

**Translation**

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**and Auditor's Report**  
**for the year ended 31 December 2005**

**Auditor's Report**  
**To The Shareholders of AL EZZ STEEL REBARS Company**  
**"An Egyptian Joint Stock Company"**

We have audited the consolidated Financial statements of AL EZZ STEEL REBARS company (An Egyptian Joint Stock Company) representing the consolidated balance sheet as of 31 December 2005, and the related consolidated Statements of Income, changes in shareholders' equity and Cash Flows for the year 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 did not audit the financial statements of AL EZZ Steel Mills company – the subsidiary –, which statements reflect total assets constituting 9 % and total revenues constituting 25 % of the related consolidated totals. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AL EZZ Steel Mills company is based solely on the report of the other auditor.

We conducted our audit in accordance with Egyptian Auditing Standards. 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 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 statements presentation. We have obtained from management the information and explanation, 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 financial position of the company as of 31 December 2005, and the results of its operations, changes in shareholders' equity and its consolidated cash flow for the year then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

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

(KPMG Hazem Hassan)

Cairo, 7 March 2006

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Balance Sheet**  
**As of 31 December 2005**

	<u>Notes</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>No.</u>	<u>LE</u>	<u>LE</u>
<b><u>Long Term Assets</u></b>			
Fixed assets (net)	(2-3),(3)	912 399 418	974 776 190
Projects in progress	(2-4),(4)	743 189	743 189
Investments in associates	(2-5),(5)	944 071 485	800 132 833
Investments available for sale	(2-6),(6)	66 700	66 700
Other assets	(2-7)	1 018 512	2 116 838
<b>Total long term assets</b>		<b>1 858 299 304</b>	<b>1 777 835 750</b>
<b><u>Current Assets</u></b>			
Inventory	(2-8),(7)	454 199 169	153 274 595
Accounts and notes receivable (net)	(2-9),(8)	187 211 238	93 211 694
Accrued from related parties	(2-16),(19-1)	52 218 554	28 009 042
Suppliers - debit balances (net)		101 629 131	96 784 283
Debtors and other debit balances (net)	(9)	40 886 456	28 065 344
Cash at banks and on hand	(10)	19 986 432	74 516 742
<b>Total current assets</b>		<b>856 130 980</b>	<b>473 861 700</b>
<b><u>Current Liabilities</u></b>			
Banks - credit balances		11 128 666	4 066 344
Banks- credit facilities	(13)	338 802 156	202 380 959
Suppliers and notes payable	(2-10),(14)	102 942 531	125 137 800
Accrued for related parties	(2-16),(19-2)	8 567 159	65 114
Creditors and other credit balances	(2-10),(15)	174 369 246	156 777 858
Bonds loan	(2-21),(16)	194 752 688	-
Loan installments due within one year	(2-19),(17)	136 063 766	132 739 106
<b>Total current liabilities</b>		<b>966 626 212</b>	<b>621 167 181</b>
<b>Working capital /(deficit)</b>		<b>(110 495 232)</b>	<b>(147 305 481)</b>
<b>Total investment</b>		<b>1 747 804 072</b>	<b>1 630 530 269</b>
<b>Financed as follows:</b>			
<b><u>Shareholders' Equity</u></b>			
Paid in capital	(21)	430 000 000	430 000 000
Reserves	(2-18)	18 597 606	8 575 203
Retained earnings/(Losses) carried over		35 520 742	( 155 256 689)
<b>Total shareholders' equity</b>		<b>484 118 348</b>	<b>283 318 514</b>
<b>Less : Treasury stocks</b>	(22)	<b>(35 883 741)</b>	<b>( 35 883 741)</b>
Net shareholders' equity		448 234 607	247 434 773
Net profit for the year		450 340 983	200 448 051
<b>Net shareholders' equity including net profit for the year</b>		<b>898 575 590</b>	<b>447 882 824</b>
<b>Minority interest</b>		<b>1 640 510</b>	<b>479 678</b>
<b><u>Long Term Liabilities</u></b>			
Long term loans	(2-19),(17)	816 993 646	968 603 018
Bonds loan	(2-21),(16)	-	206 149 843
Other long term liabilities	(18)	1 779 701	7 414 906
<b>Total long term liabilities</b>		<b>818 773 347</b>	<b>1 182 167 767</b>
Deffered tax liabilities	(2-17),(20)	28 814 625	-
<b>Total shareholders' equity and long term liabilities</b>		<b>1 747 804 072</b>	<b>1 630 530 269</b>

The accompanying notes from No. (1) to No. (30) are an integral part of these financial statements and should be read therewith.

Chairman

Eng. Ahmed Abdel Aziz Ezz

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Income Statement**  
**For the yeard ended 31 December 2005**

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Net sales	(2-11) (23)	3 123 165 443	2 230 491 195
<b><u>Less :</u></b>			
Cost of sales		2 915 620 818	1 985 120 360
<b>Gross profit</b>		<u>207 544 625</u>	<u>245 370 835</u>
<b><u>(Less)/ Add :</u></b>			
General and administrative expenses		(30 366 214)	(31 923 284)
Administrative depreciation		( 839 631)	(1 843 641)
Amortization of other long term assets		(1 098 326)	(1 662 337)
Interest and financing charges	(2-12)	(226 985 902)	(227 000 847)
Provisions	(12)	(5 000 000)	(19 345 614)
Investments income	(2-11)	497 565 145	269 136 279
Revenue from sale of investments		-	9 538 376
Interest income		166 222	956 233
Other revenues		8 527 035	4 607 428
Capital gain		33 002	38 220
Foreign currency exchange differences gains/ (losses)		30 734 542	(47 127 504)
<b>Net profit for the year before minority interest</b>		<u>480 280 498</u>	<u>200 744 144</u>
Deferred taxes		(28 814 625)	-
		<u>451 465 873</u>	<u>200 744 144</u>
<b><u>Less:</u></b>			
Minority interest		(1 124 890)	( 296 093)
<b>Net profit for the period after minority interest</b>		<u>450 340 983</u>	<u>200 448 051</u>
<b>Earning per share</b>	(27)	<u>5,44</u>	<u>2,44</u>

The accompanying notes from No. (1) to No. (30) are an integral part of these financial statements and should be read therewith.

