AL EZZ STEEL REBARS REPORTS CONSOLIDATED HALF YEAR 2008 RESULTS

Cairo, 17 August 2008 - Al Ezz Steel Rebars S.A.E. ("ezzsteel") (CASE: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated first half results for the period ending 30 June 2008. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP	H1 2007	**H1 2008**	YoY+/-
• Net sales	7.8bn	**11.1bn**	+41%
• Gross profit	1.9bn	**2.7bn**	+44%
• EBITDA*	2.1bn	**2.7bn**	+32%
• Net profit before tax	1.5bn	**2.3bn**	+53%
• Tax and deferred tax	287mn	**435mn**	+51%
• Net profit after tax and minority interests	625mn	**1.0bn**	+63%
• EPS on a weighted average number of shares	3.49	**5.69**	+63%
• Net debt to Equity	1.14x	**0.7x**	

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

Operational Review

Sales

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

Sales EGP Mn	ESR/ESM	EZDK	EFS	Total
Long	3,014	3,981		**6,996**
Flat		1,878	2,082	**3,960**
Others		97		**97**
Total	**3,015**	**5,956**	**2,083**	**11,054**

Consolidated net sales for H1 2008 were EGP 11.1 billion compared with EGP 7.8 billion during H1 2007, representing an increase of 41 per cent. Long steel products accounted for 64 per cent of total sales and flat steel products represented 36 per cent of sales in Q1 2008.

The contributions of ezzsteel, EZDK and EFS to net sales for the period ending 30 June 2008 were 27 per cent, 54 per cent, and 19 per cent respectively.

Exports

Sales of long products constituted a higher percentage of total consolidated net sales than in the first three months of the year as demand within the Egyptian market remained robust. A record 99 per cent of long production during H1 2008 was directed to the local market to fuel construction and development, in line with the Company's commitment to supply demand in the local market as a priority.

Flat sales are typically directed towards international markets, as illustrated below:

EGP Mn	Domestic	per cent	Export	per cent
Long	6,900	99%	95	1%
Flat	1,521	38%	2,439	62%

Production

Long products production for H1 2008 reached 1,545,676 tons compared with 1,536,302 during H1 2007, representing a slight year-on-year increase.

Flat products production for H1 2008 was 859,639 tons compared with 834,386 tons during H1 2007, representing an increase of 3 per cent. EZDK flat products production increased by 11 per cent over the same period in 2007, this is attributable to the drop in production levels experienced during Q1 2007 resulting from a failure in the electricity transformer feeding the flat products plant.

Cost of Goods Sold

Consolidated cost of goods sold for H1 2008 represented 75 per cent of consolidated net sales. As the main input cost, the rise in global raw material costs is directly linked to the rise in total consolidated net sales. Correspondingly, consolidated cost of goods sold for H1 2008 rose 40 per cent on the same period in 2007.

Gross profit

Gross profit of EGP 2.7bn in H1 2008 represented an increase of 44 per cent over the EGP 1.9bn recorded in H1 2007, driven by the cost-revenue relationship resulting from higher global raw materials pricing experience since the beginning of 2008. Correspondingly, the company's gross profit margin remained stable at 24.7%.

EBITDA

EBITDA for the period reached EGP 2.7 billion, up from EGP 2.1 billion for the same period in 2007 reflecting a rise of 32 per cent.

Tax and deferred tax

ezzsteel remains one of the largest corporate tax payers in Egypt with Tax and deferred tax reaching EGP 435million in H1 2008, compared to EGP 287 million in H1 2007.

Net profit after tax and minority interests

In H1 2007, net profit after minority interests was EGP 1.0 billion, up 63 per cent in comparison to the same period in 2007.

This has delivered earnings per share (EPS) of EGP 5.69 in H1 2008 versus EGP 3.49 per share in H1 2007 on a weighted average number of shares basis.

