



AL EZZ STEEL REBARS REPORTS CONSOLIDATED Q1 2008 RESULTS

Cairo, 3 July 2008 – Al Ezz Steel Rebars S.A.E. (“ezzsteel”) (CASE: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated Q1 results for the period ending 31 March 2008. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	EGP	Q1 2007	Q1 2008	YoY+/-
• Net sales		3.7bn	5.0bn	+35%
• Gross profit		900m	1.3bn	+44%
• EBITDA*		980m	1.3bn	+32%
• Net profit before tax		656m	1.0bn	+52%
• Tax and deferred tax		133m	196m	+47%
• Net profit after tax and minority interests		279m	436m	+56%
• EPS on a weighted average number of shares		1.55	2.44	+57%
• Net debt to Equity		1.09	0.74	-32%

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

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

"We are very satisfied with our performance over the last quarter, with our strong growth driven by the global increase in steel prices as well as our own strong operating performance. We have continued to achieve further production efficiencies and continue to invest in our plants to ensure they meet the highest global standards."

Operational Review

Sales

All of the below financial breakdowns are based on ezzsteel's consolidated financials which include 3 months financial performance of ezzsteel (ESR/ESM), EZDK and EFS.

Sales	Q1 2007	Q1 2008	YoY Change
EGP Mn			
Long	2,461	3,046	24%
Flat	1,232	1,948	58%
Others	34	48	41%
Total	3,727	5,043	35%

Consolidated net sales for Q1 2008 were EGP 5.0 billion compared with EGP 3.7 billion during Q1 2007, representing an increase of 35 per cent. Long steel products accounted for 60 per cent of total sales and flat steel products represented 39 per cent of sales in Q1 2008.

The contributions of ezzsteel, EZDK and EFS to net sales for the period ending 31 March 2008 were 25 per cent, 55 per cent, and 20 per cent respectively.

Exports

The Egyptian market remains the focus for sales of long products while flat sales were mainly directed towards international markets, as illustrated below:

EGP Mn	Domestic	per cent	Export	per cent
Long	2,951	97%	95	3%
Flat	745	38%	1,204	62%

Flat product exports accounted for 62 per cent of total Flat sales, an increase from the 57 per cent that took place in Q1 2007

Long product exports accounted for 3 per cent of total Long sales, a decline from the 13 per cent that took place in Q1 2007, this resulted from the Company's commitment to supply demand in the local market as a priority.

Production

Long products production for Q1 2008 was 774,736 tons compared with 772,361 during Q1 2007, representing a slight year on year increase. ESR/ESM production saw a drop of 8% during the quarter this was due to a planned shutdown at the 10th of Ramadan facility for a period of one month to install a new automation system for the production lines.

Flat products production for Q1 2008 was 461,041 tons compared with 370,731 tons during Q1 2007, representing an increase of 24% per cent. EZDK flat products production increased by 57% over the same period in 2007, this is mainly attributable to a drop in the Q1 2007 production levels that had resulted from a failure in the electricity transformer feeding the flat products plant.

Cost of Goods Sold

The Consolidated Cost of Goods Sold for Q1 2008 stood at 74 per cent of Sales, representing a two per cent improvement in the COGS/Sales ratio that was 76 percent during Q1 2007.

Gross profit

Gross profit of EGP1.3bn in Q1 2008 increased by 44% over the EGP 0.9bn recorded in Q1 2007, driven by the normalisation of flat steel production during the period as well as an improvement in the cost-revenue relationship resulting from higher global steel pricing since the beginning of the year.

EBITDA

EBITDA for the period reached EGP 1.3 billion, up from EGP 980 million for the same period in 2007 reflecting a 32% growth.

At ezzsteel, EBITDA is calculated as follows: Sales – cost of goods sold – selling & marketing expenses – G&A expenses + Depreciation and amortization.

Tax and deferred tax

The corporate tax rate for Egyptian companies is 20 per cent of net income. Tax and deferred tax reached EGP 196 million in Q1 2008, compared to EGP 133 million in Q1 2007, keeping ezzsteel as one of the largest corporate tax payers in Egypt.

Net profit after tax and minority interests

Net profit after minority interests was EGP 436 billion, up 56 per cent in comparison to the same period in 2007. This has delivered earnings per share (EPS) of EGP 2.44 in Q1 2008 versus EGP 1.55 per share in Q1 2007 on a weighted average number of shares basis.

Divisional Overview

EZDK (Alexandria)

Sales:		Q1 2007	Q1 2008	% change
	Value:	EGP 2.1 bn	EGP 2.8 bn	+33%
	Volume:			
	Long:	473,517 tonnes	462,137 tonnes	-3%
	Flat:	175,941 tonnes	249,577 tonnes	+42%
	Exports as % of Sales:			
	Long:	19%	4%	
	Flat:	41%	43%	
	EBITDA:	EGP 800 m	EGP 1.2 bn	+50%
Production:				
	Long Products:	432,600 tonnes	462,492 tonnes	+7%
	Flat Products:	147,951 tonnes	232,985 tonnes	+57%
	Billets:	457,061 tonnes	493,100 tonnes	+8%

ESR/ESM (Sadat City & 10th of Ramadan City)

		Q1 2007	Q1 2008	% change
Sales:				
	Value:	EGP 1.1 bn	EGP 1.3 bn	+18%
	Volume:	353,008 tonnes	320,750 tonnes	-9%
	Exports as % of Sales:	7%	1%	
	EBITDA:	EGP 110 m	EGP 117 m	+9%
Production:				
	Long Products:	339,761 tonnes	312,244 tonnes	-8%
	Billets:	208,037 tonnes	196,814 tonnes	-5%

