AL EZZ STEEL REBARS REPORTS CONSOLIDATED Q1 2009 RESULTS

Cairo, 4 June 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 Q1 results for the period ending 31 March 2009. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	Q1 2008	**Q1 2009**	YoY+/-
• Net sales	5.0bn	**3.4bn**	-33%
• Gross profit	1.3bn	**324mn**	-75%
• EBITDA*	1.3bn	**378mn**	-71%
• Net profit before tax	1.0bn	**162mn**	-84%
• Tax and deferred tax	196mn	**42mn**	-79%
• Net profit after tax and minority interests	436mn	**66mn**	-85%
• Number of shares (at end of period)**	182mn	**543mn**	
• EPS (on number of shares at end of period)	2.39	**0.12**	
• Net debt to Equity	0.74x	**0.70x**	

**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:

"Unlike most of its peers in the steel industry, ezzsteel was able to operate profitably during the first quarter of 2009.

"Although the financial performance has been heavily impacted by the fall in steel prices and the weakness of the export markets, we continued to enjoy sustained demand on our steel products in the domestic market.

"ezzsteel remains committed to pursuing its growth strategy in order to further enhance its solid position in the steel industry."

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

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

In 2008, the Company produced 3.2 million tonnes of long products (typically used in construction) and 1.4 million tonnes of flat products (typically used in consumer / industrial goods). ezzsteel's customer base is geographically diversified, with flat products mainly directed to export markets, whereas long products are sold in the domestic market. More than 50 per cent of its plants are less than 10 years old using the latest in modern steel making technology.

Operational Review

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 quarter of 2009 were EGP 3.4 billion compared with EGP 5.0 billion during the first quarter of 2008, representing a decline of 33 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 847 thousand tonnes during the first quarter of 2009, which represents an 8 per cent increase over the 782 thousand tonnes sold during the same period in 2008. Flat steel volumes on the other hand witnessed a sharp decline from 503 thousand tonnes in the first quarter of 2008 to 209 thousand tonnes in the first quarter of 2009. This was mainly due to the shutdown of the EFS production facility.

Long steel products accounted for 81 per cent of total sales in the first quarter of 2009, in comparison to 60 per cent for the first quarter of 2008, while flat steel products represented 18 per cent of sales in the first quarter of 2009. Long product exports accounted for less than one per cent of total long sales, due to the continued strength of the domestic market demand for long products.

Long steel production volume reached 835 thousand tonnes during the first quarter of 2009 representing an 8 per cent increase over the 775 thousand tonnes produced during the same period in 2008. Flat steel production volumes on the other hand were 55 per cent lower at 207 thousand tonnes in the first quarter of 2009.

ESR/ESM long steel production rose by 17% during the quarter, while EZDK long steel production was up by two percent over the same period. Flat production at EZDK was down 11% in the first quarter of 2009, as a result of the prevailing weakness in the flat steel market. While EFS remained idle during the quarter.

The contributions of ESR/ESM, EZDK and EFS to net sales for the period ending 31 March 2009 were 34 per cent, 65 per cent, and 0.3 per cent respectively.

Sales EGP Mn	ESR/ESM	EZDK	EFS	Total
Long	1,176	1,571		**2,747**
Flat		623	8	**631**
Others		32	2	**34**
Total	**1,176**	**2,225**	**10**	**3,411**

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

EGP Mn	Domestic	per cent	Export	per cent
Long	2,731	99%	15	1%
Flat	324	51%	307	49%

Cost of Goods Sold

Consolidated cost of goods sold for the quarter ended 31 March 2009 represented 90 per cent of sales, compared to 74 per cent in the first quarter of 2008. This figure was largely impacted by the proportionally higher costs at EZDK and the shutdown in production at EFS during the quarter.

Standalone figures:

EGP Mn	ESR/ESM	EZDK	EFS	The Company
Sales	1176	2235	151	3,411
COGS	1051	1930	256	3,088
COGS/Sales	**89 per cent**	**86 per cent**	**N/A**	**90 per cent**

Gross profit

Gross profit of EGP 324 million was recorded in Q1 2009, a 75% decline from the EGP 1.3bn recorded in the first quarter of 2008. Lower profits were largely a result of some margin compression resulting from lower global steel pricing since the last quarter of 2008, as well as the continued weakness in the flat steel market, and production curtailment.