Divisional Overview

EZDK Performance

Sales (EGP):		Jun-07	Jun-08	
Value		4.3	6.0	BN
Volume				
	Long	926,408	890,300	Tonnes
	Flat	383,783	445,186	Tonnes
Export as % of Sales				
	Long	13%	2%	
	Flat	46%	40%	
EBITDA		1.7	2.3	BN

Production	Jun-07	Jun-08	
Long Product	864,057	876,711	Tonnes
Flat Product	358,850	398,750	Tonnes
Billets	942,660	961,060	Tonnes

ESR/ERM Performance

Sales (EGP):	Jun-07	Jun-08	
Value	2.2	3.0	BN
Volume	690,410	657,959	Tonnes
Export as % of Sales	8%	1%	
EBITDA	211	303	Mn

Production	Jun-07	Jun-08	
Long	672,245	659,933	Tonnes
Billets	400,408	397,175	Tonnes

EFS Performance

Sales (EGP):	Jun-07	Jun-08	
Value	1.4	2.1	BN
Volume	453,361	494,850	Tonnes
Export as % of Sales	74%	82%	
EBITDA	147	89	MN

Production	Jun-07	Jun-08	
Flat Product	475,536	460,889	Tonnes

Recent Developments

Subsequent to the close of the period under review, the company adopted a resolution on Wednesday 30 July, 2008 to invite all shareholders to subscribe to a capital increase by issuing 364,776,388 new shares at a par value of EGP 5 per share. Each existing share held at close of trading on the record date, Sunday 24 August, 2008, has the right to subscribe to two new shares.

The subscription period will start from 26 August 26, 2008 and last until 25 September 25, 2008. In the event the capital increase is fully subscribed to, the subscription period will be reduced accordingly.

The proceeds will be used, in part, to finance ezzsteel's expansion and integration strategy at existing facilities and its new regional base in Algeria.

- Ends -

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

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

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

Disclaimer:

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 year 2007. This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long products in Egypt and in regional markets and for flat steel in the international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, or any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments nor shall assume, and each of ezzsteel, any of its directors, officers or employees or any other person expressly disclaims, any obligation, except as required by law, the listing rules of the CASE or the LSE or the FSA, to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

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

Consolidated Financial Statements

For the Financial Period Ended June 30, 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 June 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 June 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, August 14, 2008

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

Consolidated Balance Sheet
As of June 30, 2008

	Note No.	30/6/2008 LE(000)	31/12/2007 LE(000)
Long Term Assets			
Fixed assets (net)	(3-3) (4)	10 146 030	10 484 611
Projects under construction	(3-4) (5)	184 947	116 977
Investments	(3-5) (6)	55 855	62 973
Long term lending to others	(7)	5 676	6 021
Goodwill	(3-6)	315 214	—
Deferred tax assets	(3-15) (22)	393	245
Total long term assets		10 708 115	10 670 827
Current Assets			
Inventory	(3-7) (8)	3 543 604	2 547 576
Trade and notes receivable	(3-8) (9)	130 297	265 407
Debtors and other debit balances	(10)	359 789	346 316
Advances to suppliers	(3-8)	97 474	125 290
Cash and cash equivalents	(3-13) (11)	1 720 412	1 892 432
Total current assets		5 851 576	5 177 021
Current Liabilities			
Provisions		51 608	51 886
Banks credit accounts and overdrafts	(12)	456 625	1 355 855
Trade and notes payable	(3-9) (13)	890 899	715 580
Advances from customers		1 242 090	616 330
Creditors and other credit balances	(3-9) (14)	1 086 305	1 304 748
Loan installments and facilities due within one year	(3-17) (15)	1 500 340	1 901 056
Total current liabilities		5 227 867	5 945 455
Working capital / excess of current liabilities over current assets		623 709	(768 434)
Net investment		11 331 824	9 902 393
Financed as follows:			
Shareholders' Equity			
Issued and paid in capital	(18)	911 941	911 941
Reserves	(19)	3 869 865	3 859 586
Retained earnings		1 838 079	997 623
Net profit for the period / year		1 018 989	1 121 956
Interim dividends		—	(240 017)
Treasury stocks	(20)	(40 379)	(35 884)
Translation difference adjustments		3 772	39 794
Company's share in employees dividends & board of directors remunerations of EZDK - a subsidiary company		(18 647)	(44 081)
		7 583 620	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		4 303 127	3 330 425
Minority interest		2 031 266	1 970 949
Total Shareholders' Equity		6 334 393	5 301 374
Long Term Liabilities			
Loans and credit facilities	(3-17) (15)	3 142 684	3 892 117
Other liabilities	(16)	226 618	195 631
Bonds loan	(21)	1 100 000	—
Deferred tax liabilities	(3-15) (22)	528 129	513 271
Total long term liabilities		4 997 431	4 601 019
Total equity and long term liabilities		11 331 824	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 June 30, 2008