EFS (Suez)

		Q1 2007	Q1 2008	% change
Sales:				
	Value:	EGP 700 m	EGP 1.0 bn	+43%
	Volume:	213,897 tonnes	253,300 tonnes	+18%
	Exports as % of Sales:	72%	80%	
	EBITDA:	EGP 75 m	EGP 79 m	+4%
Production:				
	Flat Products:	222,780 tonnes	228,056 tonnes	+2%

- Ends -

For further information:

Ezz Steel	Tel	Mobile
Kamel Galal	+ 20 2 762 2144	+ 20 10 539 5499

Capital MS&L

Claire Maloney	+44 207 307 5341	+ 44 7770 958 479
Jennifer Martin	+ 44 20 7307 5335	+ 44 7841 401304

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

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

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

Disclaimer:

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

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

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

Consolidated Financial Statements

For the Financial Period Ended March 31, 2008
& Auditor's Report

Translation from Arabic

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

We have audited the accompanying consolidated financial statements of Al-Ezz Steel Rebars Company "An Egyptian Joint Stock Company" which comprise the consolidated balance sheet as of March 31, 2008 and the consolidated statements of income, cash flows and changes in shareholders' equity for the financial period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the company as of March 31, 2008, and the results of its consolidated operation and cash flows for the financial period then ended, in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, June 23, 2008

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

Consolidated Balance Sheet
As of March 31, 2008

	Note No.	31/3/2008 LE(000)	31/12/2007 LE(000)
<u>Long Term Assets</u>			
Fixed assets (net)	(3-3) (4)	10 278 581	10 484 611
Projects under construction	(3-4) (5)	141 017	116 977
Investments	(3-5) (6)	69 815	62 973
Long term lending to others	(7)	5 941	6 021
Deferred tax assets	(21)	287	245
Total long term assets		10 495 641	10 670 827
<u>Current Assets</u>			
Inventory	(3-6) (8)	2 739 252	2 547 576
Trade and notes receivable	(3-7) (9)	201 584	265 407
Debtors and other debit balances	(10)	415 152	346 316
Advances to suppliers	(3-7)	188 844	125 290
Cash and cash equivalents	(3-12) (11)	1 726 405	1 892 432
Total current assets		5 271 237	5 177 021
<u>Current Liabilities</u>			
Provisions		51 886	51 886
Banks credit accounts and overdrafts	(12)	640 747	1 355 855
Trade and notes payable	(3-8) (13)	959 296	715 580
Advances from customers		1 235 150	616 330
Creditors and other credit balances and	(3-8) (14)	1 336 733	1 304 748
Loan installments and facilities due within one year	(3-16) (15)	1 703 335	1 901 056
Total current liabilities		5 927 147	5 945 455
Excess of current liabilities over current assets		(655 910)	(768 434)
Net investment		9 839 731	9 902 393
Financed as follows:			
<u>Shareholders' Equity</u>			
Issued and paid in capital	(18)	911 941	911 941
Reserves	(19)	3 859 586	3 859 586
Retained earnings		1 849 521	997 623
Net profit for the period / year		436 393	1 121 956
Interim dividends		—	(240 017)
Treasury stocks	(20)	(35 884)	(35 884)
Translation difference adjustments		27 476	39 794
Company's share in employees dividends & board of directors remunerations (EZDK - Alexandria)		—	(44 081)
		7 049 033	6 610 918
The difference resulting from the acquisition of EZDK -		(3 280 493)	(3 280 493)
Total shareholders' equity attributes to equity holders of the parent		3 768 540	3 330 425
Minority interest		2 002 555	1 970 949
Total Shareholders' Equity		5 771 095	5 301 374
<u>Long Term Liabilities</u>			
Loans	(3-16) ,(15)	3 357 941	3 892 117
Other liabilities	(16)	185 619	195 631
Deferred tax liabilities	(3-14) (21)	525 076	513 271
Total long term liabilities		4 068 636	4 601 019
Total equity and long term liabilities		9 839 731	9 902 393

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

Chairman

Eng. Ahmed Abdel Aziz Ezz

Auditor's Report "attached"

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

Consolidated Income Statement
For The Financial Period ended March 31, 2008

	Note	For the financial period from 1/1/2008 to 31/3/2008 <u>LE (000)</u>	For the financial period from 1/1/2007 to 31/3/2007 <u>LE (000)</u>
	<u>No.</u>		
Revenue	(3-9)	5 042 706	3 726 589
<u>Less :</u>			
Cost of sales		3 752 375	2 829 133
Gross profit		1 290 331	897 456
<u>Less :</u>			
Distribution expenses		66 935	40 631
General and administrative expenses		42 855	37 816
Finance expenses	(3-10)	140 419	173 377
Provisions		—	5 000
Total expenses		250 209	256 824
Results from operating activities		1 040 122	640 632
<u>Add (Less) :</u>			
Interest income		18 473	10 867
Foreign exchange differences		(62 827)	(4 635)
Other revenues		9 447	9 109
Capital gains		237	—
Net profit for the period before income tax & minority interest		1 005 452	655 973
<u>Less:</u>			
Income tax	(3-14)	184 399	108 274
Deferred tax	(3-14) (21)	11 763	24 917
Net profit for the period before minority interest		809 290	522 782
<u>Less:</u>			
Minority interest		372 897	244 060
Net profit for the period		436 393	278 722
Earning per share (LE/share)	(26)	2.44	1.55