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement Of Changes In Shareholders' Equity**  
**For the year ended 31 December 2005**

	<u>Share</u> <u>Capital</u>	<u>Reserves</u>	<u>Retained</u> <u>Earnings/(Losses)</u> <u>Carried over</u>	<u>Treasury</u> <u>Stocks</u>	<u>Net profit for</u> <u>the Year</u>	<u>Total</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b>Balance as of 31 December 2003</b>	430 000 000	8 575 203	(101 011 224)	(41 377 539)	(51 213 291)	244 973 149
Adjusting (losses) carried over by net (losses) of 2003	-	-	(51 213 291)	-	51 213 291	-
Treasury stocks sold	-	-	(3 032 174)	5 493 798	-	2 461 624
Net profit for the year	-	-	-	-	200 448 051	200 448 051
<b>Balance as of 31 December 2004</b>	430 000 000	8 575 203	(155 256 689)	(35 883 741)	200 448 051	447 882 824
Adjusting (losses) carried over by adverting over-accrued expenses for Al-Ezz Steel Mills	-	-	351 783	-	-	351 783
<b>Adjusted balance</b>	430 000 000	8 575 203	(154 904 906)	(35 883 741)	200 448 051	448 234 607
Transferred to legal reserve	-	10 022 403	-	-	(10 022 403)	-
Adjusting (losses) carried over by net profit of 2004	-	-	190 425 648	-	(190 425 648)	-
Net profit for the year	-	-	-	-	450 340 983	450 340 983
<b>Balance as of 31 December 2005</b>	430 000 000	18 597 606	35 520 742	(35 883 741)	450 340 983	898 575 590

The accompanying notes from No. (1) to No. (30) are an integral part of these financial statements and should be read therewith.

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 December 2005**

**Translation**

	<b><u>Notes</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b><u>No.</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>
<b><u>Cash Flows From Operating Activities :-</u></b>			
Net profit for the year after minority interest		450 340 983	200 448 051
<b><u>Adjustments to reconcile net profit to net cash provided by operating activities</u></b>			
<b><u>Adjustments of non cash items</u></b>			
Depreciation of fixed assets		72 332 503	69 288 747
Amortization of other assets		1 098 326	1 662 337
Losses on sale of investments		-	( 9 538 376)
Investments income		( 497 565 145)	( 269 136 279)
Deferred taxes		28 814 625	-
Capital gains		( 33 002)	( 38 220)
Fixed assets impairment		-	4 061 903
Changes in minority interest		1 160 832	296 093
Foreign currency exchange differences	(28)	( 29 462 430)	( 3 910 116)
Retained earnings adjustments		351 783	-
Amortization of bonds issuance discount		347 524	370 523
Provisions		5 000 000	19 345 614
		32 385 999	12 850 277
<b><u>Changes in working capital</u></b>			
(Increase) in inventory		( 300 924 574)	( 24 723 937)
(Increase)/decrease in accounts and notes receivable		( 93 999 544)	86 924 976
(Increase) in suppliers - debit balances		( 9 844 848)	( 2 140 660)
(Increase)/decrease in accrued from related parties		( 24 209 512)	8 230 509
(Increase) in debtors and other debit balances		( 12 821 112)	( 258 125)
(Decrease)/increase in suppliers and notes payable		( 22 195 269)	17 002 335
Increase in Accrued for related parties		8 502 045	65 114
Increase in creditors and other credit balances	(28)	20 431 237	20 571 968
<b>Net cash(used in) / provided by operating activities</b>		( 402 675 578)	118 522 457
<b><u>Cash Flows from Investing Activities</u></b>			
Proceeds from selling of fixed assets		358 005	38 220
Payments for purchase of fixed assets		( 10 280 732)	( 5 359 007)
Payments for purchase of investement		( 46 040 000)	-
Proceeds from Investments income		399 666 495	114 192 480
Payments for fixed assets creditors	(28)	( 1 311 365)	( 367 918)
Payments of sales tax installments on machinery and equipments		( 6 602 679)	( 7 412 236)
<b>Net cash provided by investing activities</b>		335 789 724	101 091 539
<b><u>Cash Flows from Financing Activities</u></b>			
Increase/(decrease) in credit facilities		136 435 938	( 100 991 985)
Payments of loans	(28)	( 131 127 978)	( 81 668 175)
Payments for bondholders		-	( 514 286)
<b>Net cash provided by/ (used in) financing activities</b>		5 307 960	( 183 174 446)
<b>Net (decrease)/increase in cash and cash equivalents</b>		( 61 577 894)	36 439 550
<b>Cash and cash equivalents at the beginning of the year</b>		68 460 644	32 021 094
<b>Cash and cash equivalents at the end of the year</b>	(11) (2-14)	6 882 750	68 460 644

The accompanying notes from No. (1) to No. (30) are an integral part of these financial statements and should be read therewith.

