Annual Report 2008

Suez Cement Company S.A.E.

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1. Message from the Chairman and from the Managing Director

Throughout the year, the demand for cement in Egypt has remained high, buoyed by an active residential market. Consumption grew 11.5 percent compared to 2007. This strong demand enabled Suez Cement and its affiliated companies, Helwan Cement Company and Tourah Portland Cement Company, to increase sales volumes by 3 percent, from 10.8 million tons in 2007 to 11.1 million tons in 2008. Bulk sales grew 22 percent in 2008 compared with the previous year. Suez Cement's bulk sales recorded 1.37 million tons, an outstanding year-on-year growth of 78.5 percent. The ready-mix concrete segment also reported a strong increase in sales in 2008.

Despite this positive scenario, Egypt's total cement exports declined 56% percent, from 6.6 million tons in 2007 to 2.9 million tons in 2008. This was mainly due to strong local demand, as well as the export duties and ban on grey cement and clinker imposed by the Ministry of Industry and Foreign Trade. In line with this trend, the Company's exports declined to 0.3 million tons in 2008, from 1 million tons in 2007.

The significant increase in production costs, mainly driven by increases in cost of fuels and electricity, as well as the fee imposed on the clay usage largely influenced the increase in price. The price of grey Ordinary Portland Cement (OPC) sold by Suez Cement group of Companies (SCGC) rose from L.E. 347 per ton in January 2008 to around L.E. 455 per ton at end-December 2008. Similarly, the price of white cement reached L.E. 673 per ton at end-2008, up from L.E. 545 per ton in January 2008.

To increase efficiency and optimize allocation and utilization of human resources, a Collective and Selective Voluntary Early Retirement Plan (CSV- ERP) has been launched in November 2008.

The Company's business growth is accompanied by an ever-present attention to sustainable development in the cement industry. The Company believes in the need to improve dialogue with the local community and engage in the human development activities of the Country. In line with its sustainable development policy, Suez Cement and its affiliated Companies continued to promote social initiatives in 2008. These were mainly directed at the local communities of Helwan, Tourah and El Minya. Moreover, dust emissions control, particularly at the Tourah and Helwan plants, has continued to be one of our major objectives.

Following the investigation report issued by the Egyptian Competition Authority, the Egyptian court fined all 9 cement producers in the Egyptian market, including Suez Cement group of Companies, for having infringed some specific Egyptian competition laws. Each cement producer was obliged to pay a fine of L.E. 10 million. SCGC has filed an appeal with the Supreme Court against the ruling and is awaiting the results.

In view of the deteriorating macroeconomic scenario and the entry of new cement producers into the local market, the demand for cement is expected to be moderate in the coming year. Given this outlook, SCGC will continue to focus its strategy on innovation, corporate governance and sustainable development. In order to maintain, in 2009, the operating results achieved in 2008, the group will pursue with determination its goals of improving industrial efficiency, optimizing human resources and containing fixed costs.

Our teams remain focused on improving performance. We thank them warmly, and are confident we can continue to rely on them to pursue the growth cycle initiated several years ago. We also take this opportunity to thank our shareholders for their continued confidence and support.

Omar A. Mohanna
Chairman

Roberto Callieri
Managing Director

2. Composition of the Board of Directors as at 31 December 2008

Mr. Omar Mohanna
Chairman

Mr. Roberto Callieri
Managing Director

Members

Mr. Giovanni Ferrario

Mr. Mohamed Chaibi

Mr. Matteo Rozzanigo

Mr. Amr Ali El Garhi

Mr. Fabrizio Donegà

Mr. Mohamed Iftekhar Khan

Mr. Hussein Kassem Ali Megawer

Mr. Raed Ibrahim Al Mudaiheem

Mr. Yves-René Nanot

Mr. Khaled Abu Bakr

3. Financial Highlights in 2008

Financial Highlights in 2008 (*figures in L.E. millions*)

	December 2008	December 2007	December 2006
Revenue	5,542	4,196	3,543
Gross Profit	2,077	1,830	1,665
EBITDA	1,873	1,764	1,441
Net Earnings	1,041	981	703
Return on Sales	19%	23%	20%
Gross Margin	37%	44%	47%
EBITDA Margin	34%	42%	41%
Capital Expenditures	4,051	4,095	3,977
Total Assets	9,290	8,994	8,237
Cash & Cash Equivalents	1,001	953	798
Working Capital	273	163	50
Total Debt	820	1,526	1,543
Minority Interest	558	488	261
Shareholders Equity	6,141	5,550	4,952
Net Fixed Assets Turnover	1.37	1.02	0.89
Total Assets Turnover	0.60	0.47	0.43
Return on Equity	16.95%	17.67%	14.20%
Current Ratio	1.13	1.08	1.03
Debt to Equity Ratio	0.13	0.28	0.31
Gearing Ratio	0.07	0.18	0.27

4. Shareholder Information

SCGC is one of the largest Egyptian cement producers in the country. The group encompasses Suez Cement Company (SCC), Tourah Portland Cement Company, Helwan Cement Company (HCC), Suez Bags Company, Ready Mix Beton and Ready Mix Beton Egypt. Italcementi Group is the majority shareholder of Suez Cement S.A.E., with a share of 55.08 percent. SCC holds 66.12 percent of Tourah Portland Cement Company, 53.32 percent of Suez Bags and 98.69 percent of Helwan Cement Company. SCC, Helwan Cement, Tourah Portland Cement and Suez Bags are listed on the Egyptian Exchange.

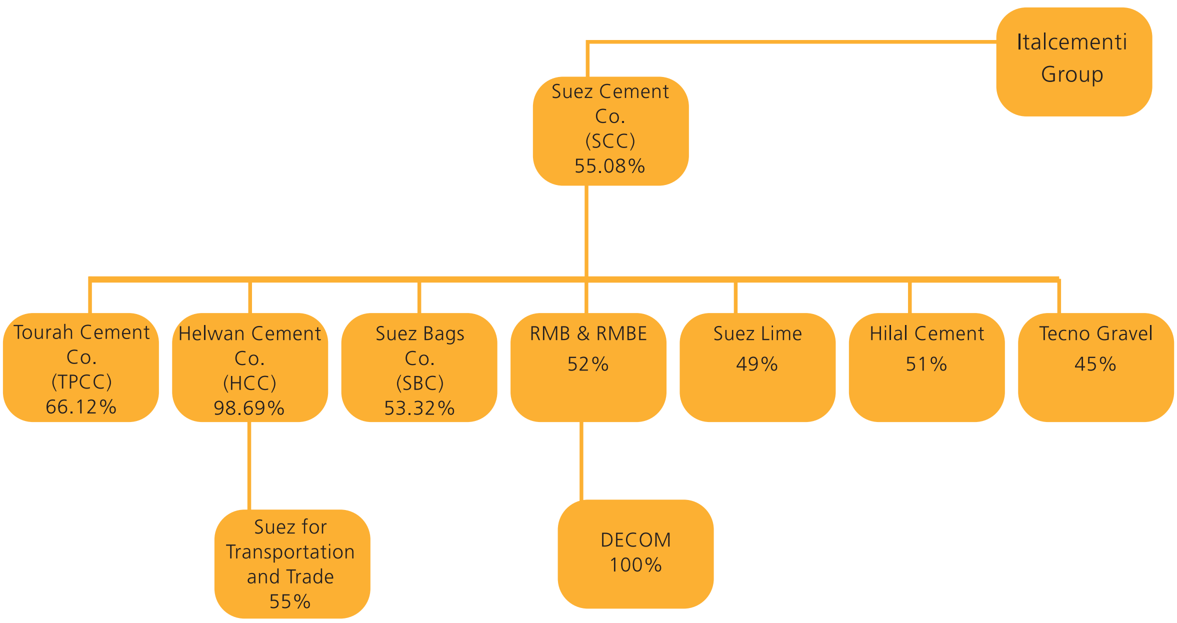
In 2006, SCGC entered the concrete sector through the acquisition of 52 percent of Ready Mix Beton (RMB) and Ready Mix Beton Egypt (RMBE). RMBE is the country leader in the concrete sector in Egypt. With a view of strengthening the group's presence in the local ready mix concrete sector, as of July 1st 2007 Ready Mix Beton Egypt S.A.E. acquired 100 percent of the share of Decom S.A.E., one of the largest Egyptian ready mix companies.

Moreover in June 2007, Suez Cement Company acquired a 45 percent stake in the quarrying company Tecno Gravel, representing 225,000 shares, valued at a total of L.E. 28.3 million.

With the will to become a major player in the Middle-East, in August 2007, SCC acquired 51 percent of the total capital shares of Hilal Cement Company, a Kuwaiti joint stock company. As the third largest Kuwaiti cement company, Hilal Cement operates two terminals for the import of cement, with an annual production capacity of around 1 million tons.

In October 2007, SCC, in partnership with UNICALCE, established Suez Lime Company to manufacture all types of lime. SCC controls 49 percent of Suez Lime share capital, while Tourah Portland Cement Company holds 1 percent. The remaining 50 percent is owned by UNICALCE.

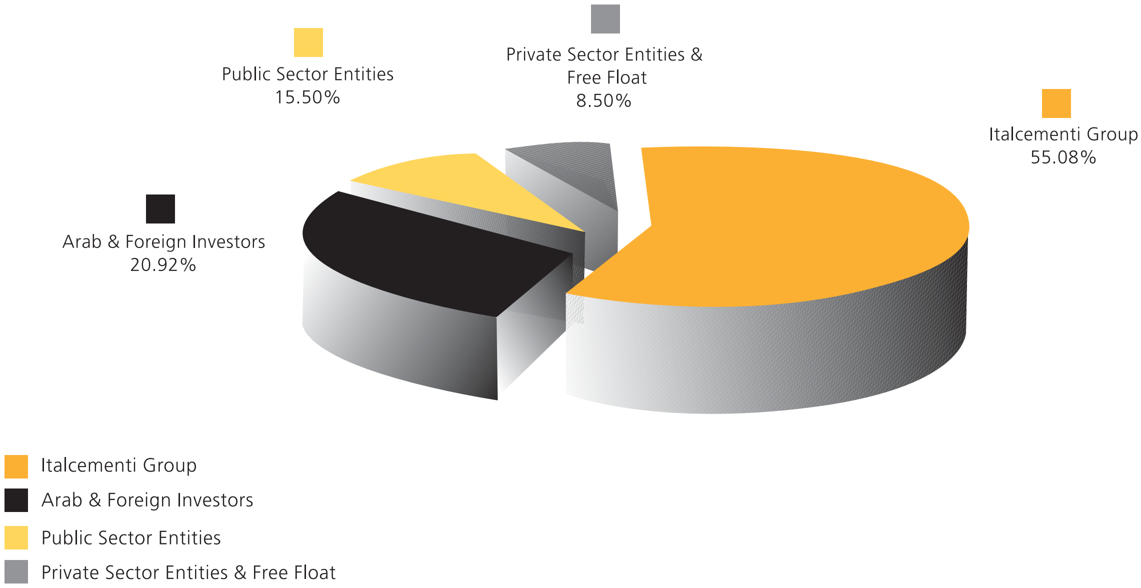
In the third quarter of 2007, SCC and its affiliated companies established Suez for Transportation and Trade Company (STT). SCC has a 35 percent stake in the company, Tourah Portland Cement Company owns 10 percent of STT shares, while Helwan Cement Company has a stake of 55 percent.



SHAREHOLDER STRUCTURE

Shareholding Structure as at 31 December 2008	Percentage%
Italcementi Group	55.08
Arab & Foreign Investors	20.92
Public Sector Entities	15.50
Private Sector Entities & Free Float	8.50

Including shares against G.D.R. which represent 2.23%



Trading Volume on the Egyptian Stock Market During the Year 2008

Month	Number of Traded Shares	Average Monthly Price	Trade Value L.E.
January	1,730,432	58.74	101,645,576
February	1,022,558	57.40	58,694,829
March	663,744	59.55	39,525,955
April	611,408	56.49	34,538,438
May	297,734	53.17	15,830,517
June	505,586	51.51	26,042,735
July	191,766	47.35	9,080,120
August	213,669	37.93	8,104,465
September	182,868	35.30	6,455,240
October	436,130	24.73	10,785,495
November	1,149,030	22.07	25,359,098
December	278,362	21.02	5,851,169
Total	7,283,287		341,913,637

5. Historical Summary of Suez Cement group of Companies

Italcementi Group, the fifth largest cement producer in the world, penetrated the Egyptian market in October 2001, when it participated in the first phase of the privatization of Suez Cement (a company currently listed on the Egyptian Exchange, where it ranks fourth in terms of capitalization). This action resulted in Italcementi Group's acquisition of 25 percent of Suez Cement's capital, thus becoming one of its strategic stakeholders. Following subsequent purchases, in March 2005, Italcementi Group became the principal shareholder of Suez Cement, together with a consortium of local and international investors, for an overall investment of around € 460 million. This is one of the most substantial foreign investments in Egypt outside the oil sector. Suez Cement's entrance in the Italcementi industrial network was an important development opportunity for the Egyptian company.

New investments aiming at increasing the Company's efficiency further strengthened the group's leadership in Egypt, the fourth most important market in terms of cement consumption in the Mediterranean. In August 2005, Suez Cement Company purchased around 99 percent of ASEC Cement Company (currently Helwan Cement Company), listed on the Egyptian Exchange. This acquisition was executed in collaboration with other local and international partners, for a global investment of around $605 million.

SCGC's capacity in Egypt has resulted in the production of over 12 million tons of clinker per year. This amount is produced by five plants that employ 3,420 employees. This total results in a domestic market share of roughly 30 percent for grey cement and 50 percent for white cement.

To expand the scope of its operations, SCGC recently completed the verticalization of its business with the purchase of a majority stake in Ready Mix Beton, Egypt's leading producer of ready-mix concrete.

SCGC's overall objective is to continue to invest and develop its activities in the country by respecting its Egyptian identity and increasing its efficiency through converting the Company from a cement supplier to a services supplier for the building and construction industry. Our investments in the ready-mix concrete sector and aggregates, and our studies to invest in the field of admixtures for cement, concrete, premix mortar products and hydraulic limes, attest to our will to achieve this goal.

6. SCGC's Structure

Suez Cement group of Companies, one of the largest Egyptian cement producers, has an industrial network composed of five production facilities located in Suez, Kattameya, Tourah, Helwan and El Minya. These facilities produce approximately 12 million metric tons of clinker per year.

Through its five plant facilities, SCGC uses state-of-the-art technology to deliver quality white and grey cement to Egyptian and export markets. The company has a long-standing history in the market, yet is innovative in launching new brands and products to meet on-market needs.

SCGC is home to more than 3,000 employees, who participate in ongoing training and advancement activities. The group has an active safety and environmental policy, which is indispensable to building a sustainable environment for employees and the communities in which it operates.

The group's cement has proudly built some of Egypt's most well-known landmarks and is building its future around serving the market and meeting the growing customer demand.

Key Statistics

- Five production facilities
- Total annual production capacity of 12 million metric tons of clinker
- Approximately 30 percent market share of grey cement
- Approximately 50 percent market share of white cement
- 15 operating quarries
- 16 kilns in operation
- All plants certified ISO 9001 and ISO 14001
- All plants certified CE mark for OPC and white cement

Suez Cement Company

Established in 1977, Suez Cement Company is one of the largest grey cement producers in Egypt, with a production capacity of 4.1 million tons of clinker per year. The company, which is 55.08 percent owned by Italcementi Group, started its activities with the construction of its first plant in Suez, then a second plant in Kattameya, with a total investment of about LE 1.7 billion. Both plants operate using the dry method, with whitewash and primary heating. The company serves the domestic market and also exports its products to Arab, African and European markets.