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

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

Consolidated Cash Flow Statement
For The Financial Period ended March 31, 2008

	Note No.	For the financial period from 1/1/2008 to 31/3/2008 <u>LE(000)</u>	For the financial period from 1/1/2007 to 31/3/2007 <u>LE(000)</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax & minority interest		1 005 452	655 973
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Depreciation	(4)	164 466	166 423
Amortization of bonds issuance discount		—	(370)
Provisions		—	5 000
Capital gain		(237)	—
Foreign currency exchange differences		44 282	1 197
Profits before changes in working capital		<u>1 213 963</u>	<u>828 223</u>
<u>Changes in working capital</u>			
Increase in inventory		(198 945)	(137 124)
(Increase) Decrease in trade receivables, debtors and other debit balances		(68 943)	183 823
Increase in creditors and other credit balances		863 017	69 712
Used provision		—	(75 000)
Net cash flows provided by operating activities		<u>1 809 092</u>	<u>869 634</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects under		(29 083)	(2 833)
Payments for purchase of investments		(6 842)	—
Proceeds from sale of fixed assets		318	29
Payments for fixed assets creditors		(3 519)	(59)
Payments for lending to others		(816)	—
Proceeds from lending to others		896	294
Payments for sales tax installments		—	(754)
Net cash used in investing activities		<u>(39 046)</u>	<u>(3 323)</u>
<u>Cash flows from financing activities</u>			
Changes in credit facilities		(157 769)	70 971
Payments of loans and long term liabilities		(646 148)	(399 525)
Payment for purchase of treasury stock		—	(48 500)
Dividends paid		(416 639)	(19 993)
Net cash used in financing activities		<u>(1 220 556)</u>	<u>(397 047)</u>
Net change in cash and cash equivalents during the period		549 490	469 264
Cash and cash equivalents at beginning of the period		538 345	130 569
Translation differences		(317)	23
Cash and cash equivalents at the end of the period	(3-12) (11)	<u>1 087 518</u>	<u>599 856</u>

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

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

Consolidated Statement of Changes in Shareholders' Equity
For The Financial Period ended March 31, 2008

	<u>Share capital</u> <u>LE(000)</u>	<u>reserves</u> <u>LE(000)</u>	<u>The Difference</u> <u>resulting from the</u> <u>acquisition of Al Ezz</u> <u>El Dekhaila</u> <u>for Steel- Alexandria</u> <u>LE(000)</u>	<u>Retained earnings</u> <u>LE(000)</u>	<u>Translation difference</u> <u>LE(000)</u>	<u>Treasury stocks</u> <u>LE(000)</u>	<u>Net profit</u> <u>LE(000)</u>	<u>Employees and board of directors share in interim distributions</u> <u>LE(000)</u>	<u>Convertible bonds</u> <u>LE(000)</u>	<u>Interim dividends</u> <u>LE(000)</u>	<u>Total</u> <u>LE(000)</u>
Balance as of 1/1/2007	911 561	3 772 792	(3 280 493)	463 209	79 829	(35 884)	994 860	(40 609)	1 672	—	2 866 937
Setting off the employees and the board of directors' share in the dividends of 2006	—	—	—	(40 609)	—	—	—	40 609	—	—	—
Setting off profit of year 2006 by retained earnings	—	—	—	994 860	—	—	(994 860)	—	—	—	—
Reduction of retained earnings against Al Ezz El Dekhaila for Steel - Alexandria treasury stocks	—	—	—	(24 414)	—	—	—	—	—	—	(24 414)
Translation differences	—	—	—	—	(8 334)	—	—	—	—	—	(8 334)
Employees and the board of directors' share in the dividends of year 2006	—	—	—	(9 348)	—	—	—	—	—	—	(9 348)
Net profit for the period from 1/1/2007 to 31/3/2007	—	—	—	—	—	—	278 722	—	—	—	278 722
Balance as of 31/3/2007	911 561	3 772 792	(3 280 493)	1 383 698	71 495	(35 884)	278 722	—	1 672	—	3 103 563
Increase in capital	380	—	—	—	—	—	—	—	(380)	—	—
Premium share	—	1 292	—	—	—	—	—	—	(1 292)	—	—
Transferred to legal reserve from ESR dividends	—	85 502	—	(48 139)	—	—	—	—	—	(37 363)	—
Employees and shareholders' share in ESR 2006 distributions	—	—	—	(202 569)	—	—	—	—	—	—	(202 569)
Reduction of retained earnings against treasury stocks of Al Ezz El Dekhaila for Steel - Alexandria	—	—	—	(136 115)	—	—	—	—	—	—	(136 115)
Translation differences	—	—	—	(5 178)	(31 701)	—	—	—	—	—	(36 879)
Reverse of ESR shares in the treasury stocks in profit distribution	—	—	—	5 926	—	—	—	—	—	—	5 926
Company's share in employees and the board of directors' share in the dividends of 2007	—	—	—	—	—	—	—	(44 081)	—	—	(44 081)
Interim Dividends	—	—	—	—	—	—	—	—	—	(202 654)	(202 654)
Net profit for the period from 1/4/2007 to 31/12/2007	—	—	—	—	—	—	843 234	—	—	—	843 234
Balance as of 31/12/ 2007	911 941	3 859 586	(3 280 493)	997 623	39 794	(35 884)	1 121 956	(44 081)	—	(240 017)	3 330 425
Setting off profit of year 2007 by retained earnings	—	—	—	1 121 956	—	—	(1 121 956)	—	—	—	—
Setting off company's share in employees and the board of directors' share in ERM interim dividends for year 2007	—	—	—	(44 081)	—	—	—	44 081	—	—	—
Setting off profit of year 2007 by retained earnings	—	—	—	(240 017)	—	—	—	—	—	240 017	—
Company's share in employees and the board of directors' share in ERM Interim dividends of year 2007	—	—	—	(15 951)	—	—	—	—	—	—	(15 951)
Increase in company's share percentage in Al Ezz El Dekhaila for Steel - Alexandria due to indemnification of treasury stock	—	—	—	29 991	—	—	—	—	—	—	29 991
Translation differences	—	—	—	—	(12 318)	—	—	—	—	—	(12 318)
Net profit for the period from 1/1/2008 to 31/3/2008	—	—	—	—	—	—	436 393	—	—	—	436 393
Balance as of 31/3/2008	911 941	3 859 586	(3 280 493)	1 849 521	27 476	(35 884)	436 393	—	—	—	3 768 540