EBITDA

EBITDA for the period reached EGP 378 million, down from EGP 1.3 billion for the same period in 2008 representing a decrease of 72 per cent.

Net profit after tax and minority interests

For the three months to 31 March 2009, net profit after tax and minority interests was EGP 66 million, down from EGP 436 million in the first quarter of 2008.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 2.5 billion and net debt of EGP 4.3 billion. The company has a conservative level of gearing of Net Debt / Equity of 0.70 times.

Outlook

ezzsteel remains confident about the continued strength of the Egyptian market. The structural elements of the Egyptian economy continue to remain solid and long product demand is expected to remain on track for the rest of 2009 owing to the resilience of the private housing market and real estate projects and the impetus from the infrastructure schemes.

Conditions remain weak in the global flat steel market and as a result production at EFS is not expected to resume in the first half of 2009.

While conditions in the global steel industry remain very challenging for most participants, ezzsteel remains well positioned and committed to its growth strategy.

Divisional Overview

EZDK Performance			
Sales (EGP):	**Q1 2008**	**Q1 2009**	
Value:	2.8	2.2	bn
Volume:			
Long:	462,137	488,218	Tonnes
Flat:	249,577	204,453	
Exports as % of Sales:			
Long:	4%	1%	
Flat:	43%	53%	
EBITDA:	EGP 1.1	0.3	bn
Production:			
Long Products:	462,492	469,707	Tonnes
Flat Products:	232,985	207,001	Tonnes
Billets:	493,100	496,175	Tonnes

ESR/ESM Performance			
Sales (EGP):	**Q1 2008**	**Q1 2009**	
Value:	1.3	1.2	BN
Volume:	320,626	361,427	Tonnes
Exports as % of Sales:	2%	0%	
EBITDA:	117	112	MN
Production:			
Long Products:	312,244	365,545	Tonnes
Billets:	196,814	211,582	Tonnes

EFS (Suez)	**Q1 2008**	**Q1 2009**	
Sales (EGP):			
Value:	1.0	0.2	BN
Volume:	253,300	4,237	Tonnes
Exports as % of Sales:	80%	97%	
EBITDA:	78	-74	MN
Production:			
Flat Products:	228,056	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 three months to 31 March 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.

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

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

Consolidated Financial Statements

For the Financial Period Ended March 31, 2009
& Auditor's Report

AUDITOR'S REPORT
To The Shareholders of Al Ezz Steel Rebars Company

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al-Ezz Steel Rebars Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as at March 31, 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 March 31, 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 proper books of accounts, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the Company maintains proper costing accounts, the inventory was counted by management in accordance with methods in practice.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 21, 2009