**Al Ezz Steel Rebars Company**  
**(An Egyptian Joint Stock Company)**  
**Notes To The Consolidated Financial Statements**  
**As of 31 December 2005**

**1. General**

**1.1 Company's 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's Gazette, issue No. 231 of April 1994.
- The Company is established for the purpose of manufacturing, trading, distributing building materials, manufacturing all kind of steel, manufacturing ceramics, sanitary ware, pipes, water mixers and taps, as well as performing related contracting works and all necessary services as preparation and transportation for the Company and for others. The Company also engages in the importation of raw material, machinery & equipment, spare parts, which are required for the Company's purpose. Moreover, the Company can perform importing, exporting and commercial agency activities within the scope of its purpose.
- Al Ezz Steel Mills Company, an Egyptian Joint Stock Company was established on 10 March 1986 under Law No. 43 of 1974, which was amended by Law No. 230 of 1989- and Law No. 95 of 1992 and its executive regulation. The Company was registered in the Commercial Register in Giza under No. 77038 on 28 November 1987. The purpose of the Company is to manufacture steel structure, rolls and bars.

**2. Significant accounting policies**

**2.1 Basis for preparing consolidated financial statements**

- The consolidated financial statements are prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations under the historical cost convention.

- Consolidated financial statements of the Company include the financial statements of Al Ezz Steel Rebars Company and its subsidiary Company Al Ezz Steel Mills Company
- All inter Company balances and transactions were eliminated.
- Consolidated balance sheet includes minority interest which represent minority share in net assets of the subsidiary Company- Al Ezz Steel Mills amounts to (9.27%) – which is included in a separate line item in the consolidated financial statements. Minority share in profit and losses of the subsidiary Company is included in a separate line item in the income statement.
- The difference between the acquisition cost of buying the shares of Al Ezz Steel Mills Company by Al Ezz Steel Rebars Company and the book value of these shares, which amounts to LE 955 912 is disclosed in Accounts receivable write down item, which the parent Company found it important to be formed at purchase.
- The effect of the capitalization of foreign currency exchange differences mounted on the fixed assets item was eliminated from the financial statements of Al Ezz Steel Mills Company for the purpose of preparing the consolidated financial statements as shown in note no (3-1) .

## **2.2 Foreign currency translation**

- The Company maintains its books of accounts in Egyptian pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions. At balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing exchange rates at that date thereof. The exchange differences resulting from the value of transactions carried during the year and the value of retranslation at the balance sheet date are recorded in the income statement.
- Because of the severe devaluation of the Egyptian pound against other foreign currencies in the previous years. The Company has applied the alternative allowable treatment according to paragraph (20) of the Egyptian Accounting Standard No. (13) which allows to capitalize foreign currency losses resulting from a recent acquisition of an asset in foreign currency. Accordingly the Company capitalized foreign exchange differences which amounts to LE 299.04 million during the years 2000 to 2003 which represents revaluation differences of the liabilities granted in foreign currencies on fixed assets with remaining useful life greater than 50% of the estimated useful life and which is financed using these liabilities.

**2.3 Fixed assets and depreciation**

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, as shown in note no.(3 ).

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 are as follows:

	<b>Al Ezz Steel <u>Rebars</u> <u>Years</u></b>	<b>Al Ezz Steel <u>Mills</u> <u>Years</u></b>
- Buildings and constructions	40	40
- Other buildings	8	-
- Central air conditioning and fixtures	8	-
- Machinery and equipment	5-20	20
- Vehicles	4-5	5
- Furniture and office equipment	3-8	5
- Tools and appliances	5	5
- Rolling rings	Actual use	5.5

**2.4 Construction work in progress**

Costs relating to the acquisition and construction of fixed assets are initially recorded in this caption. When the asset is completed and becomes ready for use, it is transferred to fixed assets caption, construction work in progress are recognized at cost further more no depreciation is handled for those assets until it is transferred to fixed assets.

**2.5 Investments in Associates**

- Investments in which the Company's interest exceeds 20%, and has significant influence over the investee's financial policies are recorded using the equity method. The investment is recorded at cost at the date of acquisition. The investment balance is then amended by the Company's share in net assets of the associated companies. In case there is any indication of impairment in the investments redeemable value against the investment carrying amount. Impairment losses are recognized in the income statement resulting in a decrease in the investments carrying amount per each investment with such losses.

Increase in the cost at the date of acquisition over the net book value is amortized over five years and this increase is included in cost of investments.

Furthermore, the Company's share in profit and losses of the associates is recognized in the income statement based on the recent approved financial statements for those associates.

- Investments in other companies in which the Company's interest is less than 20%, are recorded at acquisition cost. Revenue related to those investments are recognized using the cost method limited to the dividends declared for those investments after acquisition commencing from issuance of approved dividends declaration resolution by investee's general assemblies. If the investment redeemable value falls below its book value, the book value of such an investment is reduced by the value of the decline and is charged to the income statement.

**2-6 Investments available for sale**

Investments available for sale are recorded at cost of acquisition, and are valued as follows:-

- Investments available for sale listed in the stock exchange are valued at each financial position date at cost or fair value (market value) whichever is lower.
- Investments available for sale not listed in the Stock exchange are valued at each financial position date at cost or calculated value- based on an objective study for the recent approved financial statements of companies issuing those securities- whichever is lower. The income statement is charged by the value of decline of either market value or calculated value against carrying amount.

**2-7 Other assets**

Other assets are carried at cost, less accumulated depreciation, less any recognized impairment loss. Other assets represent fixtures and improvements in leasehold occupied by the Company. These assets are depreciated using either the lease term or assets useful lives whichever is lower.

**2.8 Inventory**

Inventories are valued at cost or net realizable value whichever is lower, cost is determined as follows:

**Al Ezz Steel Rebars**

- Raw materials: is valued at its cost up to bringing them to warehouses, using the first in first out method .
- Spare parts, materials, and supplies: are valued at cost up to bringing them to warehouses, using the moving average method.
- Work in process (Billet): 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: are valued at cost according to the cost sheets.