Tourah Portland Cement Company

The Tourah Portland Cement Company, Egypt's first cement company, was established in 1927. The company, which is 66.12 percent owned by Suez Cement Company, began its operations with a production capacity of four million tons of clinker per year. Today, the company produces nearly four million tons of cement annually. Tourah Cement owned the most ancient clay quarry, where the stones of the pyramids originated. The company was the first in Egypt to use the dry method in the cement industry. It was also the first to modernize its lines by reusing wet kilns to get rid of bypass dust. In addition to the decrease of dust emissions, this method led to production increases. In June 2006, Tourah Cement received the API quality certification for producing oil well cement.

In cooperation with other local and foreign cement companies, Tourah Cement has invested its long and rich experience in establishing advanced centers for administrative and technical training. Built over an area of 10,000 square meters, the centers offer programs that are tailored to the needs of the cement industry. The centers have become an international hub for workers within the industry.

Helwan Cement Company

Established in 1929, Helwan Cement was the second cement producer to enter the market. Since August 2005, Suez Cement Company has owned 98.69 percent of the company. Helwan Cement has a production capacity of 4.5 million tons of clinker per year. The company manufactures grey and white cement in its Helwan and El Minya plants, which have a combined capacity of 4.8 million tons per year. Both facilities are ISO 9001 and ISO14001 certified.

Suez Bags

Suez Bags Company was established in 1988 as an Egyptian joint stock company. Since October 2006, 53 percent of Suez Bags has been owned by Suez Cement Company. Suez Bags owns four lines, with a combined production capacity of 300 million bags per year. Three of these lines are for the production of bags for cement, gypsum and other building materials, while the fourth caters to special orders.

Made with imported semi-Copake craft layer paper from Austria and Canada, the company's bags are of the highest standard and quality. Because of its imported ink and its specialized technology, the company is the only supplier able to print four colors on all bag types.

Ready Mix Beton (RMB)

Since 1985, Ready Mix Beton (RMB) has been one of the leading companies in Egypt for the production of ready-mix concrete. Suez Cement Company has owned 52 percent of RMB since October 2006. Ready Mix Beton (RMB) and the ready-mix company DECOM together produce more than 1 million cubic meters of concrete and have a market share of 35 percent. They are supported by 13 central mixing plants, 8 of which are located in the Greater Cairo area. RMB and Decom also have a fleet of 200 truck mixers and concrete pumps.

Having the RMB group as part of SCGC is a strategic partnership that serves our cement interests and our customers. This dedicated presence in the ready-mix concrete sector offers excellent potential for growth in the cement industry, given the experienced management team led by RMB and an Egyptian market that offers an excellent opportunity for expansion and diversification.

Suez Lime

With a view to enlarging its perimeter and expanding its activities, Suez Cement signed an agreement in June 2007 with UNICALCE, one of the world's leading suppliers of lime, for the establishment of the joint venture company Suez Lime. Suez Lime manufactures hydrated lime, a dry powder resulting from the controlled slaking of quicklime with water. The hydrated lime is used for a diverse range of applications, including water and waste treatment, soil stabilization, agricultural applications, asphalt modification and flue gas desulfurization. It is also used as a component in building products such as mortars, plasters, whitewash and stuccos. In 2008, Suez Lime produced approximately 24 thousand tons of hydrated lime. Over the course of the year, Suez Lime succeeded in capturing 54 percent of the local competitive market and started dispatching hydrated lime in bulk through CPT (carriage paid to).

Suez for Transportation and Trade

In 2008, with the aim of enhancing efficiency and strengthening its domestic distribution of cement, Suez Cement group of Companies established Suez for Transportation & Trade (STT), a new company in charge of developing bulk sales and enhancing the quality of services provided to clients. Suez Cement Company has a 35 percent stake in STT, Tourah Portland Cement Company owns 15 percent of the company, and Helwan Cement Company has a stake of 55 percent.

With proven expertise in logistics, STT focuses on ensuring the delivery of high quality and cost efficient service to better satisfy customer demand. In 2008, its first year of operation, STT dispatched 285 thousand tons of bulk cement.

Hilal Cement Company (K.S.C.C.) - Kuwait

Hilal Cement Company (K.S.C.C.) - Kuwait was established on 19 January 1984 as a closed joint stock Kuwaiti company. The main activities of the company (the third largest cement company) are import, storage and distribution of cement and other bulk materials. In august 2007 Suez Cement acquired 51% of the total capital shares of Hilal Cement Company.

7. Market Evolution: Major Events of the Year

Cement market growth in Egypt continued in 2008 thanks to the residential sector and foreign direct investment. In this favorable context, the total grey cement dispatch reached 38.5 million tons, growing 11.6 percent compared to 2007. Similarly, the demand for white cement grew 3 percent to reach a total of 413 thousand tons. In 2008, Suez Cement sold 10.9 million tons of grey cement, representing a market share of 28.5 percent, and 209 thousand tons of white cement, representing 51 percent of the white cement market.

As a result of the price increase of fuel, as well as the imposition of various new taxes on cement production, the price of grey OPC sold by SCGC rose from L.E. 347 per ton in January 2008 to around L.E. 455 per ton on 31st December 2008. Similarly, the price of white cement reached L.E. 673 per ton at end-December 2008. The customs fees imposed by the government on grey cement, totaling L.E. 85 per ton, as well as the export ban applied from April to October, altered export volumes, which fell from 900 thousand tons in 2007 to 92 thousand tons in 2008. SCGC white cement export volumes, on the other hand, increased 27 percent in 2008, totalling 221 thousand tons.

In the face of this fast evolving environment, SCGC has worked actively to consolidate its position and differentiate itself from competitors through the level of service it offers its customers. Technical support, logistical efficiency and cement quality are the three pillars of the strategy guiding SCGC toward the achievement of professional excellence.

8. Quality Policy and Product Range

SCGC is dedicated to producing cement and building materials for the construction industry in Egypt and abroad. Today, the group of companies offers different types of cement of various strength classes, which comply with both Egyptian (ES 4756/1-2007) and international (EN 197/1-2000) standard specifications:

- Portland Cement: CEM I 42.5 R, CEM I 42.5 N
- Portland Limestone Cement: CEM II/B-L 32.5 N
- OPC Superfine 4100
- Blast Furnace Cement: CEM III/A 32.5 N
- Portland-Slag Cement: CEM II /A-S 32.5 N
- Sulfate Resistant Cement: SRC 42.5 N
- White Cement: CEM I 52.5 N
- Oil Well Cement: OWC class G-HSR/API

In addition to cement production, Suez Lime Company produces and sells hydrated lime. This product is used in various applications of the construction industry, such as plastering, mortars, lime-brick manufacturing, painting, and decorative textures. Hydrated lime is also used in other important industries, such as marble, granite, steel, sugar, paper, petroleum, crystal and glass, fertilizers and rubber.

SCGC controls the quality of each cement type and each strength class through a well established quality control system. The five plants are ISO 9001 Quality Management System certified, EN 197-1 certified for evaluation of conformity, and EN 197-2 certified for composition, specification and conformity criteria (CE mark). The five existing labs are equipped with best available technology (BAT) in the field of effective analysis.

9. Industrial Facilities

SCGC owns five production facilities. The five plants, with a clinker production capacity of approximately 12 million tons, are located in Kattameya, Suez, Helwan, Tourah and El Minya. With the exception of the El Minya plant, which is located 245 Km south of Cairo, all of the other plants are located within 100 Km of Cairo.

SCGC also owns three bag-manufacturing factories, with a total capacity of 300 million bags per year.

10. Investments

The cement industry is a strongly capital-intensive type of industry, requiring significant investments. Over the last three years, SCGC started to implement an investment program involving the modernization of all production facilities. The modernization process entails the construction of more efficient production lines, taking into account environmental and safety aspects and requirements, as well as increased capacity in order to meet the growth in market demand.

Several major projects were completed through 2008 in the different SCGC plants in the areas of:

* Environment and Safety, at a total cost of around L.E. 30 million
* Performance Improvement and Capitalized Maintenance, at a total cost of approximately LE 137 million

Several major projects were also completed and successfully implemented in the area of pollution abatement and emission control. In full compliance with its environmental policy, and in cooperation with the Egyptian Environmental Affairs Agency (EEAA) and the World Bank, Suez Cement Company launched the second phase of the Egyptian Pollution Abatement Project (EPAP II). The aim of EPAP II is to minimize dust emissions from the main stacks through the conversion of three electrostatic precipitators and the replacement of the gravel bed filters in Line 8 at the Tourah plant with bag houses. The project, which is being carried out at a cost of approximately L.E. 132 million and is now in the bid evaluation phase, is to be completed by end-2010. EPAP II builds on the success of EPAP I, launched in 2005. Under the first project, two high-technology electrostatic precipitators and two revamped gas-conditioning towers were installed at the Kattameya plant in March 2006 to reduce dust emissions from 350 milligrams per cubic meter in 2005 to 50 milligrams per cubic meter in 2006, at a cost of L.E. 43.5 million.

To broaden the use of less carbon intensive fuels and reduce carbon dioxide emissions, Kiln 1 at Helwan Plant 2 was converted from fuel oil to natural gas in 2008. A new gas reduction station of a total capacity of 90,000 cubic meters per hour is currently being set up at the plant, at a total cost of approximately L.E. 16 million. The station is planned to be operational by mid-2009. Meanwhile, SCGC is also carrying out a project to convert Kiln 7 at the Tourah plant from fuel oil to natural gas by 2009, at a total cost of approximately L.E. 9 million.

As part of its commitment to the research and development of new products and applications, SCGC completed the installation of a new admixture storage and manufacturing facility at Kattameya plant in August 2008, at an overall cost of approximately L.E. 8 million. A new project for the production of Plastocem at the Kattameya plant is now in the execution phase. Installation will be completed by the second quarter of 2009, at a total cost of approximately L.E. 4 million.

11. Human Resources

The main focus of the Human Resources Department in 2008 was the improvement of the Company's work environment, with the aim of increasing efficiency and overall performance.

In line with the HR Strategic Plan launched in 2007, and in order to control escalating labor costs by reducing the total employee headcount, a third phase of the successful Micro Entrepreneur Program (MEP) was implemented in 2008. The project led to a reduction in total headcount from 3,754 employees in December 2007 to 3,420 at the end of 2008.

The recruiting department has succeeded in filling critical positions such as corporate quarry manager, maintenance manager, procurement manager and marketing manager.

The year 2008 witnessed a huge increase in training activities directed at SCGC staff members compared to 2007, as illustrated in the following table:

	2008	Increase compared to 2007
Training Hours	54265	59.24%
Number of Trainees	4147	63.40%

Among a wide range of training activities, the main training programs conducted in 2008 were the following:

- **Egypt New Graduates Training:** a three-month training course aimed at raising the awareness of newly hired engineers and chemists and providing them with basic knowledge about safety, environment, process and maintenance in cement plants.
- **Tomorrow's Leaders:** a twelve-module training program to enhance the soft skills of 23 highly skilled young future SCGC managers and to raise their awareness of the group's different functions.
- **Welding Program:** a two-week training course directed at 50 technicians aimed at equipping them with technical know-how in the field of welding and having them certified by the Ministry of Industry.
- **Defensive Driving Training:** a two-day training course targeting 42 drivers responsible for transporting people, to raise their awareness of road hazards and improve their ability to drive safely.
- **Kiln & Milling Simulation Training:** a one-week training course directed at all SCGC kiln and milling operators. The course simulates different situations and problems that might occur and equips the operators with the know-how and knowledge to efficiently deal with them.

- **Root Cause Analysis:** a three-day training course targeting first- and second-line managers at all plants, to enable them to collect and analyze data and facts to determine the root cause of any problem they might face.
- **NEBOSH International Certificate**
- **Time Management for First-Line Managers by Franklin Covey:** a two-day training course targeting all SCGC first-line managers to enable them to focus on their tasks and equip them with a state-of-the-art tool for the efficient management of time.
- **Claudius Peter X-Pump Training:** a two-day workshop directed at technicians and engineers, to train them to properly maintain Claudius Peters X-Pump equipment and to troubleshoot as problems arise.
- **Lubrication Training for Engineers and Technicians:** a one-day workshop to familiarize technicians and engineers with the different characteristics of lubricants and build their capacity to select appropriate lubricants and to troubleshoot as related problems arise.
- **Practical Industrial Course - Grinding Module:** a one-week in-depth workshop for process engineers and chemists, on raw material and clinker grinding techniques and related issues.
- **Belt Conveyors Preventive Maintenance and Inspection Service - Maintenance Training for Technicians:** a two-day onsite training course for 14 technicians conducted by Aumund.
- **Performance Management Training:** a one-day workshop for 80 directors and first-line managers, to familiarize them with sound staff annual appraisal methods and procedures.
- **Disk Certification for Recruiters and Trainers**
- **Compressor Maintenance and Troubleshooting by Atlas Copco:** a one-day training course for 13 mechanical engineers to enhance their knowledge of compressors and improve their troubleshooting abilities.
- **Safety Training:**

o The training department, in cooperation with the safety department, launched and executed the following courses, totaling 28,684 training hours:

* Vivre la Sécurité (VS) (safety living for group workers)
* Group Safety (GS) (for group supervisors)
* Managing Safety (MS) (for first-line managers)
* Risk Assessment (for top management, plant management and safety animators)
* Certification training for members of the Safety Committee of plants (conducted by the National Institute of Safety)
* Train-the-Trainers (TTT) course on safety (by plant)

In addition to the above courses, a total of 137,282 training hours were completed in 2008 for entities other than Suez Cement staff members, namely, Tourah Vocational School and Don Bosco Institute.

Suez Cement continuously follows up on its medical services to staff members in order to provide improved medical care and optimize associated costs. In this context, Suez Cement has upgraded its pharmacy in Tourah plant to centralize the availability of medication at all plants and ensure better rates. In addition, first aid boxes have been distributed throughout the plants and at headquarters at a scale of one box to every 15 employees.

12. Safety and Health at Work

The safety of our employees and contractors is our first concern. We can never allow ourselves to be truly proud of our industry when there are still people risking their lives and being injured while working on our sites. Safety audits are always a critical element of the integration process for all acquisitions. All of our operations have safety programs that include training, auditing, sharing best practices, close follow up, reporting and investigation of the cause of an accident as well as prevention of future accidents.

Each of SCGC's companies has responsibility for applying our safety policy to the specifics of its business in order to define its own safety guidelines. Up to now, safety has generally been seen as a local matter, in accordance with the decentralization of responsibilities stated in our safety manual. Although most operating units have been collecting health and safety data for years, SCGC only started to consolidate this data at the group level in 2006. Regrettably, four fatal accidents in the Cement Division occurred in 2007, of which three involved the personnel of external contractors.

Since the start of 2008, our goal has been to reinforce our efforts to ensure global implementation of our safety policy and programs through monitoring, reporting and technical and administrative support at the corporate level, with the aim of becoming one of the safest companies in the industry. Our efforts contributed to reducing the frequency rate of workplace accidents by approximately 35 percent compared to the previous year. The severity of accidents experienced a similar decline. In 2008, our accident rate was 1.9 across all activities, and the fatality rate was reduced by 85 percent (we experienced one fatal accident for a contractor in 2008). The Company conducted more than 28,000 safety orientation and safety training hours for our employees and contractors' managers on the implementation of our safety policy, emergency preparedness, risk assessment, safety rules and procedures.

Actions against Health Hazards

Health management, including industrial hygiene (dust, noise and whole body vibration hazards) is one of our major concerns. The recent implementation of the workplaces health hazard assessment has added to the significance of the issue for the group, given the importance of the assessment where such hazards are of long-term effect. In this context, SCGC operations have had a positive impact by providing information and medical care to our employees and to the local communities.