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

Consolidated Balance Sheet
As of March 31, 2009

	Note No.	31/3/2009 LE(000)	31/12/2008 LE(000)
Long Term Assets			
Fixed assets (net)	(3-3) (4)	10 054 415	10 020 402
Projects under construction	(3-4) (5)	396 766	421 618
Investments	(3-5) (6)	49 013	49 013
Long term lending to others	(7)	1 865	3 427
Goodwill	(3-6)	315 214	315 214
Total long term assets		10 817 273	10 809 674
Current Assets			
Inventory	(3-7) (8)	2 675 253	3 177 861
Trade and notes receivable	(3-8) (9)	95 109	57 844
Debtors and other debit balances	(3-8) (10)	448 896	420 770
Advances to suppliers	(3-8)	23 405	33 873
Cash and cash equivalents	(3-13) (11)	2 508 119	4 090 266
Total current assets		5 750 782	7 780 614
Current Liabilities			
Banks credit accounts and overdrafts	(12)	76 914	1 889 775
Loan installments and facilities due within one year	(3-17) (13)	1 997 727	2 023 871
Trade and notes payable	(3-9) (14)	911 913	831 308
Advances from customers	(3-9)	696 309	952 186
Creditors and other credit balances	(3-9) (15)	1 271 573	1 425 972
Provisions	(3-12) (16)	48 313	48 408
Total current liabilities		5 002 749	7 171 520
Working capital		748 033	609 094
Total investment		11 565 306	11 418 768
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(19-2)	2 716 325	2 716 325
Reserves	(20)	3 936 487	3 912 129
Retained earnings		1 095 715	1 862 181
Net profit for the period / year		66 384	1 223 350
Interim dividends		—	(1 179 313)
Treasury stocks	(21)	(71 921)	(71 921)
Translation difference adjustments		54 987	37 553
Company's share in employees dividends & board of directors remunerations of - EZDK - a subsidiary company		—	(39 900)
		7 797 977	8 460 404
The difference resulting from the acquisition of EZDK	(3-1)	(3 280 493)	(3 280 493)
Total holding company shareholders' equity		4 517 484	5 179 911
Minority interest		1 583 829	1 757 283
Total Shareholders' equity		6 101 313	6 937 194
Long Term Liabilities			
Loans and credit facilities	(3-17) (13)	3 620 854	2 635 923
Other liabilities	(17)	161 718	173 599
Bonds loan	(22)	1 100 000	1 100 000
Deferred tax liabilities	(3-15) (23)	581 421	572 052
Total long term liabilities		5 463 993	4 481 574
Total equity and long term liabilities		11 565 306	11 418 768

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 March 31, 2009

	Note No.	For the financial period from 1/1/2009 to 31/3/2009 LE (000)	For the financial period from 1/1/2008 to 31/3/2008 LE (000)
Sales (net)	(3-10)	3 411 874	5 042 706
Less :			
Cost of sales		3 087 531	3 752 375
Gross profit		324 343	1 290 331
Less :			
Selling and marketing expenses		28 794	66 935
General and administrative expenses		64 076	42 855
Total expenses		92 870	109 790
		231 473	1 180 541
Add (Less) :			
Financing expenses	(3-11)	(213 630)	(140 419)
Interest income		40 342	18 473
Foreign exchange differences		82 637	(62 827)
Other revenues		21 563	9 447
Capital gains		—	237
Net profit for the period before income tax & minority interest		162 385	1 005 452
Less:			
Income tax	(3-15)	32 843	184 399
Deferred tax	(3-15)(23)	9 369	11 763
Net profit for the period before minority interest		120 173	809 290
Less:			
Minority interest		53 789	372 897
Net profit for the period		66 384	436 393
Earnings per share for the period (LE/share)	(28)	0.12	2.44
		(for three months)	(for three months)

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

Translation from Arabic

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

Consolidated Statement of Cash Flows
For the Financial Period Ended March 31, 2009

	Note No.	For the financial period from 1/1/2009 to 31/3/2009 LE (000)	For the financial period from 1/1/2008 to 31/3/2008 LE (000)
Cash flows from operating activities			
Net profit for the period before income tax & minority interest		162 385	1 005 452
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	146 379	164 466
Amortization of bonds issuance costs		550	—
Capital gains		—	(237)
Foreign currency exchange differences		(36 968)	44 282
		272 346	1 213 963
Changes in working capital			
Decrease (Increase) in inventory		517 339	(198 945)
Increase in trade receivables, debtors and other debit balances		(778 001)	(68 943)
Increase in creditors and other credit balances		470 606	863 017
Provisions used		(95)	—
Net cash flows provided by operating activities		482 195	1 809 092
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(63 781)	(29 083)
Payments for purchase of investments		—	(6 842)
Proceeds from sale of fixed assets		—	318
Payments to decrease minority interest		(10 000)	—
Payments for creditors purchase of fixed assets		(5 048)	(3 519)
Payments for lending to others		(946)	(816)
Proceeds from lending to others		2 607	896
Net cash used in investing activities		(77 168)	(39 046)
Cash flows from financing activities			
Changes in credit facilities		33 530	(157 769)
Payments of loans		(728 308)	(646 148)
Proceeds from loans		1 635 000	—
Dividends paid		(1 114 092)	(416 639)
Net cash used in financing activities		(173 870)	(1 220 556)
Net change in cash and cash equivalents during the period		231 157	549 490
Cash and cash equivalents at beginning of the period		2 201 293	538 345
Translation differences		198	(317)
Cash and cash equivalents at end of the period	(3-13)(11)	2 432 648	1 087 518