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

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

**Notes to the consolidated financial statements
For The Financial Period Ended March 31, 2008**

1. BACKGROUND

- Al Ezz Steel Rebars Company “an Egyptian Joint Stock Company” was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.

Subsidiaries

Al Ezz Rolling Mills Company (ERM) – previously named Al Ezz Steel Mills Company (ESM) – an Egyptian joint Stock Company - was established in 1986 under Law No. 43 of 1974, which was replaced by law No. 8 of 1997.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) - an Egyptian Joint Stock Company was established in 1982 as a joint Investment Company under law No. 43 of 1974 which was replaced by law No. 8 of 1997.

Al Ezz Flat Steel Company (EFS) - an Egyptian Joint Stock Company under the Private Free Zones System was established in 1998 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997.

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

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

	<u>31/3/2008</u>	<u>31/12/2007</u>
	Share	Share
	percentage	percentage
	%	%
Al Ezz Rolling Mills Company (ERM)	90.73	90.73
Al Ezz El Dekheila For Steel- Alexandria (EZDK)	51.42	50.28
Al Ezz Flat Steel (EFS)	75.15	75.15

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis for the preparation of the consolidated financial statements

The consolidated financial statements are prepared in accordance with the historical cost basis, and in conformity with the Egyptian Accounting Standards, and in the light of the provisions of applicable Egyptian laws and regulations, the same accounting policies and principles applied to the periodical financial statements were implemented.

2.2 Functional and presentation currency

These financial statements are presented in Egyptian pound (L.E.) which is the Company's functional currency.

2.3 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a going basis, revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

- All inter-Company balances, transactions and unrealized income were eliminated.
- Minority interest in the net equity and in net earnings of subsidiary companies is included in a separate item "minority interest" in the consolidated financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated financial statements. Minority share in profits and losses of the subsidiary Companies are included in a separate line item in the income statement.
- The effect of the capitalization of foreign currency exchange differences on the fixed assets item of the financial statements of Al Ezz Rolling Mills (ERM) Company was eliminated for the purpose of preparing the consolidated financial statements.

Acquisition cost was allocated as follows

- The difference between the acquisition cost of the shares of Al Ezz Rolling Mills Company by Al Ezz Steel Rebars Company and the carrying amount of these shares, which amounts to LE 956 thousand, was recorded in the item of impairment losses of trade receivables, which the parent Company deemed necessary upon acquisition.
- The difference between the acquisition costs of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital (represents 29.39% from its capital) and the net carrying amount of these shares that amounts to LE 3.28 billion, was reduced from the total shareholders' equity as this difference was internally generated as a result from the restructuring between companies within the same group.

3.2 Foreign currency translation

- The Company maintains its books of account in Egyptian pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the declared exchange rates at that date thereof. The exchange differences resulting from the value of transactions carried during the period and the value of retranslation at the balance sheet date are recorded in the income statement.

Financial statements of Al Ezz Flat Steel (EFS)

EFS maintains its accounting records in US Dollar. For the purpose of preparation of the consolidated financial statements, the assets and liabilities are translated into Egyptian Pounds at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pounds at the average exchange rate for the period. Exchange differences arising from the translation are recorded in the shareholders equity.

3.3 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, as shown in Note No.(4).

Depreciation is charged to the income statement on straight-line basis over the estimated useful lives of assets.

The estimated useful life for each item is as follows:

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

3.4 Projects under construction

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

3.5 Investments

3.5.1 Investments in subsidiaries & associates

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

3.5.2 Available for sale investments

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

When the asset is disposed of, the previously recognized gain or loss included in the stockholders' equity is charged to the income statement except for the impairment losses.

The investments that are not listed on stock exchange market are stated at cost less impairment losses.

3.6 Inventory

Inventory is valued at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

- Raw materials: at its cost up to bringing them to warehouses, using the first in first out method.
- Spare parts, materials, and supplies: at cost up to bringing them to warehouses, using the moving or weighted average method.
- Work in process: according to the actual manufacturing cost which includes direct materials and labor cost in addition to share of indirect manufacturing cost incurred until the last production stage reached.
- Finished products: according to the actual manufacturing cost which includes direct materials and labor cost in addition to share of indirect manufacturing cost.

3.7 Trade & notes receivable and debtors & other debit balances

Trade and notes receivable, debtors and other debit balances are stated at their nominal value and are reduced by impairment loss resulting from Company's anticipation of non collection of those balances.

3.8 Trade & notes payable and creditors & other credit balances

Trade and notes payable, creditors and other credit balances are stated at nominal value while accruals are stated at their future value that will be paid against goods and services that had been already received.

3.9 Revenue recognition

Revenue is recognized when the client receives goods together with its related risks and benefits.

3.10 Borrowing costs

Borrowing costs are charged directly to the income statement and are classified within finance expenses account.

Borrowing costs that are incurred to finance the acquisition of fixed assets are capitalized during the construction/installation period until the asset is ready for economic use.