Evolution of Frequency of Accidents[1] (2005 - 2009)

	2005	2006	2007	2008	2009 (Target[2])	Industry Benchmark[3]
Employees	31.23	5.2	2.6	1.9	1.5	8.98
Contractors	54.50	4.8	3.0	2.7	1.0	61.25

1- Number of accidents with at least one day off per million working hours
2- Our target for 2009
3- Recalculated from Health & Safety Local Authority. Figures not strictly comparable.

Evolution of Rate of Fatal Accidents from (2005 - 2008)

	2005	2006	2007	2008	Industry Benchmark
Employees	2	2	1	0	10
Contractors	7	3	2	1	7

Implementing a Safety Action Plan in Our Plants

In an endeavor to improve health and safety at work, as well as ensure the dissemination of a corporate culture of safety across all Suez Cement's activities, Suez Cement group launched a project on occupational safety and health named "Zero Accidents". Launched in 2006, the project integrates safety as a core business strategy for the group.

The "Zero Accidents" project aims to reduce the number of occupational accidents by developing a substantive corporate safety culture and raising employee awareness and concern for safety conduct. Specifically, the project aims to implement a safer and healthier working environment at all sites and facilities by adopting adequate steps to prevent accidents and injury in addition to developing communication initiatives to promote a preventative safety and health culture.

The new action plan included a safety inspection program to improve work conditions in plants, dedicated sound investments, specific safety training with the involvement of employees, reinforcement of plant safety committees, monitoring and reporting of safety performance indicators, safety procedures, and inclusion of contractors in the programs. The plan was based upon the Italcementi Group model, with the assistance of several of its health and safety professionals, showing how one country can help another based on their level of expertise. As a result, 2008 was the first year with no fatal accidents to employees across all activities, and the Helwan cement plant achieved a record year with no lost-time injury, while the El Minya cement plant registered its third year with no lost-time accidents.

13. Environmental Protection

Suez Cement believes in being environmentally conscious and protecting its surroundings. It has continuously invested towards a better Egypt and a cleaner environment and has made a long-time commitment towards being environmentally responsible. The Company dedicates a substantial part of its industrial investments to implementing its comprehensive environmental policy. All plants respect and continuously monitor compliance with the environmental laws of Egypt, and work in close cooperation with the Ministry of State for Environmental Affairs to ensure that the environmental standards of each plant are on target. Furthermore, all five plants are ISO 14001 and IS0 9001 certified, in compliance with the requirements of the Environment Management System EMS-ISO 14001/2004. As part of the Companyís ongoing efforts to reduce adverse environmental impacts, regular consultations and information sessions are held with local stakeholders.

Following the successful completion of the Egyptian Pollution Abatement Project (EPAP I), which consisted of the installation of three new electrostatic precipitators at the Suez and Kattameya plants, the Company started the implementation of an action plan for the extension of EPAP I to Line 8 at the Tourah plant. The second phase of EPAP I, called EPAP II, aims to minimize dust emissions from the main stacks through the conversion of three electrostatic precipitators and the replacement of gravel bed filters with bag houses.

As part of its policy to modernize and install continuous emissions monitoring systems (CEMs) at its kilns, the Company has replaced its electrostatic filters with bag filters. Specifically, 14 bag filters have been installed at the Tourah plant, four at the Helwan plant and two at the El Minya plant. Each plant has met all restrictions on dust emissions; in fact, the measured average emissions are below environmental regulations.

The production of cement clinker is an energy and carbon-emissions intensive process. To track its carbon emissions, the Company has been monitoring and reporting carbon dioxide emissions from its production processes since 2006, following the WBCSD CSI CO2 protocol for the cement industry. To assure the quality of the inventory, Ernst & Young carried out a second external audit in March 2008 for the consolidation of carbon dioxide emissions for the Company, covering the five plants of Kattameya, Tourah, Helwan, El Minya and Suez.

2008 SCGC CO_2 Emissions from Cement Production*

Absolute gross (ton/year)	8.876.928
Specific gross (kg/ton clinker)	863
Specific gross (kg/ton cem.**)	773

* these calculation are based on the WBCSD-CSI CO^2 protocol, June 2005 vers 2 and Italcementi Group guidelines
** cem. is a cementitious product that includes both clinker and cement substitutes used for grinding

Aware of the cement industry's environmental footprint, SCGC aims to achieve a rational use of materials and to optimize energy efficiency, in order to protect natural resource reserves from depletion. In 2008, the Company continued to take progressive action to reduce carbon dioxide emissions by using natural gas in its lines. As evidence of this trend, construction works with Town Gas have started for the conversion of Kiln 1 (dry) and Kilns 1 and 2 at Helwan Plant III, as well as Kilns 7, 8 & 9 at the Tourah plant, from mazout to natural gas. Accordingly, all kilns at the Helwan and Tourah plants will operate using natural gas. Moreover, in 2008, SCGC also started to utilize slag as a substitute for clinker in the production of cement. Over the course of the year, the Company also launched two Clean Development Mechanism (CDM) projects for the utilization of agricultural wastes, refuse-derived fuel (RDF), and sewage sludge in the Kattameya and Helwan plants.

In 2008, SCGC signed a protocol under the umbrella of the EEAA with the biggest company in the constructions and road pavements sector, for the recycling of 300 tons/day of daily bypass dust on road pavements. In addition, a total area of 1,690,000 square meters at the Helwan plant and 437,000 square meters at the Tourah plant, used in the past to dispose of bypass dust, has been concealed and covered, to avoid the dispersion of fine particles of bypass dust by wind.

In compliance with its environmental policy, and in order to enhance the value of the landscape, the Company has increased the number of green areas at all plants, built new waste treatment facilities and increased paved areas in and around the plants. In 2008, a surface of 26,675 square meters was designated as a new green area, and 2550 trees were planted over the concealed historical bypass area.

14. Social Engagement in Development

In line with the UN Millennium Development Goals (MDGs), SCGC is strongly committed to improving the quality of life and social well-being of the communities where it operates. The social initiatives promoted by the Company are based on the local needs of the people living in these communities. In 2008, our social initiatives continued to give priority to education, sustainable livelihood, health, and awareness of social issues.

Education

In keeping with its social engagement strategy, and with the aim of supporting and enhancing the government's efforts to improve the quality of education by 2015, Suez Cement signed a partnership agreement with the World Food Programme in January 2008 to provide school feeding support to pre-school, primary, and one-class schools, as well as Girls' Education Initiative (GEI) schools, in the village of Beni Khaled in the district of Samalut. Beni Khaled ranks high among Egypt's poorest 1000 villages. The Company's contribution to this project amounts to L.E. 1,000,000. The beneficiary village of Beni Khaled, which surrounds the El Minya White Cement plant, has seven basic education/primary level schools, three one-classroom schools and five GEI schools. Suez Cement's contribution provides nutritious in-school snacks to 3757 children. The company exceeded the number of children specified in the agreement (2800 children), in order to provide similar treatment to all children enrolled in the assisted classes, as per the request of the School Feeding Unit at the Ministry of Education. The table below provides a breakdown of the Company's outreach by school, type of school, and number of students.

School Feeding Support in Beni Khaled, Samalut (2008)

Name of School	Type of School	Number of Students
El Sorayreya	Basic Education	701
Arab El Zeina	Primary	333
El Sorayreya 1	Primary	1025
Beni Khaled	Primary	694
Der Gabal El Ter El Haditha	Primary	465
El Abed	Primary	221
Hamed Gouda	Primary	32
El Sorayreya	One-class school	30
Beni Khaled 1	One-class school	48
Beni Khaled 2	One-class school	43
Beni Khaled	GEI	30
El Sorayreya	GEI	30
Der Gabal El Ter	GEI	36
Gabal El Ter Kebli	GEI	33
Gabal El Ter Bahari	GEI	36
Total		**3757**

Moreover, in the framework of the partnership agreement between the Company and El Minya University, Suez Cement donated a scholarship in the amount of 20,000 Euro for the Master F.lli Pesenti in Civil Engineering at the Politecnico di Milano to one of the top students graduating from El Minya University.

Suez Cement is also one of the major partners in the Don Bosco Institute, whose vocational training model has been hugely successful due to a combination of advanced practical training and updated educational techniques. The three-year project promoted by Suez Cement with an annual contribution of L.E. 50,000 focuses on upgrading infrastructure, providing equipment and facilities, and†conducting†new training courses for the educational activities implemented in cooperation with the International Telematic UNINETTUNO University, a consortium of some of the most renowned Italian and Euro Mediterranean universities. The project provides skilled labor, highly qualified technicians and competitive managers for both the national and international work market.

So far, Suez Cement has trained 36 Don Bosco students on cement manufacturing, mechanical maintenance, electrical maintenance and the operation of cement plant control rooms. The company went on to hire 8 of the 36 trained Don Bosco graduates. In addition, Suez Cement selected 12 of the trained graduates and provided them with more advanced training on the company's simulator, a highly sophisticated technical training tool for enhancing the technical skills of kiln and mills operators.

Sustainable Livelihoods, Health and Social Awareness

Since 2007, Suez Cement group of Companies has partnered with the National Council for Childhood and Motherhood (NCCM) to implement a development project in the field of poverty alleviation targeting the local communities of Kafr El Elw and El Maasara, two districts of Helwan Governorate where two of the Company's five plants are located. In 2008, SCGC provided a yearly grant of L.E. 2,400,000 to NCCM to improve the quality of life of the children and their families living in the two districts. The key objective of this development project, titled "For the Smile of Our Children", is to contribute to the eradication of poverty and to address community needs and priorities by providing access to quality basic infrastructure and services, especially in the field of education.

To better respond to local needs and enhance the sustainability of social investments, the project has implemented awareness-raising initiatives in the areas of environment, health, education and children's rights. The project adopts a participatory approach by involving the entire community, including community leaders, youth centers, local nongovernmental organizations (NGOs) and women's groups. A Steering Committee has been established that includes representatives of Suez Cement, NCCM, Helwan Governorate, the Ministry of State for Environmental Affairs, the ministries of Education, Health, Electricity, Industry, and Interior, the Cairo Holding Company for Water and Sanitary Drainage, and local NGOs.

To date, the project has conducted a social research survey to investigate the social, health and environmental problems the two communities are facing and to identify their needs. In particular, the study examined the population distribution in each of the two communities, and the educational and employment status of each. Teachers and heads of the environmental department of the Ministry of Education have been trained on how to organize environmental camps, and 1344 students have received training as environmental guards. The project also organized a green corner competition among the 10 schools involved in project activities. Sixty awareness campaigns on health and environmental issues have been executed, with special attention given to the awareness program on children's rights, environment, drugs, smoking and female genital mutilation (FGM). In addition, the project has revamped and upgraded 6 schools in Kafr El Elw and El Maasara area, upgraded two health medical centers, and covered the school fees of 710 children to prevent them from dropping out of school.

Within the framework of the project, SCGC co-sponsored some of the activities of the national campaign against FGM, and participated at a high-level regional conference titled "For the Elimination of Female Genital Mutilation - the Cairo Declaration + 5". The conference took place in Cairo on 13 -15 December 2008 under the patronage of the First Lady, H.E. Suzanne Mubarak. The purpose of the meeting was to provide an opportunity to share knowledge and experiences accumulated at the regional and national levels, in order to identify and consolidate the most appropriate strategies and legislative policies to combat FGM, and create the foundations of a real and strong international alliance to eradicate the practice once and for all. During the event, H.E. Moushira Khattab, Secretary General of NCCM, thanked Suez Cement as the first and only private company that accepted to support this important national campaign. A special website for the event is online at http://www.fgmcairodeclaration2008.org.eg

In the field of health, Mr. Roberto Callieri, Managing Director of SCGC, and Dr. Mahmoud Al Tohamy, Executive Manager of 57357 Children's Cancer Hospital, signed an agreement on 18 May 2008 for the donation of 600 tons of cement for the construction of a new building that will contain a cyclotron. The equipment is used in cancer therapy and allows for personalized cancer treatment. SCGC has already donated almost all the amount of cement needed for the construction of the hospital, which is one of the largest hospitals in the world dedicated to pediatric cancer care and a source of light and hope for Egyptian and Arab children.

Sponsorship of Cultural, Environmental, Leisure and Sports Facilities and Events

In March 2008, for the second consecutive year, Suez Cement sponsored the marathon "Yes to Sports, No to Tobacco Consumption" promoted by Helwan Governorate, contributing L.E. 80,000 to the event. More than 2,000 people from Helwan, together with a delegation of Suez Cement employees and their children, ran together to sensitize the local community to the negative effects of tobacco consumption, and to show their commitment to curbing smoking, especially among children and adolescents.

In April 2008, Suez Cement also co-sponsored, jointly with the Italian Embassy in Cairo, the seminar titled "Le Tre Culture Sorelle". The Company contributed 10,000 Euro to the event. In addition, in December 2008, Suez Cement donated L.E. 250,000 on the occasion of the centennial of Cairo University.

Dialogue with the Local Communities

On 17 December 2008, with the aim of improving communication and establishing a more fruitful and transparent dialogue with local community groups and the local authorities, the Helwan Cement plant opened the doors of its industrial facilities for the first time to more than 2,000 residents from Kafr El Elw district. The event was an occasion for the plant to promote a better understanding of its business as well as its environmental and social initiatives.
Additionally, on the occasion of the Holy month of Ramadan and in the spirit of zakat, and as part of its continuous commitment to ongoing Corporate Social Responsibility programs, SCGC's top management, together with Company employees, distributed 10,000 kilograms of rice and pasta in the Helwan and Tourah districts.

Suez Cement

15. Financial Statements

15.1 FINANCIAL STATEMENTS OF SUEZ CEMENT COMPANY FOR THE YEAR ENDED 31 DECEMBER 2008 TOGETHER WITH AUDITOR'S REPORT

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUEZ CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of Suez Cement Company (S.A.E), which comprise the balance sheet as at 31 December 2008, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suez Cement Company as of December 31 2008., and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Without qualifying our opinion and as disclosed in note 5, the company has other subsidiary companies and according to Egyptian Accounting Standards (17) "Consolidated and Separate financial statements", and article No. (188) of the executive regulations of law No. 159 of 1981, the company prepares consolidated financial statements that can provide a clearer view of the financial position, financial performance and cash flows for the group as a whole.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the Company maintains proper costing accounts, the inventory was counted by management in accordance with methods in practice. The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

Cairo, 17 March 2009

Auditors

Emad H. Ragheb	**Nabil A. Istanbouli**
FESAA – FEST	FESAA – FEST
(RAA. 3678)	(RAA. 5947)
(CMAR.42)	(CMAR.71)

Allied for Accounting & Auditing (E&Y)

Suez Cement

BALANCE SHEET

As of 31 December 2008

	Note	2008 LE	2007 LE
Long term assets			
Fixed asset, net	(2-4, 3)	567,667,459	639,597,281
Projects under construction	(2-5, 4)	141,236,771	95,205,554
Long term financial assets	(2-6, 5)	5,120,621,761	5,131,004,049
Loan to subsidiary company	(6)	152,000,000	137,000,000
Total long term assets		**5,981,525,991**	**6,002,806,884**
Current assets			
Inventory	(2-7, 7)	299,707,740	223,619,451
Accounts receivable	(2-8)	742,462	4,958,906
Due from related parties	(2-16, 8)	9,589,955	4,699,098
Prepayments and other debit balances	(9)	110,426,489	80,699,733
Cash at banks	(2-20, 10)	8,268,526	47,476,813
Total current assets		**428,735,172**	**361,454,001**
Current liabilities			
Provisions	(2-9, 11)	265,969,465	161,498,000
Credit banks		4,748,873	-
Credit facilities	(12)	271,687,811	335,052,192
Current portion of medium term loans	(2-11, 17)	228,863,542	228,787,036
Loan from subsidiary company	(13)	120,000,000	100,000,000
Suppliers		61,436,382	34,762,414
Due to related parties	(2-16, 14)	93,778,461	27,346,737
Accrued expenses and other credit balances	(15)	214,068,327	132,831,865
Total current liabilities		**1,260,552,861**	**1,020,278,244**
Working capital		**(831,817,689)**	**(658,824,243)**
Total investment		**5,149,708,302**	**5,343,982,641**
Financed as follows			
Equity			
Issued and paid up capital	(16)	909,282,535	909,282,535
Legal reserve	(2-10)	454,641,267	454,641,267
Other reserves		2.206.478.733	2.200.306.014
Reserve of gain from change in the fair value of investments aavailable-for-sale		2,790,109	2,647,397
Retained earnings		896,346,985	831,959,203
Net profits for the year		458,017,439	471,468,467
Total equity		**4,927,557,068**	**4,870,304,883**
Long term liabilities			
Medium term loans	(2-11,17)	225,000,000	459,410,070
Deferred income taxes	(2-12,18)	(2,848,766)	14,267,688
Total long term liabilities		222,151,234	473,677,758
Total finance of working capital and long term assets		**5,149,708,302**	**5,343,982,641**

Auditors	Financial Director	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (28) are an integral part of these financial statements.
- Auditor s' report attached.