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 March 31, 2009

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel-Alexandria LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim distributions LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Minority Interest LE (000)	Total Shareholders' Equity LE (000)
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
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 inetrim 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)
Company's share in participation percentage increase in EZDK's shareholders' equity due to treasury stocks redemption	–	–	–	29 991	–	–	–	–	–	29 991	–	29 991
Translation difference adjustments	–	–	–	–	(12 318)	–	–	–	–	(12 318)	(4 072)	(16 390)
Company's share & Minority in employees and the board of directors' share in EZDK interim dividends of 2008	–	–	–	–	–	–	–	–	–	–	(15 070)	(15 070)
Interim dividends during the year 2008	–	–	–	–	–	–	–	–	–	–	(292 159)	(292 159)
Reduction in minority interest due to participation percentage change	–	–	–	–	–	–	–	–	–	–	(29 990)	(29 990)
Net profit for the period from 1/1/2008 to 31/3/2008	–	–	–	–	–	–	436 393	–	–	436 393	372 897	809 290
Balance as of 31/3/2008	911 941	3 859 586	(3 280 493)	1 849 521	27 476	(35 884)	436 393	–	–	3 768 540	2 002 555	5 771 095
Capital increase	1 804 384	–	–	–	–	–	–	–	–	1 804 384	–	1 804 384
Minority interest participation in subsidiary's capital	–	–	–	–	–	–	–	–	–	–	139	139
Transferred to legal reserve	–	10 279	–	(10 279)	–	–	–	–	–	–	–	–
Purchased treasury stocks	–	–	–	–	–	(38 142)	–	–	–	(38 142)	–	(38 142)
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	–	–	–	–	–	–	–	(39 900)	–	(39 900)	(51 471)	(91 371)
Company's share in gain from sale of treasury stocks	–	–	–	15 549	–	–	–	–	–	15 549	–	15 549
Reduction in minority interest due to participation percentage	–	–	–	–	–	–	–	–	–	–	(73 988)	(73 988)
Translation difference adjustments	–	–	–	8 553	10 077	–	–	–	–	18 630	3 363	21 993
Interim dividends during the year 2008	–	42 264	–	–	–	–	–	–	(1 179 313)	(1 137 049)	(1 091 794)	(2 228 843)
Net profit for the period from 1/4/2008 to 31/12/2008	–	–	–	–	–	–	786 957	–	–	786 957	968 479	1 755 436
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 March 31, 2009

	Capital LE (000)	Reserves LE (000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel-Alexandria LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Net profit LE (000)	Employees and board of directors' share in interim distributions LE (000)	Interim dividends LE (000)	Total Holding company Shareholders LE (000)	Minority Interest LE (000)	Total Shareholders' Equity LE (000)
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	–	24 358	–	(24 358)	–	–	–	–	–	–	–	–
Setting off profit of year 2008 in retained earnings	–	–	–	1 223 350	–	–	(1 223 350)	–	–	–	–	–
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 in retained earnings	–	–	–	(1 179 313)	–	–	–	–	1 179 313	–	–	–
Payments to decrease minority interest	–	–	–	(9 073)	–	–	–	–	–	(9 073)	(927)	(10 000)
Translation difference adjustments	–	–	–	–	17 434	–	–	–	–	17 434	6 223	23 657
Interim dividends during the year	–	–	–	(723 868)	–	–	–	–	–	(723 868)	(217 569)	(941 437)
Net profit for the period from 1/1/2009 to 31/3/2009	–	–	–	–	–	–	66 384	–	–	66 384	53 789	120 173
Balance as of 31/3/2009	2 716 325	3 936 487	(3 280 493)	1 095 715	54 987	(71 921)	66 384	–	–	4 517 484	1 583 829	6 101 313