3.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

3.12 Cash and cash equivalents

For the purpose of preparing the cash flows statement, cash and cash equivalents comprise cash balances, call deposits and Banks' overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.13 Impairment

The carrying amounts of the Company's non monetary assets, (other than inventory and deferred tax assets), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-assessed. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement and the annual depreciation related to the impaired assets for the following years is computed based on the fair value.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.14 Income 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the up coming years.

3.15 Reserves

Legal reserve:

At least 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case reserve balance becomes less than stated percentage, appropriation will continue. The legal reserve may be used for the benefit of the company based on a proposal by the board of directors approved by the general assembly.

Other reserves:

The general assembly may form other reserves based on the board of directors' recommendation.

3.16 Interest bearing borrowing

Borrowing is recognized initially at the proceeds received and the amounts that are accrued within a year are classified as current liabilities, unless the Company preserves the right to postpone the payment of the loans balances for periods that exceed 12 months after the balance sheet date in which case, the balance will be classified as long term liability.

3.17 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of consideration paid including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury stocks and presented as a deduction from total equity.

3.18 Leased assets

The leased assets are classified as fixed assets and stated at the acquisition value as determined in the lease agreements and depreciated over its estimated useful lives according to policies applied for similar assets. Lease obligations are recorded as long-term liability; amounts falling due within 12 months are included in current liabilities.

4. FIXED ASSETS (NET)

<u>Description</u>									<u>Total</u>
	<u>Land</u>	<u>Buildings & constructions</u>	<u>Machinery & equipments</u>	<u>Vehicles</u>	<u>Furniture & Office equipments</u>	<u>Tools & appliances</u>	<u>Leashold improvements</u>	<u>Capital lease</u>	
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cost as of 1 January 2008	464 287	2 819 355	12 151 879	87 596	74 643	45 896	6 876	477 804	16 128 336
Additions during the period	—	531	2 731	—	929	831	—	—	5 022
Disposals during the period	—	—	(4 651)	—	—	—	—	—	(4 651)
Translation differences	(531)	(15 620)	(36 651)	(18)	(88)	(125)	—	—	(53 033)
Cost as of 31 March 2008	<u>463 756</u>	<u>2 804 266</u>	<u>12 113 308</u>	<u>87 578</u>	<u>75 484</u>	<u>46 602</u>	<u>6 876</u>	<u>477 804</u>	<u>16 075 674</u>
Accumulated depreciation as of 1 January 2008	—	718 432	4 555 217	84 561	61 679	34 802	6 549	182 485	5 643 725
Depreciation for the period	—	17 760	139 980	313	1 074	493	82	4 764	164 466
Accumulated depreciation of disposals	—	—	(4 570)	—	—	—	—	—	(4 570)
Translation differences	—	(1 132)	(5 314)	(12)	(48)	(22)	—	—	(6 528)
Accumulated depreciation as of 31 March 2008	<u>—</u>	<u>735 060</u>	<u>4 685 313</u>	<u>84 862</u>	<u>62 705</u>	<u>35 273</u>	<u>6 631</u>	<u>187 249</u>	<u>5 797 093</u>
Net book value as of 31 March 2008	<u>463 756</u>	<u>2 069 206</u>	<u>7 427 995</u>	<u>2 716</u>	<u>12 779</u>	<u>11 329</u>	<u>245</u>	<u>290 555</u>	<u>10 278 581</u>
Net book value as of 31 December 2007	<u>464 287</u>	<u>2 100 923</u>	<u>7 596 662</u>	<u>3 035</u>	<u>12 964</u>	<u>11 094</u>	<u>327</u>	<u>295 319</u>	<u>10 484 611</u>

Depreciation for the period are charged as follows:-

	<u>31/3/2008</u>
	<u>LE(000)</u>
Distribution expenses	224
Operating expenses	162 414
General & administrative expenses	1 828
	<u>164 466</u>

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

	<u>31/3/2008</u> <u>LE (000)</u>
- Equipment of DRI plant & steel plant (Agreements concluded with IDB and IBP)	251 553
- Equipment of Flat Steel plant (Agreements concluded with IDB, IBP & UIF)	226 251
	<u>477 804</u> =====

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

5. PROJECTS UNDER CONSTRUCTION

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
- Construction expansion	1 909	1 659
- Machinery under installation	103 391	68 200
- Advance payments for acquisition of:		
Land *	18 300	18 300
Machinery	17 417	28 818
	<u>141 017</u> =====	<u>116 977</u> =====

* Advance payments for acquisition of land includes an amount of LE 18.3 million for three plots of land purchased from Gulf of Suez Development Company with a total area of 1 830 001 m², with a total value of LE 45.75 million.

6. INVESTMENTS

	<u>Share percentage %</u>	<u>Investments cost</u>	
		<u>31/3/2008 LE (000)</u>	<u>31/12/2007 LE (000)</u>
6-1 <u>Investments in subsidiaries & associates</u>			
Iron For Industrial, Trading and Constructing Steel Company "Contra Steel" (S.A.E)	90	45 000	45 000
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	72	72
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
EZDK Steel Europe GMBH Co.	50	69	69
EZDK Steel UK LTD Co.	50	1	1
EZZ Steel Algeria	98	6 842	-
		52 009	45 167
6-2 <u>Available for sale investments</u>			
Egyptian Company for Cleaning and Security Services	30.81	80	80
Arab Company for Special Steel (SAE)	5	17 726	17 726
		17 806	17 806
		69 815	62 973