STATEMENT OF INCOME

For The Year Ended 31 December 2008

	Note	2008 LE	2007 LE
Net Sales	(2-13)	1,717,036,928	1,345,065,140
Cost of sales		(1,123,872,915)	(729,955,150)
GROSS PROFIT		**593,164,013**	**615,109,990**
General and administrative expenses	(2-14)	(51,721,336)	(120,750,869)
Decline in value of obsolete inventory		(2,729,256)	(31,908,000)
Other provisions	(2-9, 11)	(111,009,442)	(9,900,000)
Board of directors remuneration and allowances		(111,750)	(99,000)
Investments income	(2-6 a)	176,999,491	154,734,210
Other provisions no longer required		-	6,964,703
Other income	(20)	26,701,683	12,028,250
OPERATING PROFITS		**631,293,403**	**626,179,284**
Financing expenses	(2-15)	(101,015,302)	(107,701,475)
Credit interests		18,345,088	24,721,620
Gain from sale of fixed assets		3,981	6,172,719
Foreign exchange differences	(2-3)	(762,458)	(5,602,956)
Other expenses	(21)	(10,000,000)	-
NET PROFITS BEFORE INCOME TAXES		**537,864,712**	**543,769,192**
Income taxes	(2-12,19)	(96,963,727)	(49,324,815)
Deferred income taxes	(2-12)	17,116,454	(22,975,910)
NET PROFITS FOR THE YEAR		**458,017,439**	**471,468,467**
EARNINGS PER SHARE	**(26)**	**2,36**	**2,39**

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (28) are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2008

	Issued and paid up capital LE	Legal reserve LE	Other reserves LE	Reserve of gain from change in the fair value of investments aavailable-for-sale LE	Retained earnings LE	Net profits for the year LE	Total LE
Balance as of 1 January 2007	909,282,535	454,641,267	2,200,303,514	-	1,225,959,301	-	4,790,186,617
Refunded tax differences Adjustments	-	-	-	-	4,098,136	-	4,098,136
Adjusted balance as of 1 January 2007	909,282,535	454,641,267	2,200,303,514	-	1,230,057,437	-	4,794,284,753
Transferred to other reserves	-	-	2,500	-	-	-	2,500
Dividends	-	-	-	-	(398,098,234)	-	(398,098,234)
Gain from change in the fair value of investments							
available-for-sale	-	-	-	2,647,397	-	-	2,647,397
Net profits for the year	-	-	-	-	-	471,468,467	471,468,467
Balance as of 31 December 2007	**909,282,535**	**454,641,267**	**2,200,306,014**	**2,647,397**	**831,959,203**	**471,468,467**	**4,870,304,883**
Balance as of 1 January 2008	**909,282,535**	**454,641,267**	**2,200,306,014**	**2,647,397**	**831,959,203**	**471,468,467**	**4,870,304,883**
Transferred to other reserves	-	-	6,172,719	-	-	-	6,172,719
Transferred to retained earnings	-	-	-	-	471,468,467	(471,468,467)	-
Dividends	-	-		-	(407,080,685)	-	(407,080,685)
Gain from change in the fair value of investments							
available-for-sale	-	-	-	142,712	-	-	142,712
Net profits for the year	-	-	-	-	-	458,017,439	458,017,439
Balance as of 31 December 2008	**909,282,535**	**454,641,267**	**2,206,478,733**	**2,790,109**	**896,346,985**	**458,017,439**	**4,927,557,068**

- The accompanying notes from (1) to (28) are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2008

	Note	2008 LE	2007 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profits before income taxes		537,864,712	543,769,192
Depreciation of fixed assets		88,627,851	88,697,443
Decline in value of obsolete inventory		2,729,256	31,908,000
Provisions		111,009,442	9,900,000
Financing expenses		101,015,302	107,701,475
Credit interests		(18,345,088)	(24,721,620)
Other provisions no longer required		-	(6,964,703)
Gain from sale of fixed assets		(3,981)	(6,172,719)
Foreign exchange differences		762,458	5,602,956
Operating profits before changes in working capital		**823,659,952**	**749,720,024**
(Increase) in inventory		(78,817,545)	(12,560,419)
Decrease in accounts receivable		4,216,444	8,059,863
(Increase) decrease in due from related parties		(4,890,857)	8,769,317
(Increase) decrease in prepayments and			
other debit balances		(29,726,756)	18,954,199
Increase in suppliers		26,673,968	4,715,441
Increase in due to related parties		66,431,724	9,819,666
Increase (decrease) in accrued expenses			
and other credit balances		81,236,462	(13,773,987)
Cash from operations		888,783,392	773,704,104
Provisions paid		(6,537,977)	(133,064,567)
Income taxes paid		(96,963,727)	(45,226,680)
Interests paid		(101,015,302)	(107,701,475)
NET CASH FLOWS PROVIDED FROM			
OPERATING ACTIVITIES		**684,266,386**	**487,711,382**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of fixed assets		-	(54,495,814)
Proceeds from sale of fixed assets		4,187	10,078,292
(Payments) for projects under construction		(62,729,452)	(8,319,370)
(Payments) for acquisition of investments			
in subsidiaries		(2,600,000)	(290,791,540)
Proceeds (payments) for amounts paid under			
investment in subsidiaries and other companies		13,125,000	(34,121,100)
Interests received		18,345,088	24,721,620
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(33,855,177)**	**(352,927,912)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) in credit banks		4,748,873	-
(Decrease) Increase in credit facilities		(63,364,381)	334,956,344
Payments of loan to subsidiary company		(15,000,000)	(137,000,000)
Increase in loan from subsidiary company		20,000,000	100,000,000
Payments of medium term loans		(234,333,564)	(258,218,232)
Dividends paid		(400,907,966)	(398,095,734)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(688,857,038)**	**(358,357,622)**
Net (decrease)in cash and cash equivalent			
during the year		(38,445,829)	(223,574,152)
Foreign exchange differences		(762,458)	(5,602,956)
Cash and cash equivalent - beginning of the year		47,476,813	276,653,921
CASH AND CASH EQUIVALENT - END OF THE YEAR	**(2-20,10)**	**8,268,526**	**47,476,813**

- The accompanying notes from (1) to (28) are an integral part of these financial statements.
- Auditor s' report attached.

1 BACKGROUND

Suez Cement Company – S.A.E, was established in 1977 under investment Law 43 of 1974 and its amendments, which was superseded by Law 230 of 1989 which were replaced by the investments Guarantees and Incentives Law 8 of 1997.

The Company was registered in the Commercial register at 11 April 1979 by number181134.

The main objective of the Company is to manufacture all types of cement.

Italcementi Group (through Cement Francis) acquired with consortium of other investors 80.80% of the company's shares starting from 24 March 2005.

As disclosed in note 5, the company has other subsidiary companies and according to Egyptian Accounting Standards (17) "Consolidated and Separate financial statements", and article No. (188) of the executive regulations of law No. 159 of 1981, the company prepares consolidated financial statements that can provide a clearer view of the financial position, financial performance and cash flows for the group as a whole.

2 SIGNIFICANT ACCOUNTING POLICIES

2 – 1 Basis of preparation

The financial statements are prepared in Egyptian pound in accordance with the Egyptian Accounting Standards, the applicable laws and regulations, the historical cost basis and the going concern basis.

2 – 2 Changes in accounting policies

The accounting policies adopted this year were not changed from those policies adopted in the previous year.

2 – 3 Foreign currency translation

The Company's records are maintained in Egyptian pound. Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date. Translation differences are recorded in the statement of income.

2 – 4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings, constructions, infrastructure and roads	**6 to 20**
Machinery, equipment and Tools	**5 to 20**
Motor Vehicles	**5**
Furniture and office equipment	**5 to10**

Projects under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are valued at cost.

2 – 6 Long term financial assets

a) Investments in associates and subsidiaries

Investments in associates are accounted for using the cost method and in case there is a decline in the value of these investments from its carrying amount, the carrying amount is adjusted by the value of this decline and is charged to the statement of income for each investment separately. Investment income is recognized based on the Company's share of the dividend declared by the general assembly meeting of the investee companies.

b) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are accounted as follows:

b/1 - After initial recognition, the available-for-sale financial assets quoted in the stock exchange in an active market are measured at the end of each financial period at fair value (market value), a gain or loss arising from change in the fair value of an available-for-sale financial assets shall be recognized directly to equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses until the financial assets is derecognized at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss.

b/2 - After initial recognition, the available-for-sale financial assets unquoted in the stock exchange or quoted in the stock exchange in an inactive market are measured at the end of each financial period at fair value based on an objective study of the last audited financial statements, a gain or loss arising from change in the fair value of an available-for-sale financial assets shall be recognized directly to equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses until the financial assets is derecognized at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. and whose fair value cannot be reliably measured are measure at cost. Impairment losses are recognized in profit or loss.

b/3 - Dividends on an available-for-sale equity instrument are recognized in profit or loss when the company's right to receive payment is established.

2 – 7 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and Consumables, rolling and packing materials: at the lower of cost (using the moving average method) or net realizable value.
- Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value.
- Work in process: at the lower of the cost of production (of the latest completed phase based on the costing sheets) or net realizable value.

2 – 8 Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book less any impairment losses

2 – 9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

2 – 10 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50 % of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

2 – 11 Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

2 – 12 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

2 – 13 Revenue recognition

- Revenue from sales is recognized when all the following conditions have been satisfied:

(a) The company has transferred to the buyer the significant risks and rewards of ownership of the sales;
(b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits associated with the transaction will flow to the company; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2 – 14 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

2 – 15 Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset.

2 – 16 Related party transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

2 – 17 Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

2 – 18 Impairment of assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is charged to the statement of income.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

2 – 19 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2 – 20 Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

Suez Cement

3 FIXED ASSETS, NET

	Lands LE	Buildings, constructions, infrastructure and roads LE	Machinery, equipment and Tools LE	Motor Vehicles LE	Furniture and office equipment LE	Total LE
Cost						
As of 31 December 2007	398,502	457,182,919	1,006,499,072	49,748,058	42,883,173	1,556,711,724
Additions	-	2,151,335	12,560,419	540,000	1,446,481	16,698,235
Disposals	**-**	**-**	**-**	**(309,783)**	**(1,450)**	**(311,233)**
As of 31 December 2008	398,502	459,334,254	1,019,059,491	49,978,275	44,328,204	1,573,098,726
Accumulated depreciation						
As of 31 December 2007	-	(267,637,439)	(580,852,460)	(40,305,395)	(28,319,149)	(917,114,443)
Depreciation for the year	-	(18,510,086)	(60,762,171)	(3,929,683)	(5,425,911)	(88,627,851)
Disposals	-	-	-	309,783	1,244	311,027
As of 31 December 2008	-	(286,147,525)	(641,614,631)	(43,925,295)	(33,743,816)	(1,005,431,267)
Net book value as of 31 December 2008	**398,502**	**173,186,729**	**377,444,860**	**6,052,980**	**10,584,388**	**567,667,459**
Net book value as of 31 December 2007	**398,502**	**189,545,480**	**425,646,612**	**9,442,663**	**14,564,024**	**639,597,281**

- Fixed Assets as of 31 December 2008 includes assets that are fully depreciated and still in use, and the acquisition cost for this assets was as follows:

Assets	Cost
Building, construction, infrastructure and roads	135,893,963
Machinery, equipment and tools	296,281,007
Motor vehicles	32,531,638
Furniture and office equipment	22,699,829
Total	487,406,437

- No pledged assets against loans and credit facilities offered for company.

4 PROJECTS UNDER CONSTRUCTION

Balance at 31-Dec-07 LE	Additions during the year LE	Transferred into assets during the year LE	Balance at 31-Dec-08 LE
95,205,554	62,729,452	(16,698,235)	141,236,771

	2008 LE	2007 LE
Capitalized Maintenance.	**24,539,114**	6,214,922
Other project under construction	**39,315,968**	22,867,755
Down payments under purchase of fixed assets	**3,686,290**	1,473,747
New Office Building in Cairo	**119,757**	79,089
Capitalized spare parts *	**73,575,642**	64,570,041
	141,236,771	95,205,554

* Spare parts transferred from spare parts inventory to projects under construction to be used in the capitalized maintenance works.

5 LONG TERM FINANCIAL ASSETS

A) Investments in subsidiaries

	% of Ownership	Par value LE	2008 LE	2007 LE
Subsidiary companies				
Helwan Cement S.A.E	**98,69**	**10**	**3,413,255,262**	3,413,255,262
Tourah Portland Cement Company S.A.E	**66.12**	**10**	**1,287,617,992**	1,287,617,992
EL Helal Cement Company-Kuwait (Kuwaiti Joint Stock Company)				
	51	**15.29**	**262,457,272**	262,457,272
Ready Mix Beton Egypt (RMBE) S.A.E *	**52**	**10**	**55,154,993**	52,554,993
Ready Mix Beton (RMB) S.A.E	**52**	**10**	**26,277,866**	26,277,866
Suez Bags Company S.A.E	**53.3**	**10**	**22,438,108**	22,438,108
Subsidiary companies through indirect investments **				
Suez Lime Company S.A.E	**49**	**100**	**3,621,100**	3,621,100
Suez For Transport and Trade S.A.E	**35**	**100**	**3,500,000**	3,500,000
Development and Construction Materials Company (DECOM) S.A.E				
	0.01	**10.64**	**11**	11
			5,074,322,604	5,071,722,604

* Ready Mix Beaton Egypt (RMBE)-S.A.E increased its capital during the year ended 31 December 2008 at an amount of L.E 5,000,000, Suez Cement Company's share is L.E 2,600,000 represents 52 % of the company's capital.

** In addition to the company's share in the subsidiary companies. The company owns indirect shares through its subsidiaries qualify these companies to be subsidiary companies; consequently it has been included in investments in subsidiaries item. These indirect shares comprise the following:

- Suez cement company indirect share in Suez Lime Company (S.A.E) by 0.66%.
- Suez cement company indirect share in Suez for Transport & Trade (S.A.E) by 60.89%.
- Suez cement company indirect share in Development and Construction Materials Co (DECOM) (S.A.E) by 52%.