**Al Ezz Steel Mills**

- Raw materials, spare parts and supplies: are valued at its cost up to bringing them to warehouses, using the moving average method.
- Finished products: are valued at cost according to the cost sheets.

**2.9 Accounts receivable, notes receivable, debtors and other debit balances**

Accounts receivable, 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 collectable balances.

**2.10 Accounts payable and creditors and other credit balances**

Commercial creditors are stated at nominal value, while accruals are stated at their future value that will be paid against commodities and services that had been already received.

**2.11 Revenue recognition**

Revenue is recognized as follows:

- Sales are recognized when the client receives goods together with its related risks and benefits and issuance of invoices to clients.
- Interest income are stated on accrual basis.
- Investments income for investments are as follows:-
  - \* Investments revenue from associates and available for sale securities (using the cost method) is limited to dividends declared for those investments which are recognized after the date of acquisition.

**2.12 Borrowing costs**

Borrowing costs are charged directly to the income statement and are classified within interest and financing charges item.

**2.13 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 and the obligation can be reasonably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows using discounting rate- before tax- in order to consider that effect. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

**2.14 Cash flow statement**

The statement of cash flow is prepared using the indirect method, for the purpose of preparing the cash flow statement; the Company identifies the cash and cash equivalent items as represented in cash on hand, checks under collection, banks current account, time deposits with original maturities of three months or less, overdraft that are repayable on demand and form an integral part of the Company's cash management.

**2.15 Impairment of assets**

The carrying amounts of the Company's assets, (other than inventories), are reviewed at each balance sheet date. If there is any indication of a decline in the net realizable value of these assets from their book value, the value of these assets is reduced to the net realizable value and the resulting amount reduced is charged to the income statement. In the next years the fixed assets annual depreciation expense is calculated using the modified value at the balance sheet date, the Company determines whether there is an indication of declining in losses resulting from the impairment of assets from previous years and in case that such indications exist the impairment is revaluated and the amount previously reduced is added up as long as the book value of these assets did not exceed the original net book value before recognizing impairment losses.

**2.16 Related parties transaction**

Related parties transaction which are carried out in the ordinary course of business are based on arm-length transaction stated by stipulations made by the board of directors.

**2.17 Deferred Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**2.18 Reserves**

Legal reserve: pursuant to the Company's article of incorporation 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 issued capital, in case reserve balance is less than stated percentage, appropriation will continue.

Legal reserve: is used in virtue of general assembly resolution based on board of directors recommendations in whatever benefit the Company in its ordinary course of business.

Other reserves: general assembly could forms other reserves based on Company's board of directors recommendation.

**2.19 Interest bearing borrowing**

Interest-bearing borrowings are recognized initially at the proceeds received and the amounts that accrued within a year are classified as current liabilities, unless the Company preserve the right to postponed the payment of the loans balances for period that exceeds 12 months after the balance sheet date therefore the loan balance will be classified as long term liability.

**2.20 Expenses**

All operating expenses including general and administration expense are recognized and charged to the income statement in the period that the expense is incurred.

**2.21 Bonds loan**

Bonds loan related to Al Ezz Steel Rebars Company is recorded at the face value of the bonds after deducting the unamortized discount. The discount is amortized using the straight line method over the life of the bonds.

**3. Fixed assets**

Description	<u>Furniture &amp;</u>						<u>Total</u>
	<u>Land</u>	<u>Buildings &amp;</u>	<u>Machinery &amp;</u>	<u>Vehicles</u>	<u>Office</u>	<u>Tools &amp;</u>	
	<u>LE</u>	<u>constructions</u>	<u>equipment</u>	<u>LE</u>	<u>equipment</u>	<u>appliances</u>	
Cost as of 1 January 2005	26 886 190	180 374 543	1 225 832 061	7 793 051	22 661 324	4 569 507	1 468 116 676
Additions during the year	-	-	9 589 140	78 940	495 256	117 396	10 280 732
Disposals during the year	-	-	( 439 503)	-	( 115 720)	-	( 555 223)
Cost as of 31 December 2005	26 886 190	180 374 543	1 234 981 698	7 871 991	23 040 860	4 686 903	1 477 842 185
Accumulated depreciation as of 1 January 2005	-	33 354 978	431 323 648	7 596 752	17 745 724	3 319 385	493 340 487
Depreciation for the year	-	4 407 851	65 456 569	117 057	1 958 668	392 358	72 332 503
Accumulated depreciation of disposals	-	-	( 114 503)	-	( 115 720)	-	( 230 223)
Accumulated depreciation as of 31 December 2005	-	37 762 829	496 665 714	7 713 809	19 588 672	3 711 743	565 442 767
Net book value as of 31 December 2005	26 886 190	142 611 714	738 315 984	158 182	3 452 188	975 160	912 399 418
Net book value as of 31 December 2004	26 886 190	147 019 565	794 508 414	196 299	4 915 600	1 250 122	974 776 190

\* The company acquired its land by virtue of a temporary handing over report. The procedures of registering the land in the company's name, according to the conditions of the new Urban Cities- Sadat, are still in progress.

**3.1 Capitalization of foreign currency exchange differences**

**3.1.A Al Ezz Steel Rebars**

The fixed assets include capitalized foreign exchange differences according to the alternative allowable treatment according to paragraph (20) of the Egyptian Accounting Standards No. (13) which allows capitalizing foreign currency losses resulting from a recent acquisition of an asset in foreign currency. Accordingly the Company capitalized foreign currency exchange differences which amount to LE 299.04 million during the years 2000 to 2003 which represents revaluation differences of the liabilities granted in foreign currencies on fixed assets of remaining useful life greater than 50% of the estimated useful life and which is financed using these liabilities.