7. LONG TERM LENDING TO OTHERS

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

	<u>31/3/2008 LE (000)</u>	<u>31/12/2007 LE (000)</u>
The loan granted to the Company's employees housing Co-operative association (interest free).	4 290	4 590
The loans granted to the Company's employees (interest free).	1 651	1 431
	5 941	6 021
	5 941	6 021

8. INVENTORY

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Raw materials	962 977	848 326
Work in process	164 218	134 352
Finished products	453 362	533 072
Spare parts	892 144	857 511
Goods in transit	84 997	67 732
Letters of credit for purchasing raw materials and spare parts	181 554	106 583
	<u>2 739 252</u>	<u>2 547 576</u>
	=====	=====

9. TRADE AND NOTES RECEIVABLE (NET)

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Trade receivable	81 197	168 877
Notes receivable	159 347	135 490
	<u>240 544</u>	<u>304 367</u>
Impairment losses	(38 960)	(38 960)
	<u>201 584</u>	<u>265 407</u>
	=====	=====

10. DEBTORS AND OTHER DEBIT BALANCES

	<u>Note</u> <u>No.</u>	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Deposits with others		99 208	59 782
Tax Authority – income tax		123 038	106 536
Customs Authority		8 309	11 435
Accrued revenues		552	3 983
Prepaid expenses		20 433	22 090
Advances to employees		2 677	1 113
Tax Authority – sales tax		73 599	60 470
Alexandria Port Authority		42 489	42 489
Short - term lending	(6)	807	507
Letters of guarantee cash margin		488	494
Indemnities debtors’*		66 945	67 184
Due from related parties	(17-1)	12 106	7 810
Other debit balances		16 296	14 218
		<u>466 947</u>	<u>398 111</u>
Impairment losses		(51 795)	(51 795)
		<u>415 152</u>	<u>346 316</u>
		=====	=====

- * The balance represents the compensations due to Al Ezz El Dekheila for Steel – Alexandria for the loss of the profit that resulted from the damage of the electric transformer in the steel factory in addition to the repair expenses that the company paid according to the agreement with Misr for insurance company and the insurance policy clauses. The company received a portion of the compensation due amounted to L.E 52.1 million on 6 April 2008.

11. CASH AND CASH EQUIVALENTS

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Banks – Deposits	349 707	358 790
Banks – current accounts	1 246 960	1 469 226
Cheques under collection	84 520	60 282
Cash on hand	27 515	3 514
Investments fund *	17 703	620
	<u>1 726 405</u>	<u>1 892 432</u>
Less:		
Banks – credit balances	(638 887)	(1 354 087)
Cash and cash equivalents in the cash flow statement	<u>1 087 518</u>	<u>538 345</u>

- * Represents a number of 158 077 investment deeds with accumulated daily interest.

12. BANKS CREDIT ACCOUNTS AND OVERDRAFTS

This item represents banks credit accounts and overdrafts in Egyptian pound and US dollars classified within the current liabilities caption which amounts to LE 640 747 K as of March 31, 2008 against LE 1 355 855 K as of December 31, 2007 and obtained from banks the company already deals with, with an average interest rate 13.14% for the Egyptian pound and 6.33% for the US\$ approximately.

13. TRADE AND NOTES PAYABLE

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Trade payable	891 316	701 256
Notes payable	67 980	14 324
	<u>959 296</u>	<u>715 580</u>

14. CREDITORS AND OTHER CREDIT BALANCES

	<u>Note No.</u>	<u>31/3/2008 LE (000)</u>	<u>31/12/2007 LE (000)</u>
Fixed assets - creditors		33 186	36 542
Accrued interest		36 895	78 604
Accrued expenses		25 104	35 302
Tax Authority		523 478	21 812
Social Insurance Authority		5 368	5 703
Sales tax installments		10 271	17 290
Sales Tax Authority		104 043	85 047
Income tax		184 399	491 657
Dividends payable *		327 598	421 295
Financing lease agreements		29 458	28 985
Due to related parties	(17-2)	-	5 429
Other credit balances		41 341	60 717
Alexandria Port Authority		15 592	16 365
		<u>1 336 733</u>	<u>1 304 748</u>
		=====	=====

- * Dividends payable represent the minority's share as well as the remaining share of the employees' dividends and Board of Directors' remunerations in Al Ezz El Dekheila for Steel – Alexandria declared according to the resolution of the General Assembly Meeting on March 30, 2008.

15- **LOANS**

Borrowing company	Loans purpose	Interest rate %	Payment terms	Period	Short term	Long term	Total	Collateral
					31/3/2008 LE(000)	31/3/2008 LE(000)	31/3/2008 LE(000)	
Al Ezz Steel Rebars Co								
Loans - local currency	Finance part of importing cost of machinery, equipment, and construction work.	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	108 491	313 823	422 314	Real estate mortgage on the company's land and buildings as well as a commercial pledge on all tangible and intangible assets and what is added to it.
Loans - foreign currency	For the production lines in addition to financing part of its investment.	1% Over the price of banks borrowings in foreign currencies	30 Quarterly installments	31 March 2004 until 30 June 2011	30 656	88 700	119 356	
Banks - credit facilities					665 389	-	665 389	Second degree real state mortgage on the land , buildings as well as a second degree commercial pledge on all tangible and intangible assets.
Al Ezz Rolling Mills								
Loans - local currency	To finance machines and equipment of the plant	12%	30 Quarterly installments	31 March 2004 until 30 June 2011	8 758	26 160	34 918	First degree mortgage on the land, buildings, machinery and equipment in favor of the bank.
Loans - foreign currency		1% Over the price of banks borrowings in foreign currencies			9 785	28 993	38 778	
Banks - credit facilities					4 828	-	4 828	
Al Ezz El Dekheila for Steel - Alexandria (Dekheila)								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	14%	Semiannual installments	2-6 years	4 596	36 496	41 092	
Loans - foreign currency		1% over Libor	Semiannual installments	2-8 years	276 022	1 519 395	1 795 417	
Al Ezz Flat Steel								
Loans - local currency					42 554	162 274	204 828	
Loans - foreign currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	18 August 2004 until 18 February 2013	268 008	1 182 100	1 450 108	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts
Banks - credit facilities					284 248	-	284 248	Possession mortgage on inventories amounted to US Dollars 80 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery and fire for the banks favor
Balance as of 31 March 2008					1 703 335	3 357 941	5 061 276	
Balance as of 31 December 2007					1 901 056	3 892 117	5 793 173	