	Note No.	For the financial period from 1/4/2008 to 30/6/2008 LE (000)	For the financial period from 1/1/2008 to 30/6/2008 LE (000)	For the financial period from 1/4/2007 to 30/6/2007 LE (000)	For the financial period from 1/1/2007 to 30/6/2007 LE (000)
Revenues (net)	(3-10)	6 012 290	11 054 996	4 101 640	7 828 229
Less :					
Cost of sales		4 571 612	8 323 987	3 101 459	5 930 592
Gross profit		1 440 678	2 731 009	1 000 181	1 897 637
Less :					
Selling and marketing expenses		78 980	145 915	34 023	74 654
General and administrative expenses		100 466	143 321	48 547	86 363
Financing expenses	(3-11)	130 896	271 315	184 777	358 154
Impairment loss on assets		52 220	52 220	—	
Provisions		—	—	—	5 000
Total expenses		362 562	612 771	267 347	524 171
Results from operating activities		1 078 116	2 118 238	732 834	1 373 466
Add (Less) :					
Interest income		22 691	41 164	13 159	24 026
Provisions no longer required		7 043	7 043	5 000	5 000
Reversal of impairment loss on available for sale investments		—	—	28 313	28 313
Foreign exchange differences		90 047	27 220	23 522	18 887
Other revenues		64 179	73 626	8 178	17 287
Capital (losses) gains		(10)	227	27	27
Net profit for the period before income tax & minority interest		1 262 066	2 267 518	811 033	1 467 006
Less:					
Income tax	(3-15)	235 578	419 977	132 514	240 788
Deferred tax	(3-15) (22)	2 947	14 710	21 398	46 315
Net profit for the period before minority interest		1 023 541	1 832 831	657 121	1 179 903
Less:					
Minority interest		440 945	813 842	310 560	554 620
Net profit for the period		582 596	1 018 989	346 561	625 283
Earnings per share for the period (LE/share)	(27)	3.25	5.69	1.94	3.49
		(For three months)	(For six months)	(For three months)	(For six 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 June 30, 2008

	Note No.	For the financial period from 1/1/2008 to 30/6/2008 LE(000)	For the financial period from 1/1/2007 to 30/6/2007 LE(000)
Cash flows from operating activities			
Net profit for the period before income tax & minority interest		2 267 518	1 467 006
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	(4)	327 607	332 551
Amortization of bonds issuance costs		183	—
Impairment loss on assets		52 220	—
Reversal of impairment loss on available for sale investments		—	(28 313)
Capital gain		(227)	(27)
Provisions charged to income statement for the period		—	5 000
Provisions no longer required		(7 043)	(5 000)
Foreign currency exchange differences		(49 501)	(24 466)
		2 590 757	1 746 751
Changes in working capital			
Increase in inventory		(1 024 669)	(111 664)
Decrease in trade receivables, debtors and other debit balances		165 815	230 270
Increase (Decrease) in creditors and other credit balances		933 221	(302 395)
Provisions used		(278)	(121 002)
Net cash flows provided by operating activities		2 664 846	1 441 960
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(214 339)	(101 615)
Payments for purchase of investments		(397 633)	(85 724)
Proceeds from sale of fixed assets		357	256
Payments for fixed assets creditors		(11 126)	(59)
Proceeds from investments income		—	3 266
Payments for lending to others		(1 448)	(3 540)
Proceeds from lending to others		1 793	4 058
Payments for sales tax installmets		—	(1 291)
Net cash used in investing activities		(622 396)	(184 649)
Cash flows from financing activities			
Changes in credit facilities		(371 282)	77 934
Payments of loans and long term liabilities		(1 071 128)	(488 234)
Changes in long term liabilities		(11)	—
Proceeds from bonds loan		1 100 000	—
Payments for purchase of treasury stock		(5 658)	(287 027)
Dividends paid		(968 292)	(467 379)
Net cash used in financing activities		(1 316 371)	(1 164 706)
Net change in cash and cash equivalents during the period		726 079	92 605
Cash and cash equivalents at beginning of the period		538 345	130 554
Translation differences		(637)	55
Cash and cash equivalents at the end of the period	(3-13) (11)	1 263 787	223 214