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)

Notes to the consolidated financial statements
For the Financial Period Ended March 31, 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:

	31/3/2009 Percentage Share %	31/12/2008 Percentage 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:

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

3.4 *Projects under construction*

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

3.5 *Investments*

3.5.1 *Investments in subsidiaries & associates*

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

3.6 *Goodwill*

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

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 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	—	1 025	82 686	1 557	3 168	703	—	—	89 139
Disposals during the period	—	—	(28 928)	—	—	—	—	—	(28 928)
Translation differences	1 084	31 888	74 713	34	166	375	—	—	108 260
Cost as of March 31, 2009	583 252	2 851 489	12 336 090	89 479	80 053	53 136	6 876	477 804	16 478 179
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	—	17 878	122 484	387	1 073	648	—	3 909	146 379
Accumulated depreciation of disposals	—	—	(28 928)	—	—	—	—	—	(28 928)
Translation differences	—	2 945	13 822	32	134	74	—	—	17 007
Accumulated depreciation as of March 31, 2009	—	810 194	5 211 793	85 788	66 010	37 652	6 875	205 452	6 423 764
Carrying amount as of March 31, 2009	583 252	2 041 295	7 124 297	3 691	14 043	15 484	1	272 352	10 054 415
Carrying amount as of December 31, 2008	582 168	2 029 205	7 103 204	2 519	11 916	15 128	1	276 261	10 020 402

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

	31/3/2009 L.E(000)
Selling expenses	224
Operating expenses	144 285
General & administrative expenses	1 870
	146 379

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

	31/3/2009 LE (000)
Equipment of DRI & Steel plants (Agreements concluded with IDB and IBP)	251 553
Equipment of Flat Steel plant (Agreements concluded with IDB, IBP & UIF)	226 251
	477 804

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

5. PROJECTS UNDER CONSTRUCTION

	31/3/2009 LE (000)	31/12/2008 LE (000)
Construction expansion	9 787	7 529
Machinery under installation	165 646	204 392
Advance payments for purchase of Land *	39 332	39 011
Advance payments for purchase of Machinery	169 877	170 686
Advance payments for projects construction	12 124	-
	396 766	421 618

* 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 m^2, 928 456.25 m^2 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

6-1 Investments in subsidiaries & associates

	Participation Percentage %	Investments cost 31/3/2009 LE (000)	Investments cost 31/12/2008 LE (000)
Iron For Industrial, Trading and Constructing Steel Company "Contra Steel" (S.A.E)	90	45 000	45 000
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	72	72
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
EZDK Steel Europe GMBH Co.	50	69	69
EZDK Steel UK LTD Co.	50	1	1
		45 167	45 167

6-2 *Investments in other companies*

	Participation Percentage %	Investments cost 31/3/2009 LE (000)	Investments cost 31/12/2008 LE (000)
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
Less:			
Impairment losses on Arab Company for Special Steel		13 960	13 960
		3 846	3 846
Total		49 013	49 013

7. LONG TERM LENDING TO OTHERS

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

	31/3/2009 LE (000)	31/12/2008 LE (000)
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)	1 865	1 661
	1 865	3 427

8. INVENTORY

	31/3/2009 LE (000)	31/12/2008 LE (000)
Raw materials	818 672	1 157 672
Work in process	88 315	186 087
Finished products	443 494	561 283
Spare parts	1 058 463	1 015 920
Goods in transit	228 624	171 043
Consignment goods	14 955	46 148
Letters of credit for purchasing raw materials and spare parts	22 730	39 708
	2 675 253	3 177 861

9. TRADE AND NOTES RECEIVABLE (NET)

	31/3/2009 LE (000)	31/12/2008 LE (000)
Trade receivables	86 620	64 434
Notes receivable	41 928	26 822
	128 548	91 256
Impairment losses on trade receivables	(33 439)	(33 412)
	95 109	57 844

10. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2009 LE (000)	31/12/2008 LE (000)
Deposits with others	99 386	99 029
Tax authority	176 185	158 755
Customs authority	6 092	5 894
Accrued revenues	4 130	17 226
Prepaid expenses	52 935	23 996
Employees' loans	2 360	1 560
Tax Authority – sales tax	58 063	78 204
Alexandria port authority	42 489	42 489
Short - term lending	993	300
Letters of guarantee cash margin	498	491
Indemnities debtors	13 240	11 394
Due from related parties	14 825	10 219
Other debit balances	37 575	31 088
	508 771	480 645
Impairment losses on debtors and other debit balances	(59 875)	(59 875)
	448 896	420 770

11. CASH AND CASH EQUIVALENTS

	31/3/2009 LE (000)	31/12/2008 LE (000)
Banks – Deposits	1 673 155	3 006 949
Banks – current accounts	639 759	772 392
Cheques under collection	23 068	9 315
Cash on hand	16 857	334
Investments fund *	155 280	301 276
	2 508 119	4 090 266
Less:		
Banks – overdraft	75 471	1 888 973
Cash and cash equivalents in the statement of cash flows	2 432 648	2 201 293

* Represents a number of 1 276 794 investment deeds with accumulated daily interest.

12. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represented within the current liabilities caption amounting to LE 76 914 K as of March 31, 2009 against 1 889 775 K as of December 31, 2008 in the balances of banks –overdrafts amounting to LE 75 471 K as of March 2009 (against L.E 1 888 973 K as of December 31,2008) and banks - credit accounts amounting to LE 1 443 K as of March 2009 (against L.E 802 K as of December 31,2008) in Egyptian pound and US dollars, with an average interest rate 12-14.5 % for the Egyptian pound and 1-2 % over Libor for the US$ approximately.

13- LOANS & CREDIT FACILITIES

Borrowing company	Loans purpose	Interest rate %	Payment terms	Period	Short term 31/3/2009 LE(000)	Long term 31/3/2009 LE(000)	Total 31/3/2009 LE(000)	Collateral
Al Ezz Steel Rebars Co								
Banks - credit facilities					709 947	—	709 947	
Al Ezz Rolling Mills								
Loans - local currency	To finance machines and equipment of the plant	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	9 498	16 660	26 158	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			10 720	19 229	29 949	
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	256 286	1 801 550	2 057 836	
Loans - foreign currency		1% over Libor		2-8 years	290 593	742 902	1 033 495	
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	44 464	117 809	162 273	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					299 376	922 704	1 222 080	
Banks - credit facilities					376 843	—	376 843	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 31March 2009					1 997 727	3 620 854	5 618 581	
Balance as of 31 December 2008					2 023 871	2 635 923	4 659 794	

14. TRADE AND NOTES PAYABLE

	31/3/2009 LE (000)	31/3/2008 LE (000)
Trade payables	902 403	828 850
Notes payable	9 510	2 458
	911 913	831 308

15. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2009 LE (000)	31/12/2008 LE (000)
Fixed assets - creditors	12 171	16 969
Accrued interest	88 171	63 864
Accrued expenses	23 915	24 669
Tax authority	711 375	24 139
Performance guarantee retention	6 760	6 546
Sales tax installments	23	23
Sales tax authority	–	58 843
Income tax for the period / year	32 843	687 270
Dividends payable *	331 816	477 407
Financing lease agreements	27 703	13 950
Due to related parties	3	1 183
Alexandria port authority	18 836	23 106
Other credit balances	17 957	28 003
	1 271 573	1 425 972

* 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 March 28, 2009.

16. PROVISIONS

	1/1/2009 LE (000)	Used during the period LE (000)	31/3/2009 LE (000)
Lawsuits provision	26 677	-	26 677
Claims provision	21 731	(95)	21 636
	48 408	(95)	48 313

17. OTHER LIABILITIES

	31/3/2009 LE (000)	31/12/2008 LE (000)
Fixed assets creditors	235	235
Financing lease agreements – flat steel project	55 407	69 750
Alexandria Port Authority *	106 076	103 614
	161 718	173 599

* 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 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.

18. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions according to terms, which are approved by the board of directors with some related parties – subsidiaries and associates. These transactions that occurred during the period are represented in the purchase of raw materials for production amounted to LE 3 244 K and sales transactions of some products in favor of those companies amounted to LE 324 328 K, in addition to some mutual services which resulted in the following balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	31/3/2009 LE (000)	31/12/2008 LE (000)	Balance Sheet caption
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	251 300	257	17 864	Advances from customers
	Purchases	3 001	-	1 180	Due to related parties
Al Ezz Foreign Trade	Sales	73 028	53	1 631	Advances from customers
	Purchases	-	-	-	Trade and notes receivable
Al Ezz for Ceramics and Porcelain (GEMMA)	Sales	-	4 311	11	Due from related parties
	Purchases	243	-	-	Due to related parties

19. CAPITAL

19.1 Authorized capital

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

19.2 The issued and paid in capital

- The issued and paid capital at 31/3/2009 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.

20. RESERVES

	31/3/2009 LE (000)	31/12/2008 LE (000)
Legal reserve	203 517	179 159
Premium share *	3 732 970	3 732 970
	3 936 487	3 912 129

* 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.

21. TREASURY STOCKS

This item in 31/3/2009 represents 9 462 714 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company –amounting to L.E 71 921 k, and it is classified as treasury stock for the consolidation purpose.

22. 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.

23. DEFERRED TAX ASSETS AND LIABILITIES

	31/3/2009		31/12/2008	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	-	(731 097)		(599 217)
Provisions	23 671	-	23 690	-
Tax losses carried over	126 005	-	3 475	-
Net deferred tax	149 676	(731 097)	27 165	(599 217)
Netting off	(149 676)	149 676	(27 165)	27 165
Net deferred tax (liabilities)/assets	-	(581 421)		(572 052)

Net deferred tax which resulted in a liability for the period that was charged to the income statement for the period amounted to LE 9 369 K.

24. CONTINGENT LIABILITIES

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

	31/3/2009 LE (000)	31/12/2008 LE (000)
Letters of guarantee		
Egyptian Pound	7 691	7 666
US Dollar	74 574	74 574
Kuwaiti Dinar	11 466	12 012

25. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of March 31, 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 of the rolling factory to the Al Ezz El Dekheila for Steel – Alexandria Company.
- L.E 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 L.E 109 million represents value of constructing new projects after deducting the advance payment to the Flat Steel Company.

26. TAXATION

26.1 Al Ezz Steel Rebars

26.1.1 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.

26.1.2 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.

26.1.3 Payroll tax

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

26.2 Al Ezz Rolling Mills

26.2.1 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.

26.2.2 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.

26.2.3 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.

26.3 Al Ezz El Dekheila for Steel – Alexandria

26.3.1 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.

26.3.2 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.

26.3.3 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.

26.4 Al Ezz Flat Steel

26.4.1 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.

26.4.2 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.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

27.1 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.

27.2 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 6 795 495 K as of March 31, 2009 (LE 7 649 569 K as of December 31, 2008). Financing interest and expenses related to these balances amounted to LE 213 630 K during the period ended March 31, 2009 (LE 140 419 K during the same period in the previous year).Time-deposits and Investment fund amounted to LE 1 828 435 K as of March 31, 2009 (LE 3 308 225 K as of December 31, 2008), Interest income related to these balances amounted to LE 40 342 K during the period ended March 31, 2009 (LE 18 473 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.

27.3 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.

27.4 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 2 988 243 K and LE 3 293 969 K respectively, as of the Balance sheet date.

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

Foreign Currency	**(Deficit)/Surplus In thousand**
US$	72 922
Euro	3 686
Sterling Pound	(693)
Japanese Yen	(7 795 667)
Algeria Dinar	180 982
Kuwaiti Dinar	(11 475)
Islamic Dinar	(9 827)

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

28. EARNINGS PER SHARE FOR THE PERIOD

	31/3/2009 LE (000)	31/3/2008 LE (000)
Net profit for the period	66 384	436 393
Average number of outstanding shares during the period	533 802 313	179 122 353
Earnings per share for the period (L.E / share)	0.12	2.44
	(for three months)	(for three months)