

ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)

Financial Statements & Auditors' Report
As of December 31, 2004

**ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)**

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As of December 31, 2004**

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**ALLIED FOR ACCOUNTING
AND AUDITING E & Y**

**KPMG HAZEM HASSAN
PUBLIC ACCOUNTANTS
& CONSULTANTS**

AUDITORS' REPORT

To The Shareholders of Alexandria National Iron & Steel Company

We have audited the accompanying Balance Sheet of Alexandria National Iron & Steel Company (S.A.E) as of December 31st, 2004 and the related statements of income, cash flows and changes in the equity for the period then ended. These 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 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 December 31st, 2004 and the results of its operations and its cash flows and statement of changes in the equity for the financial period then ended, in accordance with Egyptian Accounting Standards and in compliance 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 accompanying financial statements are in agreement therewith. The company also maintains cost accounting records that meet the purposes thereof and the inventories count was performed by the company's management in accordance with methods in practice

The financial information contained in the board of directors report prepared in conformity with law no. 159 for 1981 and its executive regulations are in agreement with the company's accounting records within the limit that such information is recorded therein.

AUDITORS'

**ALLIED FOR ACCOUNTING
AND AUDITING E & Y**

HAFEZ RAGHEB

KPMG HAZEM HASSAN

HAZEM HASSAN

Alexandria in March 3rd, 2005

ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)

BALANCE SHEET AS OF DECEMBER 31, 2004

	<u>Note</u> <u>No.</u>	<u>31/12/2004</u> <u>LE</u>	<u>31/12/2003</u> <u>LE</u>
<u>Long-Term Assets</u>			
Fixed Assets (net)	(3-2) , (4)	6 827 044 032	7 138 744 295
Projects in Progress	(5)	10 369 669	7 695 011
Long-term Investments	(3-6) , (6)	18 373 110	18 373 110
Receivable Long-term Loans	(7)	10 319 662	12 899 362
Total Long -Term Assets		<u>6 866 106 473</u>	<u>7 177 711 778</u>
<u>Current Assets</u>			
Inventories – (Net)	(3-3), (8)	1 432 807 548	997 044 982
Accounts Receivable – (Trade)	(3-10)	104 835 606	65 787 941
Accounts Receivable – (Export)	(3-10)	24 937 945	116 045 889
Notes Receivable		186 719 024	236 326 660
Advances to Suppliers	(3-11)	38 520 093	29 257 579
Debtors and Other Debit Balances (Net)	(3-10), (9)	266 346 147	186 190 050
Cash at Banks & on Hand	(10)	1 126 178 855	284 806 046
Total Current Assets		<u>3 180 345 218</u>	<u>1 915 459 147</u>
<u>Current Liabilities</u>			
Provisions	(3-12), (11)	375 850 000	25 914 762
Banks – Credit Balances	, (12)	349 374 234	463 799 002
Current Maturities due within one Year	(17-3)	444 466 100	446 969 329
Accounts Payable – Trade	(3-11)	921 115 973	518 044 427
Creditors and Other Credit Balances	(3-11), (13)	924 577 724	569 131 002
Total Current Liabilities		<u>3 015 384 031</u>	<u>2 023 858 522</u>
Surplus / (Deficit) in Working Capital		<u>164 961 187</u>	<u>(108 399 375)</u>
Total Investment	C/F	<u>7 031 067 660</u>	<u>7 069 312 403</u>

**ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)**

BALANCE SHEET AS OF DECEMBER 31, 2004

		<u>Note No.</u>	<u>31/12/2004 LE</u>	<u>31/12/2003 LE</u>
Total Investment	B/F		7 031 067 660	7 069 312 403
Financed as Follows :				
Shareholders' Equity :				
Issued and Paid-up Capital		(14)	1 366 776 700	1 366 776 700
Reserves		(15)	580 231 055	580 231 055
Retained Profit / (Losses)			73 558 950	(223 911 057)
Profit of the Year			1 379 524 515	449 858 342
Total Shareholders' Equity			3 400 091 220	2 172 955 040
Less:				
Interim Dividends during the Year		(16)	(453 001 813)	--
Shareholders Equity (Net)			2 947 089 407	2 172 955 040
Long-Term Liabilities				
(Net of Current Maturities)				
Related to Rebar Activities		(17-1)	1 708 581 741	2 059 772 447
Related to Flat Steel Project		(17-1)	1 944 612 441	2 258 675 019
Related to Financial Lease Agreements		(17-2)	430 784 071	577 909 897
			4 083 978 253	4 896 357 363
Total Finance of the Investment			7 031 067 660	7 069 312 403

- The accompanying notes are an integral part of the financial statements and to be read therewith.
- Auditors Reports – attached.

Auditors
KPMG Hazem Hassan Allied for Accounting &
Auditing E & Y

Hazem Hassan

Hafez Ragheb

Chairman & Managing Director
Eng./ Ahmed Ezz

ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)

INCOME STATEMENT FOR THE YEAR ENDED
DECEMBER 31, 2004

	Note <u>No.</u>	31/12/2004 <u>LE</u>	31/12/2003 <u>LE</u>
Net Sales		7 473 752 598	4 886 872 337
<u>Less:</u>			
Cost of Sales		(4 877 065 235)	(3 789 581 982)
Gross Profit		2 596 687 363	1 097 290 355
<u>Less:</u>			
General & Administrative Expenses		67 545 408	58 285 946
Finance Expenses	(3-4)	447 807 814	418 546 809
Provisions		370 500 000	72 344 647
Board of Directors Remunerations & Attendance Fees		414 598	378 160
		(886 267 820)	(549 555 562)
<u>Add:</u>			
Company's Share in (Losses) of Subsidiaries	(3-6)	--	(12 953 189)
Interest Income		38 807 727	4 016 241
Other Ordinary Income		4 041 686	3 226 740
		42 849 413	(5 710 208)
Operational Profit		1 753 268 956	542 024 585
<u>Add (Less) :</u>			
Capital Gains		--	29 193
Foreign Exchange Differences	(3-1) , (19)	(4 745 971)	(92 195 436)
Profit for the Year Before Income Tax		1 748 522 985	449 858 342
<u>Less:</u>			
Income Tax	(13)	(368 998 470)	--
Profit for the Year net of Income Tax	(20) , (16)	1 379 524 515	449 858 342

- The accompanying notes are an integral part of the financial statements and to be read therewith.

ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)

CASH FLOW STATEMENT AS OF DECEMBER 31, 2004

	Note No.	31/12/2004 LE	31/12/2003 LE
<u>Cash Flow Operating Activities</u>			
Net Profit of the Year		1 379 524 515	449 858 342
Adjustment to Reconcile Net Profit to Net Cash Provided by Operating Activities :			
Depreciation of Fixed Assets	(4)	455 679 449	408 714 082
Capital Gains		--	(29 193)
Increase in Provisions	(11)	370 500 000	72 344 647
Net Loss of Investments in Subsidiaries		--	12 953 189
		2 205 703 964	943 841 067
Net Operational Profit Before Changes in Working Capital			
(Increase) in Inventory		(455 762 566)	(224 142 538)
Decrease in Debit Balances		11 749 304	23 913 727
Increase in Credit Balances		509 034 365	106 469 453
Utilized Portion of Provisions	(11)	(64 762)	(9 298 553)
		2 270 660 305	840 783 156
Net Cash Provided From Operating Activities			
<u>Cash from Investing Activities :</u>			
Proceeds from Sale of Fixed Assets		--	29 193
Payment to Purchase Fixed Assets & Project in Progress	(5) , (4)	(146 653 844)	(20 813 353)
Payment of Long Term Loans Receivables		(4 187 592)	(2 481 815)
Collection from Long Term Loans Receivables		6 767 292	3 310 953
		(144 074 144)	(19 955 022)
Net Cash (Used in) Investing Activities			
<u>Cash from Financing Activities:</u>			
Proceeds form Sale (Payment to Purchase) Treasury Stock		--	5 329 146
Payment of Current Maturities of Long Term Loans		(567 474 371)	(480 409 793)
(Decrease) in Banks Over-Draft		(114 424 768)	(240 961 263)
Payment of Cash Dividends		(603 314 213)	--
		(1 285 213 352)	(716 041 910)
Net cash (Used in) Financing Activities			
Net Increase in Cash		841 372 809	104 786 224
Cash as of January 1st		284 806 046	180 019 822
		1 126 178 855	284 806 046
Cash as of December 31st			

- The accompanying notes are an integral part of the financial statements and to be read therewith.

ALEXANDRIA NATIONAL IRON & STEEL CO.
(S.A.E.)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2004

	Paid-Up Capital LE	General Reserves LE	Treasury Stock LE	(Losses) / Profit Retained LE	Year (Losses) / Profit LE	Total LE
Balance as of January 1st , 2003	1 366 776 700	581 547 835	(6 645 926)	(247 101 231)	23 190 174	1 717 767 552
Closing Profit of 2002 in the Retained Losses	--	--	--	23 190 174	(23 190 174)	--
Selling of Treasury Stock	--	--	5 329 146	--	--	5 329 146
Closing Loss of Selling Treasury Stock in The Reserves	--	(1 316 780)	1 316 780	--	--	--
Net Profit of the Year	--	--	--	--	449 858 342	449 858 342
Balance as of December 31, 2003	1 366 776 700	580 231 055	--	(223 911 057)	449 858 342	2 172 955 040
Closing Profit of 2003 in the retained Profit	--	--	--	449 858 342	(449 858 342)	--
Dividends of 2003	--	--	--	(152 388 335)	--	(152 388 335)
Net Profit for the Year	--	--	--	--	1 379 524 515	1 379 524 515
Balance as of December 31, 2004	1 366 776 700	580 231 055	--	73 558 950	1 379 524 515	3 400 091 220
Interim Dividends Note No. (16)	--	--	--	--	(453 001 813)	(453 001 813)
Net Balance as of December 31, 2004	1 366 776 700	580 231 055	--	73 558 950	926 522 702	2 947 089 407

▪ The accompanying notes are an integral part of the financial statements and to be read therewith.

ALEXANDRIA NATIONAL IRON & STEEL CO. (S.E.A.)

NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004

1- COMPANY BACKGROUND

Alexandria National Iron & Steel Co. S.A.E. (ANS DK) was founded on 1982 as a joint stock company under the law No. 43 for 1974 (modified by law No. 230 for 1989, and replaced by law no.8 for 1997). The purpose of the company is to produce, forming and manufacturing of iron and steel in all its genres and forms.

2- BASIS OF THE FINANCIAL STATEMENTS PREPARATION

The financial statements are prepared in accordance with the historical cost concept and in compliance with Egyptian Accounting Standards (E.A.S), and in compliance with the applicable Egyptian laws and regulations.

3- SIGNIFICANT ACCOUNTING POLICIES:

3-1 Foreign Currency Transactions

3-1-1 The company maintains its accounts in Egyptian pounds. Transactions performed in foreign currencies were translated at the exchange rate prevailing at the date of transaction .

3-1-2 Monetary assets and liabilities denominated in foreign currencies revalued at the balance sheet date at the exchange rate prevailing at that date except the following :

3-1-2-1 Finance lease agreements concluded with Islamic Development Bank and denominated in Islamic dinar (I.D) were revalued at the US\$ prevailing exchange rate at December 31st, 2004 linked with I.D exchange rate announced by Islamic Development Bank (I.D/U.S.\$ = 1.5486) accordingly (I.D / LE = 9.4755)

3-1-2-2 Liabilities resulted from the agreements concluded with financial foundations and denominated in foreign currencies which are hedged to US\$ were revalued at the hedged price.