16. OTHER LIABILITIES

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Sales tax installments	129	654
Fixed assets creditors	252	258
Financing Lease agreements – flat steel project	88 373	100 097
Alexandria port authority *	96 865	94 622
	<u>185 619</u> =====	<u>195 631</u> =====

Al Ezz El Dekheila for Steel – Alexandria paid all the amounts due to the Alexandria port authority according to the license granted to the company from the port authority in spite of the company’s reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the long-term liabilities item represents delayed interests on the payment of some of the port authority’s dues for previous years which are still being disputed and studied and that is according to the agreement reached between both parties on November 22, 2007 to postpone the payments of such balances until the legal dispute is resolved.

Al Ezz El Dekheila for Steel – Alexandria Company’s legal advisor’s point of view is that according to the supreme constitutional court procedures, the court’s final judgment and accounting basis establishment will not take place for at least three years.

17. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions according to terms, which are approved by the board of directors with some related parties – subsidiaries and associates. These transactions that occurred during the year are represented in the purchase of raw materials for production amounted to LE 9 981 K and sales transactions of some products in favor of those companies amounted to LE 208 577 K, in addition to some mutual services which resulted in the following balances:

<u>Company's name</u>	<u>Nature of transaction</u>	<u>Transaction volume LE (000)</u>	<u>31/3/2008 LE (000)</u>	<u>31/12/2007 LE (000)</u>	<u>Balance Sheet caption</u>
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Sales	41 041	797	10 893	Due to related parties
	Purchases	6 902	(308)	5 415	Customers advance payments
Al Ezz foreign trade	Sales	167 535	(4 031)	-	Customers advance payments
	Purchases	3 079	-	1 920	Trade and notes receivable (Net)

17.1 Due from related parties

	<u>Nature of Relationship</u>	<u>31/3/2008 LE (000)</u>	<u>31/12/2007 LE (000)</u>
Al Ezz Holding Company for Industry & Investment	Holding company	961	20
Iron For Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	797	-
Gulf of Suez development Company	Affiliated company	2 774	2 773
Gulf of Suez Company for industrial investments	Affiliated company	3	2
Al Ezz for Engineering Heavy Industries	Associate company	4 516	4 265
Al Ezz for ceramics and porcelain (Gemma)	Associate company	565	750
Ezz Steel - Algeria	Subsidiary company	2 490	-
		<u>12 106</u>	<u>7 810</u>

17.2 Due to related parties

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	Subsidiary company	-	5 415
Al Ezz for ceramics and porcelain (Gemma)	Associate company	-	14
		<u>-</u>	<u>5 429</u>
		=====	=====

18. SHARE - CAPITAL

18.1 Authorized share capital

The company's authorized share capital is LE 8 billion.

18.2 The issued and paid in capital

According to the Board of Directors held on 30 January 2007, it was resolved to increase the issued capital through the conversion of 292 bonds (two hundred and ninety two bonds) from the Company's issued bonds to shares equivalent to 75 920 shares (seventy five thousand nine hundred and twenty shares) at 260 share for each bond at LE 22 per share (twenty two Egyptian pound) at par value of LE 5 per share in addition to LE 17 as additional paid in capital. Accordingly, the issued and fully paid-in capital increased from LE 911 561 K (nine hundred and eleven million, five hundred and sixty one thousand Egyptian pound) to LE 911 941 K (nine hundred eleven million nine hundred and forty one thousand Egyptian pound) fully paid and distributed at 182 388 194 shares with a par value of LE 5 per share. The increase was registered in the Company's commercial register No. 472 Menouf according to the request No. 371 on 18 April 2007.

19. RESERVES

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
Legal reserve	126 616	126 616
Premium share *	3 732 970	3 732 970
	<u>3 859 586</u>	<u>3 859 586</u>
	=====	=====

* This item represents premium share resulting from share capital increase in return to the acquisition of Al Ezz El Dekheila for Steel shares and bonds converted to shares.

20. TREASURY STOCKS

Represent 3 265 841 share of Al Ezz Steel Rebars owned by Al Ezz Rolling Mills with a total cost amounting to LE 35 884 K and is classified as treasury stocks for consolidation purposes.

21. DEFERRED TAX ASSETS AND LIABILITIES

	<u>31/3/2008</u>		<u>31/12/2007</u>	
	<u>Assets</u> <u>LE (000)</u>	<u>Liabilities</u> <u>LE (000)</u>	<u>Assets</u> <u>LE (000)</u>	<u>Liabilities</u> <u>LE (000)</u>
<u>Deferred Tax</u>				
Fixed assets	386	(557 699)	344	(545 894)
Inventory	9 711	-	9 711	-
Provisions	19 338	-	19 338	-
Tax losses carried over	3 476	-	3 475	-
Net deferred tax	32 910	(557 699)	32 868	(545 894)
Netting off	(32 623)	32 623	(32 623)	32 623
Net deferred tax assets/(liabilities)	287	(525 076)	245	(513 271)

Net deferred tax which resulted in a liability for the year that was charged to the income statement for the period amounted to LE 11 763 K.