B) Investment in an associate

	% of Ownership	Par value LE	2008 LE	2007 LE
Subsidiary companiesTechno Gravel For Quarries-Egypt S.A.E	**45**	**10**	**28,334,257**	28,334,257
			28,334,257	**28,334,257**

C) Investments available-for-sale

	% of Ownership	Par value LE	2008 LE	2007 LE
Egyptian company for cement S.A.E - quoted in stock exchange in an inactive market				
	0.137	**1000**	**1,113,000**	1,113,000
Reserve of gain from changes in the fair value of investments available-for-sale			**2,790,109**	2,647,397
			3,903,109	3,760,397

A) Amounts paid under investments in subsidiaries and other companies

	% of Ownership	Par value LE	2008 LE	2007 LE
Suez Bosphorus Cimento Sanayi Ve Ti	**99.90**	**3.64**	**186,791**	186,791
Industries Development Company S.A.E *	**90**	**100**	**225,000**	13,500,000
Exem for Industries Company S.A.E (Previously : Upper Egypt Industries Company)	**90**	**100**	**13,500,000**	13,500,000
Italgin Egypt For Energy S.A.E	**1**	**100**	**150,000**	-
			14,061,791	27,186,791

* The capital of Industries Development Company S.A.E was decreased from LE 15.000.000 to LE 250.000. The company's share of this decrease amounting to LE 13,275,000 was included in prepayments and other debit balances account until refund (note 9).

6 LOAN TO SUBSIDIARY COMPANY

On 20 October 2006, Suez Cement Company's Board of Directors had approved to lend Ready Mix Beton Egypt (RMBE) (S.A.E) (subsidiary) an amount of LE 300 Million at annual interest %10.54. The total amount used of the loan as of 31 December 2008 amounting to LE 152 Million.

7 INVENTORY

	2008 LE	2007 LE
Raw materials	**9,575,094**	4,629,081
Fuel , Spare parts and Consumables	**266,014,319**	241,935,168
Rolling and packing Material	**4,875,366**	7,298,484
Work in progress	**47,189,861**	17,865,661
Finished Products	**27,191,819**	6,869,596
Letters of credit	**6,074,537**	3,505,461
	360,920,996	282,103,451
Less:		
Decline in value of obsolete spare parts inventory	**(59,043,256)**	(58,484,000)
Decline in value of obsolete (packing -bags) inventory	**(2,170,000)**	-
	299,707,740	223,619,451

8 DUE FROM RELATED PARTIES

	2008 LE	2007 LE
Tourah Portland Cement Company S.A.E.	**-**	62,716
Helwan Cement Company S.A.E.	**-**	4,548,461
Ready Mix Beton (RMB) S.A.E.	**1,453,462**	13,380
Ready Mix Beton Egypt (RMBE) S.A.E.	**1,988,517**	7,636
Suez Lime Company S.A.E.	**711,803**	27,000
Suez For Transport & Trade S.A.E.	**3,110,674**	39,905
Techno Gravel For Quarries-Egypt S.A.E.	**279,035"**	-
Development and Construction Materials Company (DECOM) S.A.E.	**2,046,464**	-
	9,589,955	4,699,098

9 PREPAYMENTS AND OTHER DEBIT BALANCES

	2008 LE	2007 LE
Prepaid expenses	**6,977,668**	7,060,270
Advances to suppliers	**26,997,306**	13,963,357
Accrued interest	**1,262**	66,604
Deposits with others	**15,827,823**	14,988,170
Other debtors - Decrease in amounts paid under investment in Industries Development Company S.A.E. (note 5d)	**13,275,000**	-
Debtors (sale of assets)	**13,675,504**	15,045,111
Tax authority	**27,040,612**	26,063,929
Other debit balances	**8,431,314**	5,312,292
	112,226,489	82,499,733
Less: Decline in value of other debit balances (doubtful debts)	**(1,800,000)**	(1,800,000)
	110,426,489	80,699,733

10 CASH AT BANKS

	2008 LE	2007 LE
a- Egyptian Pound		
Current accounts	**-**	15,703,511
b. Foreign currencies		
Current accounts	**4,407,592**	2,002,105
Time deposits (matures in 3 months) *	**3,860,934**	29,771,197
	8,268,526	47,476,813

* Time deposit item includes an amount of L.E 3,860,934, which is a restricted time deposit against letter of credit.

11 PROVISIONS

	Balance as of 1-Jan-08 LE	Charged during the year LE	Utilized during the year LE	Balance as of 31-Dec-08 LE
Tax claims	133,250,000	17,446,903	(3,046,903)	**147,650,000**
Juridical disputes	2,745,000	3,457,037	(241,841)	**5,960,196**
Early pension refunds	-	46,650,000	-	**46,650,000**
Training support fund	25,503,000	5,685,502	-	**31,188,502**
Army claims for Suez plant - rent of lands	-	25,000,000	-	**25,000,000**
Other claims	-	12,770,000	(3,249,233)	**9,520,767**
	161,498,000	**111,009,442**	**(6,537,977)**	**265,969,465**

12 CREDIT FACILITIES

The balance of credit facilities represents short term facilities from several Egyptian banks with a maximum limit amounted to L.E 990, the outstanding balance of these facilities as of 31 December 2008 amounted to LE 271,687,811.

13 LOAN FROM SUBSIDIARY COMPANY

On 20 October 2006, Tourah Portland cement Company's Board of Directors S.A.E (Subsidiary) had approved to lend Suez Cement Company an amount of LE 120 million at an annual interest rate of 1.5% plus variable interest rate of Treasury bonds. The total amount used of the loan as of 31 December 2008 amounting to L.E 120 million.

14 DUE TO RELATED PARTIES

	2008 LE	2007 LE
Cement Francis (major shareholder)	**7,518,373**	23,627,731
Suez Bags Company S.A.E.	**2,117,344**	3,682,722
Tourah Portland Cement Company S.A.E.	**18,810,370**	-
Helwan Cement Company S.A.E.	**65,332,374**	-
Development and Construction Materials Company (DECOM) S.A.E.	**-**	36,284
	93,778,461	27,346,737

15 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2008 LE	2007 LE
Accrued expenses	**11,398,126**	20,516,827
Advances from customers	**41,889,444**	32,882,532
Accrued taxes and insurances	**2,265,187**	2,255,919
Accrued income taxes	**-**	48,414,082
Income taxes for the year	**96,963,727**	-
Deposits from others	**1,583,393**	1,370,350
Claims (Electricity , Gas , Water)	**29,595,021**	15,130,112
Tax Authority - Development clay tax	**13,161,342**	-
Other credit balances	**17,212,087**	12,262,043
	214,068,327	132,831,865

16 CAPITAL

The company's authorized capital amounts to LE 1,300 million, while the Company's issued and paid up capital amounts to LE 909,282,535 divided over 181,856,507 shares of par value LE 5 each.

17 MEDIUM TERM LOANS

	2008 LE	2007 LE
Medium term loans		
NSGB Bank	**3,863,542**	13,197,106
CIB Bank	**450,000,000**	675,000,000
Total medium term loans	**453,863,542**	688,197,106
Current portion of medium term loans		
NSGB Bank	**(3,863,542)**	(3,787,036)
CIB Bank	**(225,000,000)**	(225,000,000)
Total current portion of medium term loans	**(228,863,542)**	(228,787,036)
	225,000,000	459,410,070

National Societe General Bank (NSGB) Loan

On 4 April 2005, the Company obtained a long term loan to finance the improvement of the electrostatic filtering and cooling towers project for Kattameya and Suez plants amounting to LE 12 million and USD 3 million at a variable interest rate for the loan granted in Egyptian pound (average deposit cost plus 1.5% / 86%) and for the loan granted in USD is 1.25% above a six month libor.

The balance of the loan amounting to LE 3.863.542 on 31 December 2008 represent the instalments due during year 2009 after taken the World Bank approval to consider an amount of L.E 5.297.053 from the loan as a donation has been added to other income item in the year ended 31 December 2008 (Note 20).

Commercial international Bank-Egypt (CIB) loan

On 25 July 2005 the Company obtained a bridge long term loan from a group of Banks under the management of Commercial International Bank – Egypt (CIB) (Director of the loan) as a part of the finance required to acquire all shares of Helwan Cement Company S.A.E. amounted to LE 1,200 million.

On 13 September 2006 a participation medium term loan contract was signed in two clusters, at an amount of LE 900 million will be paid on four equal annual installments starting on 31 December 2007 and LE 300 million (annual bank facilities) instead of the bridge loan, this contract executed on 9 October 2006.

18 DEFERRED INCOME TAXES

	2008 LE	2007 LE
Depreciation of fixed assets	**(33,417,778)**	(31,974,088)
Provisions	**36,266,544**	17,706,400
Net deferred income tax asset (liability)	**2,848,766**	(14,267,688)

19 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

		2008 LE
Net profits before income taxes		**537,864,712**
Income tax at the applicable tax rate	**20%**	107,572,943
Non deductible expenses		20,736,075
Provisions		22,947,740
Provisions used		(1,307,595)
Provisions no longer required		(200,000)
Taxes paid		(18,281,476)
Capital income		(796)
Investments income		(33,700,676)
Deductible expenses		(802,488)
Income taxes	**18.03%**	**96,963,727**

20 OTHER INCOME

Other income during the year ended 31December 2008 amounting to LE 26,701,683 includes an amount of LE 16,090,042 represents Suez Cement Company (S.A.E) management fees received from subsidiary companies and also includes an amount of LE 5,297,052 represents a donation loan provided by World Bank and related to National Societe General Bank loan (Note 17).

21 OTHER EXPENSES

Other expenses item during the year ended 31December 2008 represents an amount of LE 10,000,000 of monopoly penalty paid for the monopoly lawsuit brought against the company by the Egyptian Government and still outstanding at the Egyptian Court.

22 CAPITAL COMMITMENTS

The balance of the Company's contracted capital commitments as 31 December 2008 amounted to LE 7,150,000 represents machinaries and equipments related to Suez and Qatamia Planets.

23 CONTINGENT LIABILITIES

The letters of guarantee issued at the Company's request by Alex Bank in favor of third parties as of 31 December 2008 amounted to LE 478.350, whereas, the cash margin of these letters amounted to LE 127.088 as follows:

	Amount in issued currency	Equivalent in LE	Cash margin LE
Letters of guarantee - Egyptian pound	478,350	478,350	127,088
	478,350	478,350	127,088

24 TAX SITUATION

a) Corporate taxes

- The Company's records were inspected till year 1998 and all the taxes due were paid.
- The Company's records were inspected till year 2004, the company objected on the assessment results during the legal period till year 2003 and the issue is currently in the Internal Committee.
- No tax inspection took place for the years from 2005 till 2007.

b) Sales tax

- The Company's records were inspected till year 2007 and all the taxes due were paid.

c) Salary tax

- The Company's records were inspected till year 1998, and all the taxes due were paid.
- The Company's records are currently being inspected for the years from 1999 till 2004.
- No tax inspection took place for the years from 2005 till 2007.

d) Stamp duty tax

- The Company's records were inspected till year 2005 and all the taxes due were paid.
- No tax inspection took place for the years 2006 and 2007.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash at banks, accounts receivable, due from related parties and other debit balances. The financial liabilities include credit facilities, current portion of medium term loan, suppliers, due to related parties and other credit balances.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (2) of the notes to the financial statements.

b) Interest rate risk

The Company monitors the maturity structure of assets and liabilities with the related interest rates.

c) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to LE 23.674.526 whereas, the total financial liabilities denominated in foreign currencies amount to LE 8.067.436.

d) Fair Value

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

26 EARNING PER SHARE

Earnings per share for the year ended 31 December 2008 were calculate after deducted the distributions to the Company's employees and board of directors relating to the year ended 31 December 2008 in accordance with the distribution statement proposed by the Company's board of directors in order to present it to General Assembly Meeting. Earnings per share amounted to LE 2,36

27 RELATED PARTY TRANSACTIONS

a) Ciments Français (major shareholder)

The amount of the technical assistance fees offered by Ciments Français (major shareholder) during the year 2008 amounting to LE 27,821 Million which represents 1 % of sales revenues of the group of Cement products excluding intra – Suez Cement Group transactions (the maximum fees are 1% according to the agreement). The portion of the claims for these fees amounting to LE 11,128 Million charged to statement of income.

The company has exported Cement amounting to LE 10,018 Million through Interbulck Co. subsidiary of Italcementi Group (the holding company of Ciments Français Company) "major shareholder".

b) Suez Bags Company S.A.E (subsidiary)

The value of the supplied bags offered by Suez Bags S.A.E (subsidiary) amounting to LE 102,513 million during the year ended 31 December 2008.

The Suez Bags portion from the fees of Suez Cement Group amounting to 2,190 Million during the year ended 31 December 2008.

c) Tourah Portland Cement Company S.A.E (subsidiary)

The Tourah Cement portion from the fees of Suez Cement Group amounting to 12,549 Million during the year ended 31 December 2008.

The value of the supplied clinker for Suez Cement company (the holding Company) amounting to LE 55,046 million during the year ended 31 December 2008.

d) Helwan Cement Company S.A.E (subsidiary)

The value of the supplied clinker for Suez Cement (Holding Company) amounting to LE 63.154 million during the year ended 31 December 2008.

Helwan Cement Company S.A.E. (subsidiary) portion from the fees of Suez Cement Group amounting to 22.986 Million as of 31 December 2008.

e) Ready Mix Beton Egypt (RMBE) S.A.E (subsidiary)
The value of cement sold to Ready Mix Beton- Egypt (RMBE) (subsidiary) amounting to LE 5.735 million during the year ended 31 December 2008.

f) Development and Construction Material Company (DECOM) S.A.E. (subsidiary)
The value of the sold cement offered by Development and Construction Material Company (DECOM) S.A.E. (subsidiary) amounted to LE 2,141 million during the year ended 31 December 2008.

g) Suez for Transport & Trade Company S.A.E. (subsidiary)
The value of transportation service offered by Suez for Transport & Trade Company S.A.E (subsidiary) amounting to LE 2.656 million during the year ended 31 December 2008.

28 COMPARATIVE FIGURES

Certain comparative figures for the year 2007 have been reclassified to conform with the current year's presentation.

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Suez Cement

Suez Cement

15.2 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 TOGETHER WITH AUDITOR'S REPORT

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SUEZ CEMENT COMPANY S.A.E

Report on the Conolideted Financial Statements

We have audited the accompanying consolidated financial statements of Suez Cement Company S.A.E., which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.
Management's Responsibility for the consolidated financial statements
These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suez Cement Company S.A.E. as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Without qualifying our opinion, the financial statements of Ready Mix Beton Company S.A.E. (Subsidiary), Ready Mix Beton – Egypt Company S.A.E. (Subsidiary), Development and Construction Material Company (DECOM) S.A.E. (Subsidiary) and Hilal Cement Company (K.S.C.C.) – Kuwait for the year ended 31 December 2008 were audited by another auditors. Auditors' reports on the financial statements of those companies were unqualified.

The financial statements of those companies for the year ended 31 December 2008 had included assets, liabilities and net profit after tax amounting to LE 827,637,826, LE 330,389,141 and LE 120,983,480 respectively, of the related consolidated totals.