The revaluation differences resulted during the year and at the balance sheet date are charged to the income statement.

3-2 Fixed Assets And Depreciation

Fixed assets are recorded at historical cost and depreciated by the straight-line method over the estimated useful life for each kind of asset. The company's management review periodically the assets remaining useful lives to determine whether it's in conformity with the previously estimation or not, and if any significant differences were found the depreciation is computed over the new estimated useful lives.

The estimated useful life for each type of assets is as follows :

	<u>Year</u>
<u>Buildings and Structures</u>	
- Administration Buildings	50
- Factory Buildings	33.3
- Structures	25
<u>Machinery and Equipment</u>	
- Lime Calcining Plant	25
- Continuous casting Plant	20
- Other Plants	20
<u>Vehicles</u>	
- Cars & Trucks	5
- Motorcycles & Internal Vehicles	4
- Bicycles	2
<u>Tools</u>	
	4
<u>Furniture and Office Equipment</u>	
- Furniture	10
- Office Equipment	6.6

3-3 Inventories

The inventories are valued as follows:

- (A) Raw materials, spare parts and supplies are valued at cost on the basis of weighted average method.
- (B) Home scrap is valued at stage average cost.
- (C) Finished and semi-finished products are valued at lower of cost or market.
- (D) Work in progress are valued at prime direct cost for the last reached production stage.

3-4 Borrowing Costs

- Borrowing costs are charged as financial expense to the income statement for the period in which such cost are incurred .
- An exception of that the borrowing costs which is directly related to acquisition, construction or production of a fixed asset are capitalized and added to the acquisition cost of this asset and to be depreciated over the expected useful life of this asset. Capitalization of the borrowing cost starts as a part of the acquisition cost of the related fixed assets when the actual payment for the asset starts during the period in which the company bears the borrowing cost. The capitalization of the borrowing cost stops during the periods in which the fixed asset's preparation stops temporarily or when the fixed asset is ready for use in the purpose acquired for, i.e. upon the fulfillment of the contractual performance ratio agreed upon with the project suppliers.

3-5 Finance Lease

Leased assets are recorded at the bargained value among the fixed assets item, and to be depreciated over the estimated useful lives of similar assets.

The agreements obligations are recognized among long-term liabilities (finance lease agreements) and reduced annually with the current maturities due within one year.

3-6 Investments

Investments in which the company's share exceed 20 % of the investee's paid-up capital is recorded according to equity method in which the investment is recorded initially at cost then adjusted by the changes in the investee's net assets.

The investment's revenue is recognized in the income statement based on the investee's latest financial statement.

Investment in which the company's share is lesser than 20 % of the investee's paid-up capital is recorded according to cost method, revenue is recognized upon the receiving of dividends. The investment cost reduced whenever a permanent prolapsed exists.

3-7 Revenue Recognition

- Revenue is recognized upon the delivery of products to the customers.
- Interest income is recognized according to with accrual base concept.

3-8 Cash Flows Statement

The cash flows statement is prepared in accordance with the indirect method.

3-9 Taxation

Due to the nature of the Egyptian taxation system, applying the principles of the deferred taxes according to the accounting standards "Taxes on Income" will not usually result in material deferred tax liabilities. Furthermore, if this application results in deferred tax assets, it is only recognized in the financial statements whenever there is a sufficient comfort that these will be realized in the foreseeable future.

3-10 Accounts Receivables & Debtors and other debit balances

Accounts receivables & other debit balances are recorded with its nominal values and represented netted from any doubtful amounts .

3-11 Accounts Payable & Creditors and other credit balances

Accounts payable and other credit balances are recorded with cost as of the balance sheet date.

3-12 Provisions

Provisions are recognized in the present of any legal or probable liability that arise from a past event and which is expected to result in outflow of economic benefits to pay such liability that is measured reliably.

The provisions are revised as of the Balance Sheet date and to be adjusted (if necessary) in order to be reported in the best estimate.

3-13 Cash and Cash Equivalents

For the purpose of preparing the cash flow statement cash on hand, at banks & time deposits with a mature less than three months are considered as cash and cash equivalents.

3-14 Impairment of Assets

assets are reviewed (except inventory) at the balance sheet date to determine whether an indication of impairment of such assets exists or not and if the impairment exist the reduction in the recoverable value of an asset below its carrying amount is recognized in the income statement

3-15 Pension

The company contributes in the governmental social insurance scheme for the benefit of its employees in accordance with the social insurance law No.79 of 1975 and its amendments. Contributions are charged to the income statement on accrual basis.