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 June 30, 2008

	Capital LE(000)	Reserves LE(000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel- Alexandria LE(000)	Retained earnings LE(000)	Translation difference adjustments LE(000)	Treasury stocks LE(000)	Net profit LE(000)	Employees and board of directors' share in interim distributions LE(000)	Convertible bonds LE(000)	Interim dividends LE(000)	Total 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	—	—	—	—	(8 677)	—	—	—	—	—	(8 677)
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	—	—	—	—	—	—	—	(14 265)	—	—	(14 265)
Net profit for the period from 1/1/2007 to 30/6/2007	—	—	—	—	—	—	625 283	—	—	—	625 283
Balance as of 30/6/2007	911 941	3 822 223	(3 280 493)	1 018 114	71 152	(35 884)	625 283	(14 265)	—	—	3 118 071
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	—	—	—	(5 178)	(31 358)	—	—	—	—	—	(36 536)
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	—	—	—	—	—	—	—	(29 816)	—	—	(29 816)
Net profit for the period from 1/7/2007 to 31/12/2007	—	—	—	—	—	—	496 673	—	—	—	496 673
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

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

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

	Capital LE(000)	Reserves LE(000)	The Difference resulting from the acquisition of Al Ezz El Dekhaila for Steel- Alexandria LE(000)	Retained earnings LE(000)	Translation difference adjustments LE(000)	Treasury stocks LE(000)	Net profit LE(000)	Employees and board of directors' share in interim distributions LE(000)	Convertible bonds LE(000)	Interim dividends LE(000)	Total 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	—	—	—	—	—	—	—	(18 647)	—	—	(18 647)
Company's share in participation percentage increase in EZDK's shareholders' equity due to treasury stocks redemption	—	—	—	29 991	—	—	—	—	—	—	29 991
Translation difference adjustments	—	—	—	—	(36 022)	—	—	—	—	—	(36 022)
Net profit for the period from 1/1/2008 to 30/6/2008	—	—	—	—	—	—	1 018 989	—	—	—	1 018 989
Balance as of 30/6/2008	911 941	3 869 865	(3 280 493)	1 838 079	3 772	(40 379)	1 018 989	(18 647)	—	—	4 303 127

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

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

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

	30/6/2008 Share percentage %	31/12/2007 Share percentage %
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, as shown in Note No.(4).
Depreciation is charged to the income statement on straight-line basis over the estimated useful lives of assets.
The estimated useful life for each item is as follows:

Asset	**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 which includes direct materials and labor cost in addition to share of indirect 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

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	1 592	4 427	244	1 552	2 226	—	—	128 024
Disposals during the period	–	–	(4 768)	(146)	—	—	—	—	(4 914)
Translation differences	(1 594)	(46 873)	(109 953)	(50)	(264)	(401)	—	—	(159 135)
Cost as of June 30, 2008	580 676	2 774 074	12 041 585	87 644	75 931	47 721	6 876	477 804	16 092 311
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	–	35 361	278 775	625	2 153	1 001	163	9 529	327 607
Accumulated depreciation of disposals	–	—	(4 638)	(146)	—	—	—	—	(4 784)
Translation differences	–	(3 514)	(16 494)	(38)	(151)	(70)	—	—	(20 267)
Accumulated depreciation as of 30 June 2008	–	750 279	4 812 860	85 002	63 681	35 733	6 712	192 014	5 946 281
Carrying amount as of 30 June 2008	580 676	2 023 795	7 228 725	2 642	12 250	11 988	164	285 790	10 146 030
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:-

	30/6/2008 L.E(000)
Selling expenses	452
Operating expenses	323 466
General & administrative expenses	3 689
	327 607

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

	30/6/2008 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

	30/6/2008 LE (000)	31/12/2007 LE (000)
- Construction expansion	884	1 659
- Machinery under installation	146 076	68 200
- Advance payments for acquisition of:		
Land *	28 750	18 300
Machinery	9 237	28 818
	184 947	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 917 668.30 m^2, with a total value of LE 24.3 million.