Cairo, 29 March 2009

Auditors

Emad H. Ragheb	Nabil A. Istanbouli
FESAA – FEST	FESAA – FEST
(RAA. 3678)	(RAA. 5947)
(CMAR.42)	(CMAR.71)

Allied for Accounting & Auditing (E&Y)

CONSOLIDATED BALANCE SHEET

As of 31 December 2008

	Note	2008 LE	2007 LE
Long term assets			
Fixed asset, net	(2-4, 3)	3,695,390,751	3,810,013,954
Projects under construction	(2-5, 5)	355,672,285	284,975,045
Goodwill	(2-3,4,5,6)	2,676,564,515	2,676,564,515
Long term financial assets	(3-6, 6)	125,618,357	86,764,839
Total long term assets		**6,853,245,908**	**6,858,318,353**
Current assets			
Inventory	(3-7, 7)	943,990,053	735,949,364
Accounts and notes receivable	(3-8)	183,837,584	151,937,303
Prepayments and other debit balances	(9)	307,892,008	294,369,794
Cash on hand and at banks	(3-20, 10)	1,000,634,730	953,050,477
Total current assets		**2,436,354,375**	**2,135,306,938**
Current liabilities			
Provisions	(3-9, 13)	625,816,740	421,005,551
Credit banks		4,748,873	-
Credit facilities	(11)	324,735,803	370,825,867
Current portion of medium and long term loans	(3-11, 16)	234,224,713	376,491,918
Current portion of long term liabilities	(3-12, 17)	13,807,628	47,705,367
Suppliers		283,048,942	247,237,268
Dividends payable		2,207	2,207
Accrued expenses and other credit balances	(12)	677,175,786	508,616,284
Total current liabilities		2,163,560,692	1,971,884,462
Working capital		272,793,683	163,422,476
Total investment		**7,126,039,591**	**7,021,740,829**
Financed as follows			
Equity			
Issued and paid up capital	(14)	909,282,535	909,282,535
Reserves		2,663,910,109	2,657,594,678
Cumulative foreign currencies translation differences	(2-6, 2-8)	(731,519)	1,809,991
Retained earnings		1,527,808,877	1,000,052,964
Net profits for the year		1,040,855,025	980,847,565
Total equity		**6,141,125,027**	**5,549,587,733**
Minority interest	(2-8, 15)	558,339,921	488,008,695
Long term liabilities			
Medium and long term loans	(3-11,16)	261,079,401	778,907,943
Other long term liabilities	(3-12, 17)	165,495,242	205,236,458
Total long term liabilities		**426,574,643**	**984,144,401**
Total finance of working capital and long term assets		**7,126,039,591**	**7,021,740,829**

Auditors	Financial Director	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.
- Auditors' report attached.

CONSOLIDATED STATEMENT OF INCOME

For The Year Ended 31 December 2008

	Note	2008 LE	2007 LE
Sales, net	(2-13)	5,542,480,386	4,195,845,926
Cost of sales		(3,465,579,740)	(2,365,973,328)
GROSS PROFIT		**2,076,900,646**	**1,829,872,598**
General and administrative expenses	(3-14)	(304,188,705)	(409,630,513)
Decline in value of obsolete inventory		(4,363,211)	(98,391,000)
Decline in value of accounts and notes receivable (doubtful debts)		(7,229,163)	-
Provisions	(3-9, 13)	(255,691,526)	(72,879,185)
Board of directors' remuneration and allowances		(606,041)	(215,218)
Investments income	(3-6)	2,810,214	4,878,428
Investment income in an associate company	(3-6, 6)	5,134,145	2,338,551
Provisions no longer required	(13)	35,011,061	129,155,010
Decline return in value of investments		-	2,583,970
Other income	(18)	53,712,592	100,604,849
OPERATING PROFITS		**1,601,490,012**	**1,488,317,490**
Financing expenses	(3-15)	(98,122,173)	(153,095,075)
Credit interests		67,954,971	61,339,009
Gain from sale of fixed assets		3,728,570	12,538,565
(Loss) from sale of investment		-	(45,023)
Foreign exchange differences	(3-3)	1,742,626	590,335
Other expenses	(19)	(39,223,277)	(15,560,422)
NET PROFITS BEFORE INCOME TAXES		**1,537,570,729**	**1,394,084,879**
Income taxes	(3-12,21)	(324,690,170)	(216,979,134)
Deferred income taxes	(3-12)	4,811,122	(32,211,028)
NET PROFITS BEFORE MINORITY INTEREST		**1,217,691,681**	**1,144,894,717**
Minority interest	(2-8, 15)	(176,836,656)	(164,047,152)
NET PROFITS FOR THE YEAR		**1,040,855,025**	**980,847,565**
EARNINGS PER SHARE	**(22)**	**4,98**	**4,88**

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lofty Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.

Suez Cement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2008

	Issued and paid up capital LE	Reserves LE	Cumulative foreigen currencies translation differences LE	Retained earnings LE	Net profits for the year LE	Total LE
Balance as of 1 January 2007	909,282,535	2,654,944,781	-	1,387,544,164	-	**4,951,771,480**
Refunded tax differences adjustments	-	-	-	25,232,087	-	**25,232,087**
Adjustments on retained earnings	-	-	-	(515,889)	-	**(515,889)**
Adjusted balance as of 1 January 2007	909,282,535	2,654,944,781	-	1,412,260,362	-	**4,976,487,678**
Dividends paid 2006	-	2,500	-	(412,207,398)	-	**(412,204,898)**
Gain from change in the fair value of investments available-for-sale	-	2,647,397	-	-	-	**2,647,397**
Foreign currencies translation differences	-	-	1,809,991	-	-	**1,809,991**
Net profits for the year	-	-	-	-	980,847,565	**980,847,565**
Balance as of 31 December 2007	**909,282,535**	**2,657,594,678**	**1,809,991**	**1,000,052,964**	**980,847,565**	**5,549,587,733**
Balance as of 1 January 2008	909,282,535	2,657,594,678	1,809,991	1,000,052,964	980,847,565	**5,549,587,733**
Transferred to retained earnings	-	-	-	980,847,565	(980,847,565)	-
Dividends paid 2007	-	6,172,719	-	(453,091,652)	-	**(446,918,933)**
Gain from change in the fair value of investments available-for-sale	-	142,712	-	-	-	**142,712**
Foreign currencies translation differences	-	-	(2,541,510)	-	-	**(2,541,510)**
Net profits for the year	-	-	-	-	1,040,855,025	**1,040,855,025**
Balance as of 31 December 2008	**909,282,535**	**2,663,910,109**	**(731,519)**	**1,527,808,877**	**1,040,855,025**	**6,141,125,027**

- The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.

Suez Cement

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2008

	Note	2008 LE	2007 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profits before income taxes		1,537,570,729	1,394,084,879
Depreciation of fixed assets		304,927,535	278,491,409
Decline in value of obsolete inventory		4,363,211	98,391,000
Decline in value of accounts and notes receivable (doubtful debts)		7,229,163	-
Provisions		255,691,526	72,879,185
Financing expenses		98,122,173	153,095,075
Investment income in an associate company		(5,134,145)	(2,338,551)
Other provisions no longer required		(35,011,061)	(129,155,010)
Decline return in value of investments		-	(2,583,970)
Credit interests		(67,954,971)	(61,339,009)
Gain from sale of fixed assets		(592,312)	(12,538,565)
Foreign exchange differences		(1,742,626)	(590,335)
Operating profits before changes in working capital		**2,094,332,964**	**1,788,396,108**
(Increase) in inventory		(212,403,900)	(90,567,015)
(Increase) in accounts and notes receivable , prepayments and other debit balances		(75,026,527)	(279,680,603)
Provisions reclassified		3,523,587	35,878,821
(Decrease) in dividends payable		-	(216,026)
Increase in accounts payable, accrued expenses and other credit balances		60,817,567	138,461,559
Cash from operation		1,871,243,691	1,592,272,844
Refunded tax difference		-	25,232,087
Provisions paid		(19,392,863)	(166,777,908)
Income taxes paid		(181,136,561)	(216,702,438)
Interests paid		(98,122,173)	(153,095,075)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		**1,572,592,094**	**1,080,929,510**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of fixed assets		(70,381,802)	(332,282,596)
Proceeds from sale of fixed assets		5,701,737	19,517,722
Payments for projects under construction		(195,134,447)	(69,270,140)
(Payments) for acquisition of investments in subsidiaries and other companies		(33,576,661)	(43,671,000)
(Payments) for investments in subsidiaries		-	(28,334,257)
(Payments) of goodwill		-	(152,189,875)
Interests received		90,329,840	83,034,374
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(203,061,333)**	**(523,195,772)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payments) of loans and other long term liabilities		(728,923,580)	(421,031,147)
Increase in credit banks		4,748,873	-
(Decrease) Increase in credit facilities		(46,090,064)	368,867,812
Dividends paid		(446,918,933)	(412,204,898)
Adjustments on retained earnings		-	(515,889)
(Decrease) increase in minority interest		(106,505,430)	63,367,159
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(1,323,689,134)**	**(401,516,963)**
Net increase in cash and cash equivalent during the year		**45,841,627**	**156,216,775**
Foreign exchange differences		1,742,626	590,335
Cash and cash equivalent beginning of the year	(3-20,10)	953,050,477	796,243,367
CASH AND CASH EQUIVALENT END OF THE YEAR	**(3-20,10)**	**1,000,634,730**	**953,050,477**

- The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements

1 THE GROUP

Suez Cement Company S.A.E.

Suez Cement Company S.A.E. was established in 1977 under Law 43 of 1974 which was superseded by Law 230 of 1989 which was replaced by the investments Guarantees and Incentives Law 8 of 1997.

The main objective of the Company is to manufacture all types of cement.

Egyptian Tourah Portland Cement Company S.A.E.

Egyptian Tourah Portland Cement Company S.A.E. was established on 23 June 1927.The legal structure of the Company changed from being a public sector entity to a public enterprise entity according to Law 203 of 1991.

On 26 January 2000 the Holding Company for Mining and Refractory sold 81.4% of its shares in the company. Accordingly, the company became subject to the Law 159 of 1981 rather than Law 203 of 1991 and its executive regulation.

On 12 March 2000 the company's General Assembly meeting decided to amend its status to comply with Law 159 of 1981 and its executive regulation.

The main objective of the company is to manufacture all kinds of cement, lime, construction materials and related products.

Suez Bags Company S.A.E.

Suez Bags Company S.A.E. was established on 6 December 1988 under investment Law 43 of 1974 and its amendments, which was superseded by Law 230 of 1989 which were replaced by the investments Guarantees and Incentives Law 8 of 1997.

The main objective of the company is to manufacture all kinds of bags used in packing cement, gypsum, milk, Juices, food products, chemicals and other paper products.

Helwan Cement Company S.A.E. – (Previously: ASEC Cement Company S.A.E.)

Helwan Cement Company S.A.E. – (Previously: ASEC Cement Company S.A.E.) was established as a Joint Stock Company under Law No. 159 of 1981 under the name of El Ahram Cement Company on 26 December 1999, and recorded at the commercial register under No. 4451 on 26 December 1999.

Based on a decree from the Extraordinary General Assembly Meeting dated 14 September 2000, the Company's name was changed to ASEC Cement Company S.A.E. The Extraordinary General Assembly Meeting on 29 November 2001 approved the merger with Helwan Portland Cement Company S.A.E. effective on 1 October 2001. The Extraordinary General Assembly Meeting on 17 March 2003 approved the evaluation of assets and liabilities according to the Capital Market Authority Committee decision No. 540 formed in 2002 and the Ministry decree No. 1699 which stated that ASEC Cement Company will own all assets and liabilities of Helwan Portland Cement Company S.A.E.

Effective from 1 October 2001. The management of both companies finalized all legal procedures related to the merger and registered the merger at the commercial register under No. 3142 on 30 June 2003. The Helwan Portland Cement Company S.A.E. was cancelled from the commercial register on 29 June 2003.

On 25 August 2005, Suez Cement S.A.E. purchased 116096410 shares that represent 98.64% of the ASEC Cement Company's shares.

On 30 March 2006, the Extraordinary General Assembly Meeting decided to modify some articles in the company's article of association of the company, including changing the name of the company from ASEC Cement Company S.A.E. to Helwan Cement Company S.A.E. The decree was approved from the Companies Authority on 2 May 2006 and this change was reflected in the commercial register on 6 November 2006 to modify the name of the company to be Helwan Cement Company S.A.E.

The main objective of the company is to manufacture cement and construction materials and extracts of quarries, related products and by other companies and market them in Egypt, and also to export them and manufacture bags of craft paper, or other paper to pack cement and construction materials.

The company contributed in establishing **Suez Transport and Trade Company S.A.E** with a contribution in the capital by 55%, in addition to the contribution of Suez Cement Company S.A.E and Egyptian Tourah Portland Cement Company S.A.E. by 35% and 10% respectively.

Suez Transport and Trade Company S.A.E. was established in 28 October 2007 as a S.A.E. company under the law 159 for the year 1981; the company's main objective is to manage the operations of transporting, trading cement and construction materials and acquiring the vehicles needed for this operations.

Ready Mix Beton S.A.E.

Ready Mix Beton Egypt Company S.A.E. was established on 16 March 1986 as a Joint Stock Company under Law No. 159 of 1981.

The objective of the company is to manufacture cement and construction materials specially manufacture ready mix.

Ready Mix Beton – Egypt Company S.A.E.

Ready Mix Beton – Egypt Company S.A.E. was established on 14 April 1996 as a Joint Stock Company under investments Guarantees and Incentives Law 8 of 1997.

The objective of the company is to manufacture cement and construction materials specially manufacture ready mix.

On 5 July 2007, the company acquire 99.99% of Development and Construction Material Company – (DECOM) – S.A.E. shares.

Development and Construction Material Company – (DECOM) – S.A.E. was established on 3 August 1996 as a Joint Stock Company under Law 95 of 1992.

The objective of the company is to manufacture cement and construction materials.

Hilal Cement Company (K.S.C.C.) – Kuwait

Hilal Cement Company (K.S.C.C.) – Kuwait was established on 19 January 1984 as a closed Joint Stock Kuwaiti Company. The main activities of the company are import, storage and distribution of cement and other bulk materials.

Suez Lime Company S.A.E.

Suez Lime Company S.A.E. was established on 2 October 2007 as a Joint Stock Company under Law No. 159 of 1981; the main objectives of the company are producing and trading lime with all its different types inside and outside Arab Republic of Egypt.

Suez Cement Company S.A.E. contributed in establishing the company with a contribution in the capital by 49%, in addition to the contribution of Egyptian Tourah Portland Cement Company S.A.E. by 1%.

2 FINANCIAL STATEMENTS CONSOLIDATION PRINCIPLES

The accompanying consolidated financial statements of Suez Cement Company S.A.E. have been prepared from the standalone financial statements of Suez Cement Company S.A.E. – the holding company and its subsidiaries, Egyptian Tourah Portland Cement Company S.A.E., Suez Bags Company S.A.E., Helwan Cement Company S.A.E. and its subsidiary Suez Transport and Trade Company S.A.E., Ready Mix Beton Company S.A.E., Ready Mix Beton – Egypt Company S.A.E. and its subsidiary Development and Construction Material Company – (DECOM) – S.A.E., Hilal Cement Company (K.S.C.C.) – Kuwait and Suez Lime Company S.A.E.

2-1 Egyptian Tourah Portland Cement Company S.A.E.

Suez Cement Company S.A.E. ownership in Egyptian Tourah Portland Cement Company's share capital amounted to 66.12% at the beginning of year 2000, the date at which Egyptian Tourah Portland Cement Company S.A.E. became a subsidiary.

The cost of acquisition amounted to LE 1,287 billion which resulted in goodwill amounting to LE 746,008,413 the goodwill treated as Suez Cement Company's share in the fair value of the Egyptian Tourah Portland Cement Company S.A.E. assets. In accordance to that Egyptian Tourah Cement Company S.A.E., fixed assets are stated at the historical cost in addition to the share of Suez Cement Company S.A.E. in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful live using the straight-line method. The total accumulated amortization as of 31 December 2008 amounting to LE 171,042,899 in addition to writes down the value of certain productions lines of Egyptian Tourah Portland Cement Company S.A.E. that are currently out of operation amounted to LE 21,082,486.The net fair value as of 31 December 2008 amounting to LE 553,883,028 (Note 26).