4- FIXED ASSETS

Description	Land L.E	Building L.E	Machinery & Equipment L.E	Vehicles * L.E	Tools L.E	Furniture & Fixture L.E	Total L.E	Financial Lease * L.E	Total L.E
Cost as of January 1st, 2004	310 327 042	1 286 693 453	7 460 826 782	94 769 245	34 829 848	45 173 430	9 232 619 800	678 531 072	9 911 150 872
Addition During the Year	11 814 146	22 082 336	108 646 331	225 300	168 562	2 375 813	145 312 488	--	145 312 488
Transferred Fixed Assets	--	--	200 726 896	--	--	--	200 726 896	(200 726 896)	--
Disposals During the Year	--	--	(44 698 787)	--	(4 374)	(10 188 995)	(54 892 156)	--	(54 892 156)
Total Cost as of 31/12/2004	<u>322 141 188</u>	<u>1 308 775 789</u>	<u>7 725 501 222</u>	<u>94 994 545</u>	<u>34 994 036</u>	<u>37 360 248</u>	<u>9 523 767 028</u>	<u>477 804 176</u>	<u>10 001 571 204</u>
A/C Depreciation as of January 1 st , 2004	--	414 649 182	2 050 309 114	89 391 949	32 473 733	36 308 407	2 623 132 385	149 274 192	2 772 406 577
Depreciation of the Year	--	42 161 375	374 810 597	4 782 048	1 501 171	3 330 182	426 585 373	29 094 076	455 679 449
Transferred A/C Depreciation	--	--	53 056 044	--	--	--	53 056 044	(53 056 044)	--
A/C Depreciation of Disposals	--	--	(43 370 633)	--	(4 374)	(10 183 847)	(53 558 854)	--	(53 558 854)
A/C Depreciation as of 31/12/2004	<u>--</u>	<u>456 810 557</u>	<u>2 434 805 122</u>	<u>94 173 997</u>	<u>33 970 530</u>	<u>29 454 742</u>	<u>3 049 214 948</u>	<u>125 312 224</u>	<u>3 174 527 172</u>
Fixed Assets (Net) as of 31/12/2004	<u>322 141 188</u>	<u>851 965 232</u>	<u>5 290 696 100</u>	<u>820 548</u>	<u>1 023 506</u>	<u>7 905 506</u>	<u>6 474 552 080</u>	<u>352 491 952</u>	<u>6 827 044 032</u>
Fixed Assets (Net) as of 31/12/2003	<u>310 327 042</u>	<u>872 044 271</u>	<u>5 410 517 666</u>	<u>5 377 296</u>	<u>2 356 117</u>	<u>8 865 023</u>	<u>6 609 487 415</u>	<u>529 256 880</u>	<u>7 138 744 295</u>

* Financial Leases Assets consist of Equipment Related to Rebar Production Lines as Follows:

	<u>LE</u>
- Equipment concerning DRP & Steel Project (Agreements concluded with IDB & IBP) Note No. (17-2)	251 553 465
- Equipment concerning Flat Steel Project (Agreement concluded with IDB, IBP & UIF) Note No. (17-2)	226 250 711
	<hr/>
	477 804 176
	<hr/>
- The ownership of the equipment is to be transferred to the company by the end of the rental period at no cost provided.	

Notes :

- The company is still taking the necessary procedures to register its full ownership of the acquired land. (Alexandria Governorate – Army Forces – Contraststeel Others).
- According to the restructuring plan of contraststeel Co. (subsidiary) and the projected accelerated payments of the Finance Lease agreements related to the second New Bar Mill and the flat service center plants. Those assets have been transferred from the finance lease item to machinery and equipment item among the fixed assets, in addition, the ownership of a piece of land and a construction (Westren Bridge) has been transferred to the holding company as disclosed in details in note no. (18-1). The holding company is taking the necessary legal and executive procedures to accomplish the targeted plan.

5- PROJECTS IN PROGRESS

	<u>31/12/2004</u>	<u>31/12/2003</u>
	<u>LE</u>	<u>LE</u>
- Building structures in progress	4 131 589	1 456 931
- Machinery & Equipment in progress	6 238 080	6 238 080
	<hr/>	<hr/>
	10 369 669	7 695 011
	<hr/>	<hr/>

6- LONG -TERM INVESTMENTS**6-1 Investment in Subsidiaries**

	31/12/2004	31/12/2003
	<u>LE</u>	<u>LE</u>
- The company's share in the net assets of Hadid for Industry, Trading & Contracting Company (Contrasteel) (S.A.E.) according to its latest authorized financial statements (Representing 90% of the capital).	48 613 820	48 613 820
- The company's share in the net assets of Egyptian German Flat Steel Marketing Co. L.t.d (FRANCO) (Under Liquidation) according to its latest financial statements (Representing 40% of the capital).	551 947	551 947
- The cost of investment in El Ezz Dekheila Iron & Steel Co. – Egypt (EZDK) L.t.d (Representing 50% of the capital).	25 000	25 000
- The company's share in the net assets of EZDK Steel Europe GMBH according to its latest financial statements (Representing 50% of the capital)	69 897	69 897
	<hr/>	<hr/>
	49 260 664	49 260 664

6-2 Other Long-term Investment:

- The Cost of investment in Arab Company for Special Steel (S.A.E) representing 5% of its issued capital amounted to LE 340 Million (par value LE 200/ Share).	17 726 266	17 726 266
	<hr/>	<hr/>
Total Investments	66 986 930	66 986 930
<u>Less:</u>		
Provision for Prolapsed Investment (Contrasteel)	(48 613 820)	(48 613 820)
	<hr/>	<hr/>
Investments (Net)	18 373 110	18 373 110
	<hr/>	<hr/>

7- RECEIVABLE LONG -TERM LOANS

The receivable long-term loans item shown among the long-term assets in the Balance Sheet amounted to LE 10 319 662 (after deducting the installments collectable within one year) represented as follows: -

	31/12/2004	31/12/2003
	<u>LE</u>	<u>LE</u>
- The loan granted to the staff Cooperative Society for Building & Housing. (Interest free)	9 190 000	11 980 000
- The loans granted to the company's staff that to be repayable on a monthly installments basis over two years (Interest free)	1 129 662	919 362
	<u>10 319 662</u>	<u>12 899 362</u>

8- INVENTORIES (Net)

	Note	31/12/2004	31/12/2003
	<u>No.</u>	<u>LE</u>	<u>LE</u>
- Major & Auxiliary Raw Materials		330 488 612	177 160 622
- Spare Parts		542 614 123	616 632 981
- Refractors, electrodes & Additives		116 668 038	94 222 561
- Semi Finished Products (Rebar)		39 749 080	14 715 830
- Finished Products (Rebar)		187 765 522	24 313 308
- Semi Finished Products (Flat)		121 229 853	15 636 380
- Finished Products (Flat)		126 292 320	66 363 300
		<u>1 464 807 548</u>	<u>1 009 044 982</u>
<u>Less:</u>			
- Provision for spare parts slow moving items	(11)	(32 000 000)	(12 000 000)
		<u>1 432 807 548</u>	<u>997 044 982</u>