22. CONTINGENT LIABILITIES

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

	<u>31/3/2008</u> <u>LE (000)</u>	<u>31/12/2007</u> <u>LE (000)</u>
<u>Letters of guarantee</u>		
LE	31 966	32 015
US\$	84 619	68 144
Kuwaiti Dinar	12 558	13 104

23. CAPITAL COMMITMENTS

In addition to the amounts which have been accounted for within the balance sheet items, the Company's capital commitments as of 31 March 2008 amounted to LE 232.7 million represented in the following:-

- LE 27.4 million, representing the remaining value of three plots of land purchased by Al Ezz Steel Rebars in the western north of Suez Gulf for the purpose of establishing industrial projects.
- LE 30.3 million, representing the remaining value of the Fume treatment plant of Al Ezz Steel Rebars.
- LE 175 million, representing the value of improving the rolling line and portion of the melting oven of Al Ezz El Dekheila for Steel – Alexandria.

24. TAXATION

24.1 Al Ezz Steel Rebars

24.1.1 *Corporate tax*

The Company 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 the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.

The tax authority inspected the Company's books and ending all the disputes until the financial year ended December 31, 2004 and there are no outstanding dues

The Company submits tax returns for 2005 until 2007 under Law No. 91 of 2005 and no inspection took place until that date.

24.1.2 *Sales tax*

The Company's products are subject to a 5% sales tax. The Company submits sales tax returns on a timely basis. The tax authority inspects the Company's books regularly and there are no tax disputes or outstanding dues until the date of the financial statements.

24.1.3 *Payroll tax*

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

24.1.4 *Stamp tax*

The tax authority inspected the Company's books until July 2006 and settlement was made and there are no amounts due on the Company in that concern.

24.2 Al Ezz Rolling Mills

24.2.1 Corporate tax

The Company established its factory in the 10th of Ramadan City, the Company is tax exempted until December 31, 1999.

The tax authority inspected the Company's books and settlement was made until 2002 and there are no tax outstanding dues until that date.

The Company's books have been inspected by the tax authority for the years 2003, 2004 and the dispute was referred to the internal committee.

The Company submits tax returns for 2005 until 2007 under Law No. 91 of 2005 and no inspection took place until this date.

24.2.2 Sales tax

The Company submits sales tax returns on a timely basis. The tax authority inspects the Company's books regularly and there are no tax disputes or outstanding dues until 2005.

24.2.3 Payroll tax

The tax authority inspected the Company's books and settlement was made until 2002 and there are no amounts due on the Company in that concern.

The Company's books have been inspected by the tax authority for the years 2003, 2004 and the dispute was referred to the internal committee.

24.1.4 Stamp tax

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

24.3 Al Ezz El Dekheila for Steel – Alexandria

24.3.1 Corporate tax

The Company submits tax returns annually and on a timely basis to the tax authority, and pays the tax dues from these tax returns – if any.

24.3.2 Payroll tax

Tax inspection has been made till year 2004 and all disputed matters were settled and there are no tax obligations concerning these years.

The Company pays within the due dates and submits the tax reconciliations according to the provisions of the law for year 2005 and 2006.

24.3.3 Sales tax

Tax inspection has been made till 31/12/2006 and there are no tax disputes or outstanding dues.

The Company submits sales tax returns on a timely basis.

24.3.4 Stamp tax

Tax inspection has been made till 2004 and there are no tax obligations concerning these years.

Tax inspection has been made for the period starting from 1/1/2005 until 31/7/2006 and the Company did not receive any observations from tax authority.

24.3.5 Real estate tax

Tax inspection took place until year 2006 and there is no liability till that date.

24.4 Al Ezz Flat Steel

24.4.1 Corporate tax

The Company is not subject to corporate tax as it was established under private free zones system.

24.4.2 Payroll tax

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

24.4.3 Stamp tax

The Company is established under private free zones system; therefore it is not subject to stamp tax according to the Company's tax card.

25. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

25.1 **Financial instruments**

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

25.2 **Interest rate risk**

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

25.3 **Credit risk**

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

25.4 **Foreign currency risk**

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currency monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 321 214 K and LE 4 914 363 K respectively, as of the Balance sheet date.

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

<u>Foreign Currency (In thousands)</u>	<u>(Deficit)/Surplus In thousand</u>
US\$	80 434
Euro	(13 600)
Sterling Pound	1 343
Japanese Yen	9 777 344
Algeria Dinar	2 545
Kuwaity Dinar	12 613
Islamic Dinar	13 348

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

26. EARNINGS PER SHARE

	<u>31/3/2008</u>	<u>31/3/2007</u>
Net profit for the period (In thousands of Egyptian pound)	436 393	278 722
Average number of outstanding shares during the period	179 122 353	179 100 210
Earning per share (L.E / share)	<u>2.44</u>	<u>1.55</u>
	=====	=====
	(for three months)	(for three months)

27. SUBSEQUENT EVENTS (BONDS ISSUANCE)

According to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds that are unconvertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of L.E 1.1 billion (one billion and one hundred million Egyptian pound) at a nominal value of L.E 100 per bond.

These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts toward some banks.

The company's Board of Directors approved during its meeting held on 6/4/2008 to determine the interest rate to be 11.5% annually.

These bonds were underwritten in public offering on 18/5/2008. The public offering was closed on 29/5/2008 after fully subscription in these bonds.

28. COMPARATIVE FIGURES

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