2-2 Suez Bags Company S.A.E.

Suez Cement Company S.A.E. ownership in Suez Bags Company's share capital amounted to 51% starting from 1999, resulted in goodwill amounted to LE 12,445 Million and which was amortized over five years started in from 1 January 1999.

- Suez Cement Company S.A.E. acquired 10447 shares (20894 shares after the split) from the shares of Suez Bags Company S.A.E. during 2000, with an investment cost of LE 1,371 Million which resulted in goodwill amounted to LE 623,000 and amortized over five years starting from 2000.

- Egyptian Tourah Portland Cement Company S.A.E. acquired 15079 shares (30158 shares after the split) from the shares of Suez Bags Company S.A.E. during 2000, Suez Cement share is 66.12% (9970 shares) with the cost of LE 1,501 Million which resulted in goodwill amounted to LE 787,000 and was amortized over five years starting from year 2000.

- Egyptian Tourah Portland Cement Company S.A.E. acquired 5283 shares (10566 shares after the split) from the shares of Suez Bags Company S.A.E. during 2001, Suez Cement share is 66.12% (3493 shares) with the cost of LE 599,802 which resulted in goodwill, amounted to LE 337,000 and amortized over five years starting from 2001.

Accordingly, the direct and indirect share of Suez Cement Company S.A.E. in the capital of Suez Bags Company S.A.E. is 56.31%.

2-3 Helwan Cement Company S.A.E. – (Previously: ASEC Cement Company S.A.E.)

On 25 August 2005, Suez Cement Company S.A.E. acquired 116151662 shares from the shares of Helwan Cement Company S.A.E. – ASEC Cement Company (formerly) , Suez Cement Company S.A.E. share is 98.69 % (116151662 shares) with a par value of LE 10, which resulted in goodwill, amounted to LE 2,454,952,337 which represents the difference between acquisition costs amounted to LE 3,413,255,262 and 98.69% of Helwan Cement Company S.A.E. - ASEC Cement Company (formerly) net assets in acquisition date amounted to LE 958,302,925.

The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

The company contributed in establishing Suez Transport and Trade Company S.A.E with a contribution in the capital by 55%, in addition to the contribution of Suez Cement Company S.A.E and Egyptian Tourah Portland Cement Company S.A.E. by 35% and 10% respectively.

Accordingly, the direct and indirect share of Suez Cement Company S.A.E. in the capital of Suez Transport and Trade Company S.A.E. is 95.89%.

2-4 Ready Mix Beton Company S.A.E.

On 1 October 2006, Suez Cement Company S.A.E. acquired 260,000 shares from the shares of Ready Mix Beton Company S.A.E., Suez Cement Company S.A.E. share is 52% (260,000 shares) with a par value of LE 10, which resulted in goodwill, amounted to LE 23,113,779, which represents the difference between acquisition costs amounted to LE 26,277,866 and 52% of Ready Mix Beton Company S.A.E. net assets in acquisition date amounted to LE 3,164,087.

The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

2-5 Ready Mix Beton – Egypt Company S.A.E.

On 1 October 2006, Suez Cement Company S.A.E. acquired 520,000 shares from the shares of Ready Mix Beton – Egypt Company S.A.E., Suez Cement Company S.A.E. share is 52% (520,000 shares) with a par value of LE 10, which resulted in goodwill, amounted to LE 46,308,524 which represents the difference between acquisition costs amounted to LE 52,554,993 and 52% of Ready Mix Beton – Egypt Company S.A.E. net assets in acquisition date amounted to LE 6,246,469.

On 5 July 2007, Ready Mix Beton – Egypt Company S.A.E. acquire 99.99 % of Development and Construction Material Company – (DECOM) – S.A.E. shares, represents 7364524 shares with a par value of LE 10, which resulted in goodwill, amounted to LE 44,281,350 which represents the difference between acquisition costs amounted to LE 63,565,568 and 99.99% of Development and Construction Material Company – (DECOM) – S.A.E. net assets in acquisition date amounted to LE 19,284,218.

Accordingly, the indirect share of Suez Cement Company S.A.E. in Development and Construction Material Company – (DECOM) – S.A.E. is 52%.

The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

2-6 Hilal Cement Company (K.S.C.C.) – Kuwait.

On 19 September 2007, Suez Cement Company S.A.E. acquired 16,830,000 shares from the shares of Hilal Cement Company (K.S.C.C.) – Kuwait, Suez Cement Company S.A.E. share is 51% (16,830,000 shares) with a par value of KD 0, 10 which resulted in goodwill, amounted to KD 5,434,286 equivalent to LE 108,641,431 which represents the difference between acquisition costs amounted to KD 13,128,213 equivalent to LE 262,457,272 and 51% of Hilal Cement Company (K.S.C.C.) – Kuwait net assets in acquisition date amounted to KD 7,693,927 equivalent to LE 153,815,841.

The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

The company books and records are preparing in KD currency, the company's financial statements have been combined in the consolidated financial statements after translated it into Egyptian pound using the translation procedures mentioned in note (2-8), the cumulative foreign currencies translation differences resulted from the translation which belong to the holding company's equity amounting to LE 731,519 as of 31 December 2008 have been presented separately in the shareholders' equity.

The cumulative foreign currencies translation differences resulted from the translation which belong to the minority amounting to LE 702,832 as of 31 December 2008 have been treated as a part of minority interests (Note 15).

2-7 Suez Lime Company S.A.E.

Suez Cement Company S.A.E. contributed in establishing the company with a contribution in the capital by 49%, in addition to the contribution of Egyptian Tourah Portland Cement Company S.A.E. by 1%.

Accordingly, the direct and indirect share of Suez Cement Company S.A.E. in Development and Construction Material Company – (DECOM) – S.A.E. is 49.62%.

2-8 Financial statements were consolidated in accordance with the following procedures:

In preparing the consolidated financial statements of Suez Cement Company S.A.E., the (holding company) an entity combines the financial statements of the parent and its subsidiaries line by line adding assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of the single economic entity, the following steps are then taken:

- The carrying amount of the parent's investments in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The excess of holding company's investments in subsidiary company over the holding company share in subsidiary's equity are recognized as goodwill and recorded as asset in the consolidated financial statements, Tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

- Minority interests on the net of assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them; Minority interests in the net of assets consist of:
  (1) The amount of those minority interest at the date of the original combination.
  (2) The minority's share of changes in equity since the date of the combination.

- Intra group balances and transactions, including income, expense and dividends, are eliminated in full, Profits and losses resulting from intra group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

- Intra group Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances.

- The income and expense of the subsidiary are included in the consolidated financial statements from the acquisition date and the minority interest is to be eliminated. The income and expense of the subsidiary are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary.

- The financial statements of subsidiaries that reports in the currency not the parent reporting currency and not that reports in the currency of a hyperinflationary economy, the reporting currencies of that subsidiaries are translated to the parent reporting currency in order to combine it in the consolidation financial statements of the parent by using the following procedures:
  (a) Translate the assets and liabilities of each balance sheet presented in the consolidated balance sheet (including the comparative figures) at the closing date.
  (b) Translate the income and expense items of each statement of income presented in the consolidated statement of income (including the comparative figures) at exchange rates at the dates of the transactions.
  (c) All resulting foreign currencies translation differences should be classified separately in the consolidated equity until the disposal of the net investment.

Cumulative foreign currencies translation differences arising from translation and attributable to minority interests are allocated to, and reported as part of, the minority interest in the consolidated balance sheet until the disposal of the net investment.

Disposal of investment in a subsidiary that reports in the currency not the parent reporting currency, the cumulative amount of foreign currencies translation differences which have been deferred separately in the consolidated equity and which relate to that subsidiary, should be recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

3 SIGNIFICANT ACCOUNTING POLICIES

3 – 1 Basis of preparation

The financial statements are prepared in Egyptian pound in accordance with the Egyptian Accounting Standards, the applicable laws and regulations, the historical cost basis and the going concern basis.

3 – 2 Changes in accounting policies

The accounting policies adopted this year were not changed from those policies adopted in the previous year.

3 – 3 Foreign currency translation

The Company's records are maintained in Egyptian pound. Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date. At the consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date. Translation differences are recorded in the consolidated statement of income.

3 – 4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings, constructions, infrastructure and roads	**6 to 20**
Machinery, equipment and Tools	**5 to 20**
Motor Vehicles	**5**
Furniture and office equipment	**5 to10**

Fixed assets of Egyptian Tourah Cement Company S.A.E. are stated at historical cost in addition to the share of Suez Cement Company S.A.E. in the excess of the fair value for these assets over its historical cost. This excess depreciated using the straight-line method according to the estimated useful life of the asset as mentioned above.

3 – 5 Projects under construction

Projects under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are valued at cost.

3 – 6 Long term financial assets

a) Investments in associates

The investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognise the company's share of the profits or losses of the investee after the date of acquisition. The company's share of the profits or losses are recorded in the consolidate income statement. Distributions received from an investee reduce the carrying amount of the investment. This is according to equity method to account the investments in associates in the consolidated financial statements.

b) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are accounted as follows:

b/1- After initial recognition, the available-for-sale financial assets quoted in the stock exchange in an active market are measured at the end of each financial period at fair value (market value), a gain or loss arising from change in the fair value of an available-for-sale financial assets shall be recognized directly to equity, through the consolidated statement of changes in equity, except for impairment losses and foreign exchange gains and losses until the financial assets is derecognized at which time the cumulative gain or loss previously recognized in equity shall be recognized in consolidated profit or loss.

b/2- After initial recognition, the available-for-sale financial assets unquoted in the stock exchange or quoted in the stock exchange in an inactive market are measured at the end of each financial period at fair value based on an objective study of the last audited financial statements, a gain or loss arising from change in the fair value of an available-for-sale financial assets shall be recognized directly to equity, through the consolidated statement of changes in equity, except for impairment losses and foreign exchange gains and losses until the financial assets is derecognized at which time the cumulative gain or loss previously recognized in equity shall be recognized in consolidated profit or loss and whose fair value cannot be reliably measured are measure at cost. Impairment losses are recognized in consolidated profit or loss.

b/3- Dividends on an available-for-sale equity instrument are recognized in consolidated profit or loss when the company’s right to receive payment is established.

3 – 7 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and supplies, packaging and packing materials: at the lower of cost (using the moving average method) or net realizable value.
- Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value.
- Work in process: at the lower of the cost of production (of the latest completed phase based on the costing sheets) or net realizable value.

3 – 8 Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book less any impairment losses.

3 – 9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

3 – 10 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50 % of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

3 – 11 Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

3 – 12 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

3 – 13 Revenue recognition

- Revenue from sales is recognized when all the following conditions have been satisfied:
  - (a) The company has transferred to the buyer the significant risks and rewards of ownership of the sales.
  - (b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - (c) The amount of revenue can be measured reliably.
  - (d) It is probable that the economic benefits associated with the transaction will flow to the company.
  - (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 – 14 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

3 – 15 Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset.

3 – 16 Related party transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

3 – 17 Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

3 – 18 Impairment of assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is charged to the statement of income.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

3 – 19 Cash flow statement

The statement of cash flows is prepared using the indirect method.

3 – 20 Cash and cash equivalent

For preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

3 FIXED ASSETS, NET

	Lands	Buildings, constructions, infrastructure and roads	Machinery, equipment and Tools	Motor Vehicles	Furniture and office equipment	Total
	LE	LE	LE	LE	LE	LE
Cost						
31-Dec-07	498,032,643	1,368,011,480	4,270,049,272	260,290,670	94,979,023	6,491,363,088
Foreign currencies translation differences	-	(1,854,008)	(541,652)	(38,528)	(36,246)	(2,470,434)
1-Jan-08	498,032,643	1,366,157,472	4,269,507,620	260,252,142	94,942,777	6,488,892,654
Additions	1,163,598	15,134,934	149,666,786	22,310,637	5,519,695	193,795,650
Disposals	-	-	(12,906,430)	(1,394,783)	(48,492)	(14,349,705)
31-Dec-08	**499,196,241**	**1,381,292,406**	**4,406,267,976**	**281,167,996**	**100,413,980**	**6,668,338,599**
Accumulated depreciation						
31-Dec-07	-	(575,780,048)	(1,864,527,291)	(184,041,872)	(56,999,923)	(2,681,349,134)
Foreign currencies translation differences	-	672,409	226,212	20,450	33,212	952,283
1-Jan-08	-	(575,107,639)	(1,864,301,079)	(184,021,422)	(56,966,711)	(2,680,396,851)
Depreciation charge for the year	-	(52,710,102)	(222,924,008)	(19,353,938)	(9,939,487)	(304,927,535)
Relating to disposals	-	-	11,372,900	987,106	16,532	12,376,538
31-Dec-08	**-**	**(627,817,741)**	**(2,075,852,187)**	**(202,388,254)**	**(66,889,666)**	**(2,972,947,848)**
Net Book Value as of 31 December 2008	**499,196,241**	**753,474,665**	**2,330,415,789**	**78,779,742**	**33,524,314**	**3,695,390,751**
Net Book Value as of 31 December 2007	498,032,643	792,231,432	2,405,521,981	76,248,798	37,979,100	3,810,013,954

4- FIXED ASSETS, NET – (continued)

Fixed assets as of 31 December 2008 include fully depreciated assets that are still in use. The costs of acquisition of these assets are as follows:

Assets	Cost
Buildings, constructions, infrastructure and roads	194,875,533
Machinery and equipment	865,012,497
Motor vehicles	81,779,090
Furniture and office equipment	35,558,764
Total	**1,177,225,884**

- Helwan Cement Company S.A.E. (Subsidiary) has lands in its possession recorded in fixed assets without value, represented in 115 Feddens and 65265 square meter located in Helwan City and El-Menia City.
- Lands include acre of lands belongs to Egyptian Tourah Portland Cement Company S.A.E (Subsidiary). The company has the right of using these lands without value. There is a legal dispute regarding those lands, where one of the Lawsuits was settled in favour of the claimant obligating the company to pay an amount of LE 1,355,955 which was recorded as fixed assets - land.

Restrictions on the fixed assets of Ready Mix Beton Company S.A.E. (Subsidiary) with carrying value amounting to LE 49,377,994 as of 31 December 2008 represent the following:

- A delegation that cannot be cancelled by the company in the favour of Audi Bank– Egypt that entitles the company to put a commercial mortgage to limit the financial aspects -
- machinery and equipment and cars – that are used for funding the loan.(Note 16/2)
- A commitment was done for the company's financial and moral aspects for the whole loan period in order not to allow the company to set any mortgages or offering any delegations with restraints or giving the right of restricting cash or the right of having the priority in favour of others.

5 PROJECTS UNDER CONSTRUCTION

Balance at 31-Dec-07 LE	Additions during the year LE	Transferred into assets during the year LE	Balance at 31-Dec-08 LE
284,975,045	195,134,447	(124,437,207)	355,672,285

	2008 LE	2007 LE
Major significant renovation Projects	**24,539,114**	17,728,765
Machines and Equipment	**63,971,566**	74,509,688
Other project under construction	**74,811,104**	48,847,973
Down payments under purchase of fixed assets	**34,357,609**	1,559,483
New office Building in Cairo	**119,757**	79,089
Capitalized spare parts *	**157,873,135**	142,250,047
	355,672,285	**284,975,045**

* Spare parts transferred from spare parts inventory to projects under construction to be used in the capitalized maintenance work.