9- DEBTORS AND OTHER DEBIT BALANCES (NET)

	Note No.	31/12/2004 LE	31/12/2003 LE
- Deposits Due to Other		1 947 880	1 970 880
- Custom Authority (Deposits)		5 054 955	13 981 367
- Tax Authority (Withholdings Tax)		112 612 761	55 266 055
- Tax Authority (Advance Payments)		26 000 000	--
- Accrued income (Draw back)		5 693 701	2 713 914
- ESU (under liquidation) Loan*		61 033 956	61 033 956
- Prepaid Insurance Expenses		9 275 023	22 433 771
- Sales Tax		25 464 588	13 599 760
- Installments Collectable	(7)	1 980 000	3 690 000
- Affiliate & Subsidiary Co.	(18-1)	9 805 277	10 255 520
- Alexandria Port Authority		42 488 601	42 488 601
- Receivables - Other		24 212 697	17 479 518
		<u>325 569 439</u>	<u>244 913 342</u>
Less :			
- Provision for Doubtful Accounts	(11)	(59 223 292)	(58 723 292)
		<u>266 346 147</u>	<u>186 190 050</u>

*** EMPLOYEES SHARE HOLDERS UNION LOAN (E.S.U.)**

1- According to the company's B.O.D. approval in its meeting dated April 12, 2001 an interest free loan amounted to LE 61 033 956 was submitted to the employees shareholder union as a reimbursement to its members for the previous cut-back from them opposite to their concession of all their rights toward the company and the union.

The extra-ordinary general assembly approved in its meeting dated April 8, 2001 the liquidation of the employees union on condition of the reimbursement of all its members.

2- The ESU have sold no. off 1 611 430 stock that represent its share in the company's paid up capital to EL-Ezz Holding Co. for industry & Investment in a way that guarantee the rights of both Bank of Alexandria (The Stock Mortgagor) and the company's loan granted to the E.S.U. It was agreed upon that the company's dues amounted to LE 61 million will be paid on installments according to the scheduling concluded between the bank mortgagor and the liquidator which stated that the payment should be within 90 days from releasing the mortgaged stocks by the mortgagor bank. The first instalment amounted to LE 9 722 426 is accrued on March 28, 2005 according to the action of bank of Alexandria as of December 28, 2004 by cancelling the mortgage on 233 656 stock

10- CASH AT BANKS & ON HAND

	<u>31.12.2004</u>	<u>31.12.2003</u>
	<u>LE</u>	<u>LE</u>
1- <u>Banks (Local Currency)</u>		
- Time Deposits	699 562 446	--
- Current Accounts	104 861 219	142 180 315
- Cheque under collection	86 995 972	99 742 948
	<u>891 419 637</u>	<u>241 923 263</u>
2- <u>Banks (Foreign Currency)</u>		
- Time Deposits	128 576 472	7 702 161
- Current Accounts	106 182 746	35 180 622
	<u>234 759 218</u>	<u>42 882 783</u>
Balance	<u>1 126 178 855</u>	<u>284 806 046</u>

11- PROVISION

	<u>No.</u>	<u>January</u>	<u>Addition</u>	<u>Utilized</u>	<u>December</u>
	<u>of Ref.</u>	<u>1, 2004</u>	<u>Provisions</u>	<u>Portion</u>	<u>31, 2004</u>
		<u>LE</u>	<u>Recognized</u>	<u>during</u>	<u>LE</u>
			<u>During</u>	<u>the year</u>	<u>LE</u>
			<u>The year</u>	<u>LE</u>	<u>LE</u>
			<u>LE</u>	<u>LE</u>	<u>LE</u>
<u>Provisions Deducted from Related Accounts:</u>					
- Provision for Slow Moving Items	(8)	12 000 000	20 000 000	--	32 000 000
- Provision for Doubtful Accounts	(9)	58 723 292	500 000	--	59 223 292
- Provision for prolapsed investment	(6)	48 613 820	--	--	48 613 820
		<u>119 337 112</u>	<u>20 500 000</u>	<u>--</u>	<u>139 837 112</u>
<u>Provisions Among Current Liabilities:</u>					
- Provision for claims & Emergencies		25 914 762	350 000 000	(64 762)	375 850 000
Total		<u>145 251 874</u>	<u>370 500 000</u>	<u>(64 762)</u>	<u>515 687 112</u>

12- BANK CREDIT BALANCE

	No. of Ref.	31/12/2004 LE	31/12/2003 LE
- Banks Local currency	(18-1)	156 491 042	67 045 671
- Banks Foreign currency		192 883 192	396 753 331
		<hr/> 349 374 234	<hr/> 463 799 002

13- PAYABLE OTHERS

Customers Advance Payments	89 519 361	110 369 380
Accrued Interest	122 268 440	83 960 081
Accrued Expenses	136 203 112	96 524 220
Contractors and Creditors	93 931 842	165 951 393
Sales Tax	50 506 716	44 473 834
Rententions	6 368 722	4 748 066
Subsidiaries and Affiliate	--	18 617 309
Tax Authority	32 731 081	28 429 752
Accounts Payable – Other	21 999 874	16 056 967
Dividends Payable-Share of B.O.D.	2 050 106	--
Income Tax	368 998 470	--
	<hr/> 924 577 724	<hr/> 569 131 002

14- SHARE CAPITAL**a) Authorized Capital:**

Authorized capital amounting to LE 1.5 Billion represented in 15 Million shares of a par value LE 100 / share according to the company's Extra Ordinary General Assembly Resolution dated October 10, 1999 and General Authority for Investment Resolution No. (352) dated February 8, 2000 and the authorized capital has been registered in the C.R on February 9, 2000.

b) Issued and Paid-up Capital:

Issued and paid-up capital as of December 31, 2004 amounting to LE 1 366 776 700 represented in 13 667 767 shares of a par value LE 100 / share.