**3.1.B Al Ezz Steel Mills**

The effect of capitalization of foreign currency exchange differences was eliminated from the financial statements of Al Ezz Steel Mills Company for the purpose of preparing the consolidated financial statements as of 31 December 2005, due to the noncompliance with accounting policy applied for the capitalization of foreign currency exchange differences followed by Al Ezz Steel Mills Company with the policy applied by Al Ezz Steel Rebars Company, as follows:-

	<b><u>Consolidated balance before elimination LE</u></b>	<b><u>Elimination of capitalized exchange differences effect LE</u></b>	<b><u>Consolidated balance after elimination LE</u></b>
<b><u>Financial position adjustments</u></b>			
- Fixed assets cost as of 31 December 2005	1 516 676 278	(38 834 093)	1 477 842 185
- Accumulated depreciation as of 31 December 2005	(575 789 399)	10 346 632	(565 442 767)
- Retained earnings as of 31 December 2005	(67 862 518)	32 341 776	(35 520 742)
<b><u>Income statement adjustments</u></b>			
- Depreciation of fixed assets	76 186 819	(3 854 316)	72 332 503

**4. Projects in progress**

	<b><u>31/12/2005 LE</u></b>	<b><u>31/12/2004 LE</u></b>
- Buildings under construction	743 189	743 189
	<u>743 189</u>	<u>743 189</u>

## Translation

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### 5. Investments in associates

	<u>Ownership</u> <u>%</u>	<u>Currency</u>	<u>Par value</u>	<u>Investment cost</u>	
				<u>31/12/2005</u>	<u>31/12/2004</u>
<u>Investments recorded at equity</u>				LE	LE
Alexandria National Steel Company (El Dekhela)	21.48	LE	293 633 700	725 791 005	627 892 355
<u>Investments recorded at cost</u>					
Al Ezz Flat Steel Company	18.78	USD	50 700 000	218 280 480	172 240 478
				<u>944 071 485</u>	<u>800 132 833</u>

- The Company's share in the net equity of the non-traded companies in the securities exchange market is LE 306.684 million according to their latest financial statements, or data available, while the total value of traded shares, which have exchange prices in the securities exchange market on 31 December 2005 is LE 3 870.797 million.
- Applying the equity method for recording investments, as shown above, the Company's share in the results of the investees operations amounting to LE 497 565 150 is recognized in the investments balance.
- On 25 August 2003, the company buys 80 570 shares from Al Ezz Holding company for industry and investment (Al Ezz Group) through a preliminary purchase contract dated 25 August 2003, according to that the total shares of Al Dekhela capital owned by the company become 2 936 337 shares representing 21.48% which require changing the policy of recording the investment from the cost method to owners equity method during 2003.
- According to the contract dated 29 December 2005 Al Ezz Flat Steel Mills Company has purchased 800 000 (eight hundred thousand) share with a par value of 10 Dollars per share which was owned by Al Ezz for Ceramic & Porcelain (GEMMA) Company in the capital of Al Ezz Flat Steel Mills Company. According the total shares owned by the Company amounts to 5.070 million share that represents 18.78% against 15.82% as at 31 December 2004.

**Translation**

**Alexandria National Steel Company (El Dekhela)**

**Description**

Investment balance at the beginning of January 2005	<b><u>LE</u></b>	<b><u>LE</u></b>
		627 892 355

**Included in the income statement**

Add:

Company's share in profit for the year	510 430 295	
--	-------------	--

Less:

Amortization of the increase in the investment acquisition value over its book value at the date of acquisition	532 536	
---	---------	--

	509 897 759
--	-------------

**Investment adjustment by the change in equity ( the investee Company) that is not included in the income statement**

Less:

Proceeds from profit distribution during the year	399 666 495
---	-------------

The Company's share in the approved profit share to employees and for the Board of Directors bonus by virtue of the assembly meeting dated 25 August 2005	12 332 614
---	------------

Investment balance as of 31 December 2005	725 791 005
---	-------------

**6. Investments available for sale**

	<u>Ownership</u>	<u>Currency</u>	<u>Par value</u>	<u>Investment cost</u>	
	<u>%</u>			<u>31/12/2005</u>	<u>31/12/2004</u>
				LE	LE
The Egyptian Company for Cleaning & Security Services	25.65	LE	66 700	66 700	66 700
				66 700	66 700

**7. Inventory**

	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>LE</u>	<u>LE</u>
- Raw materials	137 978 622	37 105 814
- Work in process (billet)	9 715 498	2 411 359
- Finished products	169 036 438	30 751 676
- Spare parts and supplies	85 980 432	79 099 186
- Goods in transit	18 734 798	1 333 145
- Letters of credit for raw material purchase	32 753 381	2 573 415
	454 199 169	153 274 595

**8. Accounts and notes receivable (net)**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Accounts receivable	72 289 271	70 809 865
- Notes receivable	152 398 075	59 877 937
	<u>224 687 346</u>	<u>130 687 802</u>
<b><u>Less</u></b>		
- Provision for accounts and notes receivable	(37 476 108)	(37 476 108)
	<u>187 211 238</u>	<u>93 211 694</u>

**9. Debtors and other debit balances**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Tax Authority – Withholding Tax	15 552 054	11 388 066
- Sales Tax Authority	10 909 652	-
- Prepaid expenses	2 046 206	1 214 343
- Letters of guarantee cash margins	-	1 233 637
- Deposits with others	7 679 994	7 146 060
- Other debit balances	4 785 545	7 170 233
	<u>40 973 451</u>	<u>28 152 339</u>
<b><u>Less :</u></b>		
- Provision for debtors and other debit balances	(86 995)	(86 995)
	<u>40 886 456</u>	<u>28 065 344</u>

