1 327 443	
Banks - credit facilities					347 049	—	347 049	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 September 30.2008					2 351 291	2 828 907	5 180 198	
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.**

16. OTHER LIABILITIES

	30/9/2008 LE (000)	31/12/2007 LE (000)
Sales tax installments	-	654
Fixed assets creditors	245	258
Financing Lease agreements – flat steel project	69 856	100 097
Alexandria port authority *	150 557	94 622
	220 658	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.

17. 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 19 365 K and sales transactions of some products in favor of those companies amounted to LE 805 332 K, in addition to some mutual services which resulted in the following balances:

Company's name	Nature of Transaction	Transaction Volume LE (000)	30/9/2008 LE (000)	31/12/2007 LE (000)	Balance Sheet caption
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	229 402	1 014	10 893	Due to related parties
	Purchases	16 018	10 660	5 415	Customers advance payments
Al Ezz foreign trade	Sales	575 930	775	-	Customers advance payments
	Purchases	3 079	2 200	1 920	Trade and notes receivable
Al Ezz for ceramics and porcelain (Gemma)	Sales	-	6 871	750	Due from related parties
	Purchases	268	19	-	Due to related parties

17.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	30/9/2008 LE (000)	31/12/2007 LE (000)
Al Ezz Holding Company for Industry & Investment	Holding company	-	20
El-Gawhara Real State Investment	Subsidiary company	2	-
Gulf of Suez development Company	Affiliated company	1	2 773
Gulf of Suez Company for industrial investments	Affiliated company	2 774	2
Al Ezz for Engineering Heavy Industries	Associate company	14 296	4 265
Al Ezz for ceramics and porcelain (Gemma)	Associate company	6 871	750
Ezz Steel – Algeria	Subsidiary company	8 798	-
El-Gawhara Real State Investment	Affiliated company	1	-
		32 743	7 810

17.2 Due to related parties

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	1 014	5 415
Al Ezz for ceramics and porcelain (Gemma)	Associate company	19	14
		1 033	5 429
		========	=======

18. CAPITAL

18.1 Authorized capital

The company's authorized capital is LE 8 billion.

18.2 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.

18.3 Proceeds from shareholders for capital increase

- 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 was made and deposited in a blocked account in the National Bank of Egypt. On October 30, 2008 the capital increase was registered in the Company's commercial register with no. 1176 and the issued and paid capital after the increase became LE 2 716 325 135 distributed at 543 265 027 shares with a par value of LE 5 per share.

19. RESERVES

	30/9/2008 LE (000)	31/12/2007 LE (000)
Legal reserve	136 895	126 616
Premium share *	3 732 970	3 732 970
	3 869 865	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.

20. TREASURY STOCKS & PAYMENTS FOR CAPITAL INCREASE SUBSCRIPTION

This item amounting to 71 921 K comprises of the following:

- 40 379 K, represents the acquisition cost of 3 154 238 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company – and is classified as treasury stocks for consolidation purposes.

- 31 542 K, represents the payment from Al Ezz Rolling Mills Company (ERM)'s – a subsidiary company – for the subscription in 6 308 476 share in Al Ezz Steel Rebars capital increase. The company's capital increase was registered in the Company's commercial register on October 30, 2008.

21. 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.

22. DEFERRED TAX ASSETS AND LIABILITIES

	30/9/2008		31/12/2007	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	493	(583 474)	344	(545 894)
Inventory	-	-	9 711	-
Provisions	23 142	-	19 338	-
Tax losses carried over	3 475	-	3 475	-
Net deferred tax	27 110	(583 474)	32 868	(545 894)
Netting off	(27 110)	27 110	(32 623)	32 623
Net deferred tax (liabilities)/assets	-	(556 364)	245	(513 271)

Net deferred tax which resulted in a liability for the year that was charged to the income statement for the period amounted to LE 43 338 K.

23. CONTINGENT LIABILITIES

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

	30/9/2008 LE (000)	31/12/2007 LE (000)
Letters of guarantee		
Egyptian Pound	7 691	32 015
US Dollar	84 502	68 144
Kuwaiti Dinar	12 012	13 104

24. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of September 30, 2008 amounted to LE 67. 951 million represented in the following:-

- LE 951 K, representing the remaining value of the Fume treatment plant of Al Ezz Steel Rebars.

- LE 67 million, representing the value of improving the rolling line and portion of the melting oven of Al Ezz El Dekheila for Steel – Alexandria.

25. TAXATION

25.1 Al Ezz Steel Rebars

25.1.1 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.

25.1.2 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.

25.1.3 Payroll tax

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

25.2 Al Ezz Rolling Mills

25.2.1 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 until that date.

25.2.2 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.

25.2.3 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.

25.3 Al Ezz El Dekheila for Steel – Alexandria

25.3.1 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.

25.3.2 Payroll tax

Tax inspection has not been made for the years 2005 to 2006. The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law.

25.3.3 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.

25.4 Al Ezz Flat Steel

25.4.1 Corporate tax

The Company is not subject to corporate tax as it was established under private free zones system till May 4, 2008 and in the light of issuing law No. 114 of 2008 on May 5th, 2008, which included the amendment of some provisions of Investment Guarantees and Incentives law regarding the termination of the licenses granted to the investment projects as per the free zones system in the field of some industries that included the steel industry, the phrase "as per the private free zones" was deleted from the company's name and turned out to be "An Egyptian Joint Stock Company", therefore the company became subject to corporate tax as of that date.

25.4.2 Payroll tax

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

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

26.1 Financial instruments

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

26.2 Interest rate risk

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

26.3 Credit risk

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

26.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 2 133 145 K and LE 5 697 799 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 (In thousands)	**(Deficit)/Surplus In thousand**
US$	(508 960)
Euro	3 855
Sterling Pound	(1 016)
Japanese Yen	(8 596 071)
Algeria Dinar	2 595
Kuwaiti Dinar	(12 091)
Islamic Dinar	(11 910)

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

27. EARNINGS PER SHARE

	30/9/2008	**30/9/2007**
Net profit for the period (In thousands of Egyptian pound)	1 520 496	917 155
Average number of outstanding shares during the period	179 179 821	179 092 829
Earnings per share (L.E / share)	8.49	5.12
	(for nine months)	(for nine months)

28. COMPARATIVE FIGURES

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