15- Reserves

	31/12/2004	31/12/2003
	<u>LE</u>	<u>LE</u>
- Legal Reserve *	363 308 259	363 308 259
- General Reserve	163 683 220	163 683 220
- Capital Reserve	3 239 576	3 239 576
- Replacement Reserve	50 000 000	50 000 000
	<hr/>	<hr/>
	580 231 055	580 231 055
	<hr/>	<hr/>

- * According to the company's bylaw an amount equal to 5% of the net profit is to be deducted in order to cementing the legal reserve and whenever the reserve reaches a total amount equal to 20 % of the company's paid – up capital the deduction ceases otherwise, the deduction takes place whenever the reserve is lower than the mentioned ratio .

16- Interim Dividends

- The company's ordinary general assembly meeting dated December 12, 2004 has approved the dispensing of interim dividends (according to the financial statements as of June 30, 2004) amounted to LE 30/share with a grand total of LE 453 001 813 including the B.O.D. and the employees share. After the amendments which took place in the company's bylaw and approved by the extra-ordinary general assembly meeting dated December 12, 2004 to allows the interim dividends.
- The company's ordinary general assembly meeting dated March 3rd, 2005 has approved the dispensing of interim dividends (according to the financial statements as of September 30, 2004) amounted to LE 25/share with a grand total of LE 365 531 449 including the B.O.D. and the employees share .

17- Long Term Liabilities

Long term liabilities represented as follows (after deducting current maturities due within one year) .

17-1 Long Term Loans and Facilities

<u>Description</u>	<u>31/12/2004</u> <u>L.E</u>	<u>31/12/2003</u> <u>L.E</u>	<u>Remaining</u> <u>Period</u> <u>Year</u>
Loans and Facilities Related to Rebar Activities			
1- Local Currency Loans	539 840 733	555 161 285	3-6
2- Foreign Currency Loans	953 980 528	1 184 209 363	2-10
3- Long Term Facilities and Other	4 520 196	11 292 198	4
4- Long Term Liabilities and Other *	210 240 284	309 109 601	
	<u>1 708 581 741</u>	<u>2 059 772 447</u>	
Loans and Facilities Related to Flat Steel Project			
1- Local Currency Loans	330 213 523	405 884 522	2-8
2- Foreign Currency Loans	1 553 310 723	1 699 222 083	3-8
3- Long Term Facilities (Deferred Sales Tax and Others)	61 088 195	118 169 604	2-9
4- Supplies Facilities	--	35 398 810	
	<u>1 944 612 441</u>	<u>2 258 675 019</u>	
Balance	<u>3 653 194 182</u>	<u>4 318 447 466</u>	

* Represented in the maximum probable liability related to the disputed stevedoring tariff of the raw materials in Alexandria Port .
The company has agreed with the port authority to pay an amount of LE 5 millions monthly with the current liabilities according to the temporary tariff till the dispute is settled in court. This agreement was approved by the Dispute Authentication Committee .
The opinion of the Co.'s legal consultant that a final decree from the constitutional court to settle the dispute between the Co. and Alexandria Port authority will not be issued before at least 3 years minimum, accordingly the co. reclassified these liabilities on long term basis.

<u>Description</u>	<u>Interest Rate</u>	<u>Terms of Payment</u>
1- Long Term Loans (Local Currency)		
Fixed Int.	14%	Semi-annual Installments
Variable Int.	1:2 % Less than discount rate	Semi-annual Installments
2- Long Term Loans (Foreign Currency)		
Fixed Int.	4:10.56 %	Semi-annual Installments
Variable Int.	1 % + Libour	Semi-annual Installments

17-2 Long Term Loans and Facilities

Finance lease agreements represented as follows (after deducting the current maturities due within one year) :

<u>Description</u>	<u>31/12/2004</u>	<u>31/12/2003</u>	<u>Agreement Expiration Period (Year)</u>
Agreements Related to Rebar Activities :			
1- Local Currency Agreements *	--	75 634 645	4
2- Foreign Currency Agreements	161 060 070	194 768 797	7
	<u>161 060 070</u>	<u>270 403 442</u>	
Agreements Related to Flat Steel Project :			
1- Local Currency Agreements *	--	28 276 207	6
2- Foreign Currency Agreements	269 724 001	279 230 248	6-8
	<u>269 724 001</u>	<u>307 506 455</u>	
Balance	<u>430 784 071</u>	<u>577 909 897</u>	

*At the end of lease period the ownership of the related equipments will be transferred to the company cost free (see note no. 18)

<u>Description</u>	<u>Interest Rate</u>	<u>Terms of Payment</u>
1- <u>Local Currency Agreements</u>		
Fixed Int.	12.5 %	Semi-annual Installments
Variable Int.	2 % Less than discount rate	Semi-annual Installments
2- <u>Foreign Currency Agreements</u>		
Fixed Int.	7.5 %	Semi-annual Installments
Variable Int.	1.75,2 % + Libour rate	Semi-annual Installments

17-3 Current Maturities Due Within One Year

Current maturities due within one year represented as follows :

Description	31/12/2004	31/12/2003
	LE	LE
- Loans and facilities related to Rebars activities	242 884 886	186 178 437
- Loans and facilities related to Flat Steel activities	166 280 769	210 521 039
- Finance lease agreements related to Rebars activities	16 913 565	36 378 464
- Finance lease agreements related to Falt Steel activities	18 386 880	13 891 389
	<u>444 466 100</u>	<u>446 969 329</u>

18- TRANSACTIONS WITH RELATED PARTIES

18-1 Transactions with related parties represented in the company's transactions in some of its operations with it's subsidiary and affiliates companies and with the companies owned by its stockholders and they have a significant influence and control over the company.