**10. Cash at banks and on hand**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Deposits	1 975 000	1 975 000
- Banks – current accounts	6 594 146	41 018 992
- Cheques under collection	8 713 277	28 888 247
- Cash on hand	2 704 009	2 634 503
	<u>19 986 432</u>	<u>74 516 742</u>

**11. Cash and cash equivalent for cash flow purposes**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Banks – current accounts	6 594 146	41 018 992
- Cheques under collection	8 713 277	28 888 247
- Cash on hand	2 704 009	2 634 503
	<u>18 011 432</u>	<u>72 541 742</u>
<b><u>Less:</u></b>		
Banks- credit balances	11 128 682	4 081 098
	<u>6 882 750</u>	<u>68 460 644</u>

## Translation

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### 12. Provisions

	<u>Balance as at</u> <u>1/1/2005</u>	<u>Formed</u> <u>during the</u> <u>year</u>	<u>Balance as at</u> <u>31/12/2005</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b><u>Provision represented as contra accounts of their related assets:</u></b>			
- Decrease in accounts & notes receivables	37 476 108	-	37 476 108
- Decrease in debtors & other debit balances	86 995	-	86 995
- Advance payments to suppliers	4 266 679	5 000 000	9 266 679
	<u>41 829 782</u>	<u>5 000 000</u>	<u>46 829 782</u>

### 13. Banks - credit balances

This item represents the amount of credit facilities – banks overdraft – obtained from a group of banks which the Company deals with in Egyptian pound and US dollars, with average interest rate amounts to 15 % for the Egyptian pound approximately and 6 % for the US Dollars approximately, balances are classified within the current liabilities caption which amounts to LE 338 802 156 as of 31/12/2005 against LE 202 380 959 as of 31/12/2004.

### 14. Suppliers and notes payable

	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>LE</u>	<u>LE</u>
- Suppliers	65 281 368	51 890 627
- Notes payable	37 661 163	73 247 173
	<u>102 942 531</u>	<u>125 137 800</u>

### 15. Creditors and other credit balances

	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>LE</u>	<u>LE</u>
- Salaries & wages tax/ mobile capital tax	12 121 942	13 115 406
- Sales tax installments (note 18)	5 467 375	6 434 849
- Accrued interest	3 146 208	5 909 434
- Accrued expenses	15 885 180	3 626 985
- Sales Tax Authority	-	1 028 698
- Fixed assets creditors	9 290 977	11 163 352
- Dividends payable (board of directors & employees)	1 107 083	1 107 083
- Dividends payable	660 705	660 705
- Social Insurance Authority	343 417	199 355
- Tax authority – Withholding Tax	1 264 851	6 876 318
- Other credit balances	125 081 508	106 655 673
	<u>174 369 246</u>	<u>156 777 858</u>

**16. Bonds loan**

The Extraordinary General Assembly Meeting held on 11 November 1999 decided to issue convertible bonds with a maturity period of four years, and having second priority for repayment after the medium and long term loans, which can be traded or transferred into stocks amounting to USD 86.017 million of which USD 59 million were underwritten in a non public offering and the rest through a public offering. These bonds were issued at a face value of USD 1,000 each, and issued at a discount of 9.025%, in addition to bond issuance cost of USD 0.25 per bond, at an annual variable interest rate of 2.9% over libor of the US dollars (for three months) to be paid every three months.

The Company is obligated at the end of the second year from the closing date for the bonds' subscription to open sinking fund account in favor of the bondholders, where amounts in US dollars are deposited.

On 1 June 2003 the bondholder's assembly resolved the following:-

- \*1- The early retirement of bonds amounting to USD 40 million at the due date of coupon no. (15) On 12 October 2003.
  
- \*2- The maturity date of the remaining bonds amounting to USD 34.136 million – after the early retirement – is 31 December 2006.
- 3- Canceling the condition of forming the sinking fund account for the remaining bonds.
- 4- The rest of the bonds issuance conditions remain without amendment.
  
- \* The early retirement of bonds includes USD 179 000, the value of 179 bonds in favor of Al Ezz Steel Mills Company. The remaining bonds include USD 152 000, the value of 152 bonds in favor of Al Ezz Steel Mills Company, and for the purpose of the consolidation, this transaction was eliminated.

In addition, the Company settled 84 bonds with total amount of USD 84 000 during the financial year ended 31 December 2004. These bonds represent the rounding up of the amount paid for the early retirement.

Accordingly, the number of bonds (after excluding the bonds of Al Ezz Steel Mills Company) outstanding as of 31 December 2005 amounts to 33 900 bonds with a total value of USD 33.900 million.

The balance of the bonds loan outstanding at 31 December 2005 comprises the following:

	<b><u>LE</u></b>
- Bonds par value	195 094 500
<b><u>Less:</u></b>	
- Unamortized bond discount	(341 812)
Net book value	<u><u>194 752 688</u></u>

**17- Loans**

The company with its subsidiary were granted loans from a number of local banks. The total amount of loans classified in consolidated financial statements as of 31 December 2005 as long and short term liabilities are as follows:-

<u>Borrowing company</u>	<u>Loans purpose</u>	<u>Interest rate</u>	<u>Payment Term</u>	<u>Date</u>	<u>Total</u> <u>LE</u>	<u>Long term</u> <u>LE</u>	<u>Short term</u> <u>LE</u>	<u>Collateral</u>
<b><u>Al Ezz Steel Rebars Co</u></b>								
Loans - local currency	Finance part of the importing cost of machinery, equipment, and the construction work on the production lines in addition to financing part of its investment	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	639 569 220	551 581 220	87 988 000	Real estate mortgage on the company's land and buildings as well as a commercial pledge on all tangible and intangible assets.
Loans - foreign currency		1% Over the lending interest rate of the National bank of Egypt	30 Quarterly installments	31 March 2004 until 30 June 2011	192 276 094	164 634 828	27 641 266	
<b><u>Al Ezz Steel Mills</u></b>								
Loans - local currency		12%	30 Quarterly installments	31 March 2004 until 30 June 2011	56 035 008	46 535 008	9 500 000	First degree mortgage on the land, buildings, machinery and equipments in favor of the bank.
Loans - foreign currency		1% Over the lending interest rate of the National bank of Egypt	30 Quarterly installments	31 March 2004 until 30 June 2011	65 177 090	54 242 590	10 934 500	
<b>Balance as of 31 December 2005</b>					<u>953 057 412</u>	<u>816 993 646</u>	<u>136 063 766</u>	
<b>Balance as of 31 December 2004</b>					<u>1 101 342 124</u>	<u>968 603 018</u>	<u>132 739 106</u>	