6. INVESTMENTS

	Share Percentage %	Investments cost 30/6/2008 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:

	30/6/2008 LE (000)	31/12/2007 LE (000)
The loan granted to the Company's employees housing Co-operative association (interest free).	3 990	4 590
The loans granted to the Company's employees (interest free).	1 686	1 431
	5 676	6 021
	=======	=======

8. INVENTORY

	30/6/2008 LE (000)	31/12/2007 LE (000)
Raw materials	1 691 588	848 326
Work in process	298 683	134 352
Finished products	377 612	533 072
Spare parts	870 839	857 511
Goods in transit	90 277	67 732
Letters of credit for purchasing raw materials and spare parts	214 605	106 583
	3 543 604	2 547 576

9. TRADE AND NOTES RECEIVABLE (NET)

	30/6/2008 LE (000)	31/12/2007 LE (000)
Trade receivables	60 586	168 877
Notes receivable	108 671	135 490
	169 257	304 367
Impairment losses on trade and notes receivable	(38 960)	(38 960)
	130 297	265 407

10. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/6/2008 LE (000)	31/12/2007 LE (000)
Deposits with others		99 140	59 782
Tax Authority – income tax		99 732	106 536
Customs Authority		3 456	11 435
Accrued revenues		5 165	3 983
Prepaid expenses		25 189	22 090
Advances to employees		2 544	1 113
Tax Authority – sales tax		74 325	60 470
Alexandria Port Authority		42 489	42 489
Short - term lending		71	507
Letters of guarantee cash margin		3 211	494
Indemnities debtors'*		10 455	67 184
Due from related parties	(17-1)	19 309	7 810
Other debit balances		31 838	14 218
		416 924	398 111
Impairment losses on debtors and other debit balances		(57 135)	(51 795)
		359 789	346 316

* The balance represents the compensations due to Al Ezz El Dekheila for Steel – Alexandria for the loss of the profit that resulted from the damage of the electric transformer in the steel factory in addition to the repair expenses that the company paid according to the agreement with Misr for insurance company and the insurance policy clauses.

11. CASH AND CASH EQUIVALENTS

	30/6/2008 LE (000)	31/12/2007 LE (000)
Banks – Deposits	708 065	358 790
Banks – current accounts	915 870	1 469 226
Cheques under collection	69 778	60 282
Cash on hand	7 936	3 514
Investments fund *	18 763	620
	1 720 412	1 892 432
Less:		
Banks – overdraft	(456 625)	(1 354 087)
Cash and cash equivalents in the cash flow statement	1 263 787	538 345

* Represents a number of 164 365 investment deeds with accumulated daily interest.

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 456 625 K as of June 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 13 % for the Egyptian pound and 5.20% for the US$ approximately.

13. TRADE AND NOTES PAYABLE

	30/6/2008 LE (000)	31/12/2007 LE (000)
Trade payables	831 861	701 256
Notes payable	59 038	14 324
	890 899	715 580

14. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/6/2008 LE (000)	31/12/2007 LE (000)
Fixed assets - creditors		20 550	36 542
Accrued interest		59 204	78 604
Accrued expenses		31 434	35 302
Tax Authority		32 506	21 812
Social Insurance Authority		6 130	5 703
Sales tax installments		3 892	17 290
Sales Tax Authority		136 649	85 047
Income tax		419 977	491 657
Dividends payable *		328 549	421 295
Financing lease agreements		21 092	28 985
Due to related parties	(17-2)	1 870	5 429
Other credit balances		24 452	60 717
Alexandria Port Authority		-	16 365
		1 086 305	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 June 5, 2008.

15- LOANS & CREDIT FACILITIES

Borrowing company	Loans purpose	Interest rate %	Payment terms	Period	Short term 30/6/2008 LE(000)	Long term 30/6/2008 LE(000)	Total 30/6/2008 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)	—	—	—	Real estate mortgage on the company's land and buildings as well as a commercial pledge on all tangible and intangible assets and what is added to it.
Loans - foreign currency *	For the production lines in addition to financing part of its investment.	1% Over the price of banks borrowings in foreign currencies	30 Quarterly installments	31 March 2004 until 30 June 2011 (Fully paid)	—	—	—	
Banks - credit facilities					408 950	—	408 950	Second degree real state mortgage on the land , buildings as well as a second degree commercial pledge on all tangible and intangible assets.
Al Ezz Rolling Mills								
Loans - local currency	To finance machines and equipment of the plant	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	8 998	23 785	32 783	First degree mortgage on the land, buildings, machinery and equipment in favor of the bank.
Loans - foreign currency		1% Over the price of banks borrowings in foreign currencies			9 723	25 767	35 490	
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	91 871	178 655	270 526	
Loans - foreign currency		1% over Libor		2-8 years	351 748	1 598 196	1 949 944	
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	42 554	162 275	204 829	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					261 639	1 154 006	1 415 645	
Banks - credit facilities					324 857	—	324 857	Possession mortgage on inventories amounted to US Dollars 80 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Balance as of 30 June 2008					1 500 340	3 142 684	4 643 024	
Balance as of 31 December 2007					1 901 056	3 892 117	5 793 173	