A) (Contrasteel)*

The company sells part of its products to Contrasteel (subsidiary company) also the company purchases part of the materials and greases from the said subsidiary company. The balances due from or to the subsidiary were represented in the relative accounts among the assets and liabilities of the balance sheet as follows:

	Note	31/12/2004
	<u>No.</u>	LE
- Among Accounts Receivable- Trade		48 776 405
- Among Accounts Receivable- Other	(9)	7 890 120
Total Debit Balance		<u>56 666 525</u>

- * According to the restructuring plan of Contrasteel (subsidiary) and to the approval of both the holding and the subsidiary board of directors dated July 20, 2004 and October 15, 2003 respectively and according to the approval of the extra-ordinary general assembly meeting of the subsidiary dated April 21st, 2004 it has been agreed to accelerate the payment of the finance lease agreements related to the Second New Bar Mill plant and the Flat Service Center which are leased to the holding company, accordingly the ownership of such assets will be transferred to the holding company opposite to its obligation to pay all the subsidiary liabilities related to such assets, added-on that the service asset owned by the subsidiary represented in a piece of land and the western bridge which links between the holding company sites and serve it's activities will be also transferred to the holding company with it's book value, accordingly an agreement with the subsidiary's creditor foundations to transfer the liabilities to the holding company took place, and the legal and executive procedures are under process parallel to the payment of the subsidiary's debts through the holding company. Opposite to the reduction of the accounts receivable due on the subsidiary as follows :

Description	Productive Assets	Service	Total
	Acceleration of	Assets	
	Finance Lease	Transferred	
	Payments	with cost	
	LE	LE	LE
1- New Bar Mill	86 279 454	--	86 279 454
2- Flat Service Center	35 288 426	--	35 288 426
3- Western Bridge	--	20 439 772	20 439 772
4- Land	--	11 545 000	11 545 000
	<u>121 567 880</u>	<u>31 984 772</u>	<u>153 552 652</u>

Liabilities Opposite to Assets Transferred**Description**

- Banque du Caire-Loan * (Paid February, 2005)	52 186 971
- Banque du Caire-Current Account*(Paid During 2004)	21 698 844
- Alexandria Bank-Loan	23 761 852
- Alexandria Bank Current Account	33 459 917
- Western Bridge Contractors* (Paid During 2004)	13 582 265
- Deferred Capital Sales Tax Installments	4 817 601
	<u>149 507 450</u>
Credit Balance due to Contrasteel (Reduced from Accounts Receivables due on Contrastee)	<u>4 045 202</u>

- * Amounts due to bank du Caire and western Bridge contractors was paid during the period from 2004 and till February, 2005.

B) EL - EZZ GROUP

The company sells parts of its semi-finished products, finished products and different materials to the Ezz Group (Ezz for Foreign trade company, El-Ezz Steel Rebars Company and El-Ezz Steel Mills). The balances due from or to the group represented in the relative accounts among the assets and liabilities of the balance sheet as follows:

	Note No.	31/12/2004 LE
- Credit Balance Among Accounts Receivable		(24 047 339)
- Debit Balance due on El-Ezz Group	(9)	1 915 157
Credit Balance due to El-Ezz Group		(22 132 182)

18-2 Summary of Significant Transactions with Related Parties During the Ended Year as of December 31st, 2004:

Name of the Company	Nature of Transaction	Sale LE	Purchase LE	Terms of Transaction
<u>(Contrasteel) *</u>	Rebar	122 200 881	--	According to monthly price list
	Flat	24 908 605	--	According to monthly price list
	Finance lease agreements	--	44 886 547	Agreement terms
	Contracting works	--	1 498 550	Contractual terms
	Total	147 109 486	46 385 097	
<u>El Ezz Group</u>				
<u>Ezz Foreign Trade Co.</u>	Rebar	91 257 619	--	According to monthly price list
<u>El Ezz Steel Rebar Co.</u>	Rebar	1 861 015	--	According to monthly price list
	Sponge Iron	31 393 000	--	Auction price
	Refractors & Electrorodes	3 854 749	--	Contractual terms
<u>El-Ezz Flat</u>	Sponge Iron	475 721 613	--	Auction price
<u>El-Ezz Steel Mills Co.</u>	Rebar	4 811 711	--	According to Monthly Price List
	Total	608 899 707	--	

* Transactions concerning the restructuring of Contrasteel are disclosed in details refer to Note No. (18-1).

19- FOREIGN CURRENCIES EXCHANGE DIFFERENCES

Summary of the incurred foreign exchange differences during the financial year ended December 31st, 2004

	Note <u>No.</u>	31/12/2004 <u>LE</u>	31/12/2003 <u>LE</u>
- Capitalized Foreign Exchange Differences Among Fixed Assets	(3-1)	--	819 480 167
- Foreign Exchange Differences Changed to the income statements for the year.	(3-1)	4 745 971	92 195 436
		<hr/>	<hr/>
Total Foreign Exchange Differences During the Year		4 745 971	911 675 603
		<hr/>	<hr/>

20- EARNING PER SHARE

The earning per share as of December 31st, 2004 was calculated after deducting the B.O.D. & employees share in interim dividends on June 30, 2004 and September 30, 2004 respectively and according to the B.O.D. proposal on December 31st, 2004 as follows :

		<u>31/12/2004</u>	<u>31/12/2003</u>
Net Profit of the Year		1 379 524 515	449 858 342
<u>Less :</u>			
Employees Share		(74 242 030)	(13 667 768)
B.O.D.'s Share		(17 426 403)	(2 050 165)
		<hr/>	<hr/>
Net Profit Available for Dispensing	(LE)	1 287 856 082	434 140 409
		<hr/>	<hr/>
Issued and Paid up shares	(Share)	13 667 767	13 667 767
		<hr/>	<hr/>
Earning Per Share	(LE/Share)	94.23	31.76
		<hr/>	<hr/>

21- PENSION AND OTHER POST-RETIREMENT PLANS

The company contributes in the governmental social insurance scheme for the benefit of its employees in accordance with the social insurance law no. 79 of 1975 and its amendments. Contribution are charged to the income statement as incurred. In addition, the company contributes by 6.5 % of the employee's monthly salaries and 6.5 % of the incentive to this private fund. The company contribution at this private fund as of December 31st, 2004 amount to LE 7 258 011 charged to income statement.