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**18. Other liabilities**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Accrued sales tax installments	1 779 701	7 414 906
	<u>1 779 701</u>	<u>7 414 906</u>

- The balance is represented in sales tax installments in which the accrued installments during 2006 that amounts to LE 5 467 375 which are classified within "creditors & other credit balances" item in the current liabilities caption (Note No. 15).

**19. Related parties transactions**

The Company is implementing some commercial transactions according to terms, which is approved by the board of directors with some related parties - associates - these transactions that occurred during the year are represented in the purchase of raw materials for production amounted to LE 98 933 418 & sales transactions of some products in favor of those companies amounted to LE 220 999 874. In addition to some mutual services which resulted in the following balances:

**19.1 Accrued from related parties**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Al Ezz Holding Company	52 218 554	22 842 090
- Al Ezz Flat Steel Mills Company	-	556 347
- Al Ezz for Ceramic & Porcelain (GEMMA)	-	4 610 605
	<u>52 218 554</u>	<u>28 009 042</u>

**19.2 Accrued for related parties**

	<b><u>31/12/2005</u></b>	<b><u>31/12/2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
- Al Ezz for Ceramic & Porcelain (GEMMA)	5 853 618	-
- Alexandria National Steel Company (Al Dekhela)	2 713 541	65 114
	<u>8 567 159</u>	<u>65 114</u>

**20. Deferred tax assets & liabilities**

	<b><u>31/12/2005</u></b>	
	<b>LE</b>	
<b><u>Deferred tax</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>
Fixed assets	-	(28 814 625)
Net deferred tax (liabilities)	-	<u>(28 814 625)</u>

**21. Share - capital**

**21.1 Authorized share capital**

The Company's authorized share capital amounts to LE 2 billion (Two billion Egyptian ponds).

**21.2 The issued and paid in capital**

The issued and paid in capital amounts to LE 430 000 000 ( Four hundred and thirty million Egyptian pounds) divided into 86 million shares (eighty six million shares) each with a par value of LE 5 (Five Egyptian pounds) paid in full.

**22. Treasury Stocks**

According to the Board of Directors resolution dated 25 October 1999, the Company purchased 3 765 841 shares of its stock from the Securities Exchange Market in Cairo and London. The cost of the purchased shares amounted to LE 41 377 539.

The Company contracted to sell these shares to Al Ezz Steel Company (subsidiary Company) on 19 December 2000 for an amount of LE 18 540 171. The deal was executed on 31 January 2001 resulting in a loss of LE 22 837 368 which is deducted from the legal reserve then the retained earnings.

On 20 December 2004, it was agreed to sell 500 000 shares from the above mentioned shares from Al Ezz Steel Mills to Al Ezz Holding Company for Industry and Investment with a total amount of LE 12 million as of 31 December 2004 by virtue of a preliminary contract. It is not registered in the securities exchange market up till to date; accordingly:

	<b><u>31 December 2005</u></b>
- The number of shares owned by Al Ezz Steel Mills Company in Al Ezz Steel Rebars Company	3 265 841 shares
- The cost of the shares	LE 35 883 741

For the purpose of the consolidation this transaction was eliminated.

**23. Net sales**

Represents sales occurred during the year ended as of 31 December 2005 as follows:

	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Local sales	2 906 882 299	1 997 110 859
Export sales	216 283 144	233 380 336
	<u>3 123 165 443</u>	<u>2 230 491 195</u>

**24. Contingent liabilities**

In addition to the amounts which have been accounted for within the balance sheet items, there are other contingent liabilities represents the amount of the letters of guarantee which haven't been covered that were issued by the Company's bank in favor of others contingent liabilities are as follows:

	<u>31/12/2005</u>	<u>31/12/2004</u>
	<u>LE</u>	<u>LE</u>
Letter of guarantee	2 015 464	2 015 464
	<u>2 015 464</u>	<u>2 015 464</u>

**25. Taxation**

**25.1 Al Ezz Steel Rebars**

**Corporate tax**

The Company's profits are subject to corporate income tax according to the law No.157 of 1981 (as amended). Since the Company has established its factory in Sadat City (one of the new urban communities) and according to the provisions of Law No. 59 for 1979 related to development of the new urban communities, the Company is granted a tax exemption for a period of ten years beginning from 1 January 1997 ending 31 December 2006.

**Sales tax**

- The Company's products are subject to a 5% sales tax and the Company submits sales tax returns on a timely basis, and the tax authority inspects the Company's books regularly and there are no tax disputes or outstanding dues until 31 December 2004.

**Payroll tax**

- The tax authority inspected the Company's books until 31 December 2002 and there are no amounts due on the Company for this period.

- The tax authority is almost finishing inspection for 2003/2004 years.

**Stamp tax**

- The tax authority inspected the Company and settlement was made until 31 December 2003, inspection lasted till 31 August 2005 but wasn't settled till current date.