* **During the second quarter of 2008 in Al Ezz Steel Rebars company, an accelerated payement of the loans balances in local and foreign currencies by using the proceeds of the bonds.**

16. OTHER LIABILITIES

	30/6/2008 LE (000)	31/12/2007 LE (000)
Sales tax installments	-	654
Fixed assets creditors	246	258
Financing Lease agreements – flat steel project	85 873	100 097
Alexandria port authority *	140 499	94 622
	226 618	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 spite of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities item represents 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 16 665 K and sales transactions of some products in favor of those companies amounted to LE 466 215 K, in addition to some mutual services which resulted in the following balances:

Company's name	Nature of Transaction	Transaction Volume LE (000)	30/6/2008 LE (000)	31/12/2007 LE (000)	Balance Sheet caption
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	109 269	1 851	10 893	Due to related parties
	Purchases	13 586	1 675	5 415	Customers advance payments
Al Ezz foreign trade	Sales	356 946	(257)	-	Customers advance payments
	Purchases	3 079	-	1 920	Trade and notes receivable

17.1 *Due from related parties*

	Nature of Relationship	30/6/2008 LE (000)	31/12/2007 LE (000)
Al Ezz Holding Company for Industry & Investment	Holding company	1	20
Iron For Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	2	-
Gulf of Suez development Company	Affiliated company	4	2 773
Gulf of Suez Company for industrial investments	Affiliated company	2 774	2
Al Ezz for Engineering Heavy Industries	Associate company	9 118	4 265
Al Ezz for ceramics and porcelain (Gemma)	Associate company	495	750
Ezz Steel – Algeria	Subsidiary company	6 915	-
		19 309	7 810

17.2 *Due to related parties*

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	1 851	5 415
Al Ezz for ceramics and porcelain (Gemma)	Associate company	17	14
Al - Jawhara Estate Projects	Associate company	2	-
		1 870	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.

19. RESERVES

	30/6/2008 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 share capital increase in return to the acquisition of Al Ezz El Dekheila for Steel shares and bonds converted to shares.

20. TREASURY STOCKS

Represent 3 154 238 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills with a total cost amounting to LE 40 379 K and is classified as treasury stocks for consolidation purposes.

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

	30/6/2008		31/12/2007	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred Tax				
Fixed assets	493	(569 732)	344	(545 894)
Inventory	14 886	-	9 711	-
Provisions	23 142	-	19 338	-
Tax losses carried over	3 475	-	3 475	-
Net deferred tax	41 996	(569 732)	32 868	(545 894)
Netting off	(41 603)	41 603	(32 623)	32 623
Net deferred tax assets/(liabilities)	393	(528 129)	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 14 710 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:

	30/6/2008 LE (000)	31/12/2007 LE (000)
Letters of guarantee		
Egyptian Pound	7 691	32 015
US Dollar	84 619	68 144
Kuwaiti Dinar	12 558	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 June 30, 2008 amounted to LE 145.5 million represented in the following:-

- LE 17.5 million, representing the remaining value of the Fume treatment plant of Al Ezz Steel Rebars.

- LE 122 million, representing the value of improving the rolling line and portion of the melting oven of Al Ezz El Dekheila for Steel – Alexandria.

- LE 6 million, representing the remaining value of a plot of land purchased by Al Ezz Rolling Mills in the western north of Suez Gulf for the purpose of establishing industrial projects.

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 June 30, 2008.

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.

25.3.2 Payroll tax

Tax inspection has not been made for the years 2005-2006. 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 1 515 653 K and LE 5 364 737 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$	(540 963)
Euro	(18 086)
Sterling Pound	(1 092)
Japanese Yen	(9 003 940)
Algeria Dinar	1 717
Kuwaiti Dinar	(12 774)
Islamic Dinar	(11 863)

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

	30/6/2008	30/6/2007
Net profit for the period (In thousands of Egyptian pound)	1 018 989	625 283
Average number of outstanding shares during the period	179 179 821	179 078 066
Earnings per share (L.E / share)	5.69	3.49
	(for six months)	(for six months)

28. COMPARATIVE FIGURES

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