22- FINANCIAL INSTRUMENTS FAIR VALUE

Financial instruments represented in cash in banks, Investments in subsidiaries and associated companies, banks overdrafts and creditors. Based on the valuation method adopted by the company and stated in the financial statement's accompanying notes, the fair value of these financial instruments do not materially differ from the book value as of the balance sheet date.

23- MANAGEMENT FINANCIAL INSTRUMENTS RISKS

23-1 Foreign Currency Exchange Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash in and out flow will fluctuate due to changes in foreign currency exchange rate.

The company manages this risk by concluding Hedging agreements with international finance foundations that cover parts of it's long term loans denominated in Japanese Yen and Sterling pound opposite to US\$ at fixed exchange rate in addition to provide a foreign currency resource through the export sales.

Monetary assets and liabilities denominated in foreign currencies as of December 31st, 2004 equivalent to LE 175 317 228 and LE 4 661 330 532 respectively. The company net exposure in foreign currencies as of December 31st, 2004 are as follows :

<u>Foreign Currency</u>	<u>Net Shortage By Currency</u>	<u>Equivalent to US\$</u>
US Dollar	467 761 123	467 761 123
Japanese Yen	16 605 157 606	160 094 605
Sterling Pound	4 157 963	7 981 174
Kuwaiti Dinar	16 920 908	57 426 718
Islamic Dinar	25 432 612	39 386 070
Euro	387 169	526 740

As disclosed in note (3-1) the company has used the prevailing exchange rates to revalue the monetary assets and liabilities as of the balance sheet date.

23-2 Liquidity Risk

Liquidity risk is the company's inability to liquidate its financial assets with a value equal to its fair value in order to pay its liabilities.

The company manages this risk by maintaining a sufficient amount of cash and in addition the management succeeded to reschedule the current maturities of long term loans as medium loans and to provide cash resource through export return, which cause in a legible improvement in the working capital according to the actual results achieved during the year. The management is expecting to realise cash surplus as predicted in its budgets.

23-3 Interest Rate Risk

interest rate risk is the negative effect of interest rate fluctuation on the company's results of operation. In order to avoid such risk the company depending on a fixed rate banks facilities, increasing of the shareholder's equity, sales return and long term loans with a variable interest rate linked with local and international discount rate to finance its capital expansion.

23-4 Credit Risk

Credit risk is represented in the inability of customers to pay their debts when it becomes due. To limit this risk the company provide credit only to its reputable customers in addition to the receiving of notes receivables with a short term maturity from its customer, accordingly the company don't face such risk.

24- TAX POSITION

24-1 Corporate Income Tax:

- The company enjoyed a partial tax exemption for 5 years starting from January 1st, 1999 till December 31st, 2003 that cover 66.6 % of the company's activities and the remaining 33.4 % is subject to taxes according to clause no. 2 of the article no. 15 of the law no. 230 for the year 1989. The exemption period has been elapsed since January 1st, 2004.
- Tax inspection has been made for the years 1995 – 1999 and all the disputes related to these years has been finalized .
- Tax inspection has been made for the year 2000 and the company received a tax form no. 18 concerning the rebar and the flat activities as one unit then the tax authority re-notify the company with another tax form based on the disuniting between the rebar and the flat activities assuming that the flat activity don't enjoy a tax exemption despite that the subject is submitted to the judicial system, and the topic was transferred to the tax authority's internal committee.
- Accordingly, the company is refilling it's tax return to meet the tax authority assumption.
- Tax inspection has been made for the years 2001 – 2003 and the company didn't receive any tax form.

24-2 Labor Tax

- Tax inspection has been made till the year 2000 and the company received tax claim which was protested by the company . All the disputed matters were finalized except the subject concerning the production incentives for the years 1990 – 1992 and which was submitted to the judicial system.
- Tax inspection has been made for the years 2001 – 2002 and the company received a tax claim which was protested by the company within the legal time date and the subject was transferred to the tax authority's internal committee.
- Tax inspection has been made for the year 2003 and the company didn't notified with the inspection results.

24-3 Sales Tax

- The company paid all the tax claims for the years till 2003 and there are no any tax commitments.
- The company submits it's tax forms within its legal time and is paying it's due taxes regularly according to these forms .
- Tax inspection for 2004 has not been made yet .

24-4 Stamp Tax

- All stamp tax claims has been cleared up to the year 2000 except taxes on some items, which has been opposed, and the subject submitted to the judicial system.
- Tax inspection for the year 2000 till 2003 was made but no tax claim was received.

24-5 Real Estate Tax

- Tax inspection has been made for the years 1998 – 2000 and the company received a tax claim which was protested by the company specially taxes concerning to the new buildings during these years and the subject was submitted to the tax authority's internal committee.
- Tax inspection for the years 2001 – 2004 has not been made yet.

The company recognized a sufficient provision to face any probable tax claims.

25- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The letters of guarantee issued by company's banks in favor of others and outstanding, as of December 31, 2004 amounted to:

	<u>US \$</u>	<u>K.D</u>
L/G's guaranteeing long-term & Finance Lease agreements	160 071 335	16 380 000
	<u>160 071 335</u>	<u>16 380 000</u>

26- CAPITAL COMMITMENTS

Capital Commitments as of December 31, 2004 amounted to L.E 14 435 920 represented in the value of the service center building and developing the computer system of the flat steel plant.