**25.2 Al Ezz Steel Mills**

**Corporate tax**

The Company's profits are subject to corporate income tax. Since the Company has established its factory in the 10<sup>th</sup> of Ramadan City, the Company is tax exempted until 31 December 2003. The tax authority inspected the Company's books and settlement was made until 2002.

**Sales tax**

The Company submits sales tax returns on a timely basis. The tax authority inspected the Company's books until 2003 and settlement was made, and there are no tax disputes or outstanding dues.

**Payroll tax**

The tax authority inspected the Company's books and settlement was made until 2002. No tax inspection took place since year 2002.

**Stamp tax**

The tax authority inspected the Company's books and settlement was made until 2001 and no inspection took place since year 2001.

**26. Financial instruments and risk management**

**26.1 Financial instruments**

The Company's financial instruments are represented in current accounts, cash balances, debtors, investments, suppliers, notes receivable, creditors, loans, and banks credit balances.

The significant accounting policies applied for the recognition and measurement of major financial instruments and the related income and expenses are disclosed in note (3) in the financial statements.

\* The book value of these financial instruments does not differ that much from it is accurate value at the balance sheet date.

**26.2 Interest rate risk**

- Interest rate risk represents the change on interest rate in Company's debit for the banks which represented in loans and credit facilities which amounted to LE 1 291 859 586 as of 31/12/2005, LE 1 303 723 083 as of 31/12/2004.

- Interest & financing charges related to that debit amounts to LE 174 314 629 during the year, LE 170 080 840 during the previous year, while the deposits balance as of 31/12/2005 amounts to LE 1 975 000, LE 1 975 000 as of 31/12/2004, the credit interest related to this deposits amounts to LE 154 764 during the year LE 809 589 during the previous year, and in order to mitigate this risk, they companies management is trying to obtain the best available term in the banking market related to the credit facilities balance, overdrafts and loans in addition to review interest rate prevailing in the banking market, periodically to decrease the volatility of interest rate risk.

**26.3 Credit risk**

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

**26.4 Foreign currency risk**

The foreign currency exchange 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 assets and liabilities. As at the date of the financial position, the Company has foreign currency assets and liabilities equivalent to LE 110 043 920 and LE (502 478 133) respectively.

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

	<b><u>(Short)/Long</u></b>
US Dollars	(67 040 897)
Euro	534 499
Swiss frank	913
Sterling pound	(8 135)

As shown in note (2.2) "Foreign currency translation", the assets and liabilities balances, in foreign currency, shown above were valued using the prevailing exchange rate at the financial position date.

**27. Share's profit (losses) for the year**

	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Net profit for the year	450 340 983	200 448 051
<b><u>Less:</u></b>		
Employee's share in earnings	82 734 159	82 275 825
Board of director's remuneration	<u>5.44</u>	<u>2.44</u>

**The weighted average for number of shares for 2005:**

$$86\,000\,000 * 12/12 = 86\,000\,000$$

**Less:** The weighted average for treasury stock

$$3\,265\,841 * 12/12 = \underline{3\,265\,841}$$

$$\underline{82\,734\,159}$$

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### 28. Note related to cash flow statement

For the purpose of preparing the cash flows statement , the Company eliminates the effect of non - cash transactions that took place during the year, for the consistency of the cash flows statement with the cash basis requirements on which it is prepared , which is shown as follows:

<u>Description</u>	<u>Creditors and other credit balances</u>	<u>Fixed assets creditors</u>	<u>(Credit) foreign currency exchange differences</u>	<u>Loans</u>	<u>Bonds Loan</u>
	LE	LE	LE	LE	LE
Change in balance sheet as of 31/12/ 2005	17 591 388	(1 872 375)	-	(148 284 704)	(11 397 170)
<b><u>(Less)/Add non monetary transaction</u></b>					
Amortization of bonds discount	-	-	-	-	(347 524)
Credit foreign exchange differences	-	561 010	(29 462 430)	17 156 726	11 744 694
<b><u>(Less)/Add items included in investing activities</u></b>					
Fixed assets creditors	1 872 375	-	-	-	-
Sales tax installments (short term)	967 474	-	-	-	-
Change in items as stated in cash flow statement	20 431 237	(1 311 365)	(29 462 430)	(131 127 978)	-

### 29. Comparative figures

Some comparative figures was restated to comply with financial statements presentation for the current year.

### 30. Subsequent events

According to the contract dated 12 February 2006 the company decided to sold back 80 570 shares of Dekhaila to Al Ezz Holding Company.

The board of directors held on 16 February 2006 approved the conversion of 29009 bonds from the bonds issued by the company to shares equivalent into 7 542 340 shares and to increase the issued capital of the company from LE 430 000 000 (only four hundred thirty million Egyptian pounds) to LE 467 711 700 (only four hundred and sixty seven million and seven hundred and eleven thousand and seven hundred Egyptian pounds). Subscription in this increase is limited to the conversion of the bonds owned by Al Ezz Holding Company for Industry and Investment. (Ezz Industry Group).

The extraordinary general assembly meeting dated 5 March 2006 decided to:

- Increase the company's issued capital by 87 979 534 shares and this increase is allowed only for Al Ezz Holding Company for Industry and Investment (Ezz Industry Group) and its subsidiary companies in return to acquisition of 4 016 230 shares (only four million and sixteen thousands and two hundred and thirty shares) from the shares of Al Ezz Dekhela for mills- Alexandria and that is owned to Al Ezz Holding company for Industry and Investment (Ezz Industry Group) and its subsidiary companies according to agreement upon swap coefficient amounted to 21.906 (Only twenty one shares and nine hundred and six from the share) from the share of Al Ezz Steel Rebars company in return to every share of Al Ezz- Dekhela mills- Alexandria.
- Increase the authorized capital from 2 billion Egyptian pounds to 8 billion Egyptian pounds.