6 LONG TERM FINANCIAL ASSETS

A) Investments in an associate

	% of Ownership	Par value LE	2008 LE	2007 LE
Techno Gravel For Quarries-Egypt S.A.E	**45**	**10**	**30,672,808**	28,334,257
Investment balance - Beginning of the year				
Plus:				
Increase in investment according to equity method (Investment income in an associate)			**5,134,145**	2,338,551
Investment balance - Ending of the year			**35,806,953**	30,672,808

B) Investments available-for-sale

Investment available-for-sale Measured at fair value	% of Ownership	Stock Face Value LE	2008 LE	2007 LE
Egyptian company for cement S.A.E				
(Quoted in the stock exchange in an active market)	**0.137**	**1000**	**1,113,000**	1,113,000
Reserve of gain from changes in the fair value of investments available for sale			**2,790,109**	2,647,397
			3,903,109	3,760,397
Investment available-for-sale				
Measured at cost				
Iron and Steel Company (Al Hadid Wal Solb) - Unquoted in the stock exchange			**20,500**	20,500
Al Tour Investment Company - Unquoted in the stock exchange			**61**	61
Governmental Bonds - Unquoted in the stock exchange			**8,429,279**	8,429,279
			8,449,840	8,449,840
			12,352,949	12,210,237

C) Amounts paid under investments in subsidiaries and other companies

	Total % of Ownership	Par Value LE	2008 LE	2007 LE
Suez Bosphorus Cimento Sanayi Ve Ti	**100**	**3,64**	**186,794**	186,794
Industries Development Company S.A.E *	**100**	**100**	**250,000**	15,000,000
Upper Egypt For Industries Company S.A.E	**100**	**100**	**15,000,000**	15,000,000
Suez for Transport and Trade Company S.A.E	**100**	**100**	**-**	10,000,000
Suez Lime Company S.A.E	**50**	**100**	**-**	3,695,000
Italgin Egypt for Energy Company S.A.E	**2**	**100**	**300,000**	-
Gulf Ready Mix Company (K.S.C.C)	**51**	**19964**	**10,778,688**	-
Tameer Beaton Company (Q.S.C.C)	**49**	**3000**	**3,058,258**	-
Al Mahaliya Readymix Company (K.S.C.C)	**51**	**99822**	**47,884,715**	-
			77,458,455	43,881,794

* The capital of Industries Development Company S.A.E was decreased from LE 15.000.000 to LE 250.000. The decrease amounting to LE 14,750,000 was included in prepayments and other debit balances account until refund (note 9).

7 INVENTORY

	2008 LE	2007 LE
Raw materials	**64,712,869**	40,442,576
Fuel ,Spare parts and Consumables	**756,796,683**	669,390,773
Rolling and Packing Materials	**22,991,425**	26,649,738
Work in progress	**144,380,304**	74,388,327
Finished Products	**106,871,813**	48,984,615
Letters of credit	**46,477,610**	69,970,775
	1,142,230,704	929,826,804
Less:		
Decline in value of obsolete inventory	**(198,240,651)**	(193,877,440)
	943,990,053	735,949,364

8 ACCOUNTS AND NOTES RECEIVABLE

	2008 LE	2007 LE
Accounts receivable	**194,439,444**	153,451,498
Notes receivable	**20,006,936**	21,865,438
	214,446,380	175,316,936
Less :		
Decline in value of accounts and notes receivable (doubtful debts)	**(30,608,796)**	(23,379,633)
	183,837,584	151,937,303

9 PREPAYMENTS AND OTHER DEBIT BALANCES

	2008 LE	2007 LE
Other debtors - Gazelle Ltd. Inc	**7,236,741**	4,841,394
Other debtors - Tax Authority	**68,747,281**	96,284,514
Other debtors - Decrease in amounts paid under investment in Industries Development Company S.A.E. (note 6-c)	**14,750,000**	-
Deposits with others	**41,623,378**	40,779,144
Prepaid expenses	**22,231,276**	17,466,240
Accrued interest income	**11,002,433**	33,377,302
Checks under collection	**259,991**	324,691
Advance payments from Suppliers	**85,896,143**	44,550,373
Debtors of fixed assets sold	**18,475,055**	24,899,082
letters of guarantee cover	**10,248,516**	10,248,516
Other debit balances *	**35,979,931**	30,157,275
	316,450,745	302,928,531
Less:		
Decline in value of other debit balances (doubtful debts)	**(8,558,737)**	(8,558,737)
	307,892,008	294,369,794

* Other debit balances included an amount of LE 9,564,704 represents cash balances belong to Helwan Cement Company S.A.E. (subsidiary) in National Bank of Egypt (NBE) and Bank du Caire which were blocked in favour of Social Insurance Authority in accordance with the first degree court decision no. 542 on 3 August 2008.

10 CASH ON HAND AND AT BANKS

	2008 LE	2007 LE
Cash on hand	**262,454**	1,170,738
Checks under collection	**168,367**	3,381,792
Banks - Current accounts	**253,492,273**	430,277,163
Time and certificates of deposits	**746,711,636**	518,220,784
	1,000,634,730	953,050,477

11 CREDIT FACILITIES

The balance of short term facilities amounted to LE 324,735,803 as of 31 December 2008 represents short term facilities withdrawal from several Egyptian banks with a maximum limit amounted to 990 Millions Egyptian pound, the outstanding balance of these facilities as of 31 December 2008 amounted to LE 271,687,811 in addition to short term facilities (six months) with average interest rate between 3.21% to 6.71% on KD annually related to Hilal Cement Company (K.S.C.C.) – Kuwait (Subsidiary), the outstanding balance of these facilities as of 31 December 2008 amounted to KD 2,657,137 equivalent to LE 53,047,992.

12 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2008 LE	2007 LE
Shareholders - credit balance	**23,463,835**	23,627,731
Advances from customers	**131,513,425**	100,117,170
Accrued taxes	**53,363,927**	234,500,488
income tax for the year	**324,690,170**	-
Deposits from others	**8,802,995**	8,632,917
Accrued salaries	**7,865,840**	4,946,317
Accrued expenses	**71,612,003**	72,241,591
Other credit balances	**55,863,591**	64,550,070
	677,175,786	508,616,284

13 PROVISIONS

	Balance as of 1-Jan-08 LE	Charged during the year LE	Utilized during the year LE	Reclassification during the year LE	Provisions no longer required LE	Balance as of 31-Dec-08
A- Provisions						
Tax claims	285,517,000	26,780,974	(7,487,018)	3,523,587	(29,764,595)	278,569,948
Site restoration	24,980,102	2,963,048	(4,387,348)	-	(5,241,572)	18,314,230
Judicial disputes	46,369,690	7,253,780	(4,269,264)	-	(4,893)	49,349,313
Employee training support	57,060,998	16,557,788	-	-	-	73,618,786
Electricity station claims	3,077,760	-	-	-	-	3,077,760
Environment provision	-	9,650,000	-	-	-	9,650,000
Early pension refunds	-	160,000,000	-	-	-	160,000,000
Army Claims for Suez Plant - rent of land	-	25,000,000	-	-	-	25,000,000
Tax Fees	4,000,000	-	-	-	-	4,000,000
Other claims	-	7,485,936	(3,249,233)	-	-	4,236,703
	421,005,550	**255,691,526**	**(19,392,863)**	**3,523,587**	**(35,011,060)**	**625,816,740**

14 CAPITAL

The company's authorized capital amounted to LE 1,300 million and the Company's issued and paid up capital amounted to LE 909,282,535 divided over 181856507 shares of LE 5 par value each.

15 MINORITY INTEREST

Changes in minority interest

	2008 LE	2007 LE
Beginning balance for the year	**488,008,695**	260,594,384
Minority share in the net profits for the year	**176,836,656**	164,047,152
Minority share in Suez Lime Company S.A.E.	**3,720,036**	-
Minority share after capital increase of Ready Mix Beton - Egypt S.A.E.	**2,400,000**	-
Minority share in Hilal Cement Company (K.S.C.C) - Kuwait	-	147,783,847
Minority share in Suez Transport &Trade Company S.A.E.	**412,364**	-
Foreign currencies translation differences	(2,441,843)	1,739,011
Refunded tax differences adjustments	-	1,802,191
Adjustments on retained earnings	143,634	(476,205)
Dividends	(110,739,621)	(87,481,685)
Ending balance for the year	**558,339,921**	488,008,695

The balance of minority interest in subsidiaries

	Ownership %	2008 LE	2007 LE
Egyptian Tourah Portland Cement Company S.A.E.	**33,88**	**266,231,739**	254,569,426
Suez Bags Company S.A.E.	**43,69**	**44,551,445**	37,810,593
Helwan Cement Company S.A.E.	**1,31**	**30,547,862**	24,043,329
Ready Mix Beton S.A.E.	**48**	**19,011,091**	10,507,321
Hilal Cement Company (K.S.C.C.) - Kuwait	**49**	**151,967,726**	149,789,828
Cumulative foreign currencies translation differences - Hilal Cement Company (K.S.C.C) - Kuwait (Note 2-6)		**(702,832)**	1,739,011
Ready Mix Beton - Egypt S.A.E.	**48**	**22,776,089**	9,069,999
Development and Construction Material Companyñ (DECOM) - S.A.E.	**48**	**20,344,609**	479,188
Suez for Transport &Trade Company S.A.E.	**4,11**	**443,146**	-
Suez Lime Company S.A.E.	**50,38**	**3,169,046**	-
		558,339,921	488,008,695

16 MEDIUM AND LONG TERM LOANS

	2008 LE	2007 LE
MEDIUM AND LONG TERM LOANS		
Suez Cement Company S.A.E.		
National Societe General Bank (NSGB)	**3,863,542**	13,197,106
Commercial International Bank - Egypt (CIB)	**450,000,000**	675,000,000
Ready Mix Beton - Egypt Company S.A.E.		
Audi Bank - Egypt	**19,184,064**	24,545,235
Hilal Cement Company (K.S.C.C.)- Kuwait		
Kuwaiti Financial Institution	**22,256,508**	21,872,127
Helwan Cement Company S.A.E.		
Misr Bank	-	420,785,383
TOTAL MEDIUM AND LONG TERM LOANS	**495,304,114**	1,155,399,861
CURRENT PORTION OF MEDIUM AND LONG TERM LOANS		
Suez Cement Company S.A.E.		
National Societe General Bank (NSGB)	**(3,863,542)**	(3,787,036)
Commercial International Bank - Egypt (CIB)	**(225,000,000)**	(225,000,000)
Ready Mix Beton - Egypt S.A.E.		
Audi Bank - Egypt	**(5,361,171)**	(5,361,171)
Helwan Cement Company S.A.E.		
Misr Bank	-	(142,343,711)
TOTAL CURRENT PORTION OF MEDIUM AND LONG TERM LOANS	**(234,224,713)**	(376,491,918)
	261,079,401	778,907,943

16/1 Suez Cement Company S.A.E.:

National Societe General Bank (NSGB) Loan

On 4 April 2005, the Company obtained a long term loan to finance the improvement of the electrostatic filtering and cooling towers project for EL Katameya and Suez plants amounting to LE 12 million and USD 3 million at a variable interest rate for the loan granted in Egyptian pound (Average deposit cost plus 1,5% / 86%) and for the loan granted in USD is 1,25% above a six month libor.

The balance of the loan amounting to LE 3,863,542 as of 31 December 2008 represent the instalments due during year 2009 after taken the World Bank approval to consider an amount of L.E 5,297,053 from the loan as a donation has been added to other income in the consolidated statement of income for the year ended 31 December 2008 (Note 18).

Commercial international Bank-Egypt (CIB) loan

On 25 July 2005 the Company obtained a bridge long term loan from a group of Banks under the management of Commercial International Bank – Egypt (CIB) (Director of the loan) as a part of the finance required to acquire all shares of Helwan Cement Company S.A.E. amounted to LE 1,200 million.

On 13 September 2006 a participation medium term loan contract was signed in two clusters, at an amount of LE 900 million will be paid on four equal annual installments starting on 31 December 2007 and LE 300 million (annual bank facilities) instead of the bridge loan, this contract executed on 9 October 2006.

16/2 Ready Mix Beton – Egypt S.A.E.:
Audi Bank – Egypt Loan

On 31 July 2006, a long-term loan contract signed between Ready Mix Beton – Egypt S.A.E. and Audi Bank – Egypt amounted to LE 25 Millions to finance for purchasing fixed assets.

On 14 December 2006, Audi Bank – Egypt approved to increase the loan to LE 28 Millions with the same terms and grantees.

The long term loan will be paid on 60 monthly instalments started on 31 July 2007.

16/3 Hilal Cement Company (K.S.C.C.) – Kuwait
Kuwaiti Financed Institution Loan

Term loan comprise of KD 500,000 equivalent to LE 9,982,171 with an interest rate of 6,54% per annum, borrowed from a Kuwaiti financial institution prior to Iraqi invasion of Kuwait in 1990 in addition to accrued interest amounting to KD 614,813 equivalent to LE 12,274,337 as of 31 December 2008. The loan and its interest due continue to be under judicial review in order to identify the repayment date.

16/4 Helwan Cement Company S.A.E.
Misr Bank

On 29 April 2008, the company made an early repayment for the loan balances as of 31 December 2007.

17 OTHER LONG TERM LIABILITIES

	2008 LE	2007 LE
OTHER LONG TERM LIABILITIES		
Long term creditors - Land purchasing	**2,390,709**	2,171,669
Production lines sales tax	**1,151,883**	20,323,629
Long term creditors - Gazelle Ltd. Inc.	**26,669,427**	26,669,427
Deferred income tax	**104,595,669**	131,009,950
Long term employee benefits - Hilal Cement Company (K.S.C.C.) - Kuwait	**1,613,758**	1,352,105
Petroleum Cooperative Association*	**40,202,928**	54,004,830
Electricity Distribution Company*	**2,678,496**	17,410,215
TOTAL OTHER LONG TERM LIABILITIES	**179,302,870**	252,941,825
CURRENT PORTION OF LONG TERM LIABILITIES		
Tax Authority	**(5,728)**	(19,171,746)
Petroleum Cooperative Association*	**(12,462,651)**	(12,462,653)
Electricity Distribution Company*	**(1,339,249)**	(16,070,968)
TOTAL CURRENT PORTION OF LONG TERM LIABILITIES	**(13,807,628)**	(47,705,367)
	165,495,242	205,236,458

* Liabilities related to Petroleum Cooperative Association and Electricity Distribution Company represents the value of claims received in return for supplies and services, which had been rescheduled without interest.

18 OTHER INCOME

	2008 LE
Fines	**6,436,910**
World Bank donation	**5,297,053**
Salvage sold income	**8,800,713**
Other income	**33,177,916**
	53,712,592

19 OTHER EXPENSES

Other expenses as of 31 December 2008 amounted to LE 39,223,277 includes an amount of LE 30,000,000 represents the monopoly penalty paid for monopoly lawsuit raised by the Egyptian Government against Suez Cement Company S.A.E., Egyptian Tourah Portland Cement Company S.A.E. and Helwan Cement Company S.A.E. .

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Suez Cement Group capital commitments amounted to LE 73,001,709 and contingent liabilities amounted to LE 40,033,950 as of 31 December 2008, which represents letter of guarantees and letters of credit issued by the banks of parent's company and its subsidiaries as follows:

	Capital Commitments	Contingent Liabilities
Suez Cement Company S.A.E.	**7,150,000**	**478,350**
Egyptian Tourah Portland Cement Company S.A.E.	**10,590,000**	**10,009,000**
Suez Bags Company S.A.E.	**-**	**6,126,124**
Hilal Cement Company (K.S.C.C.) Kuwait	**45,513,709**	**3,992,868**
Helwan Cement Company S.A.E.	**9,748,000**	**19,427,608**
	73,001,709	**40,033,950**

21 TAX SITUATION

a) Corporate tax

- The Company's records were inspected till year 1998 and all the taxes due were paid.
- The Company's records were inspected till year 2004, the company objected on the assessment results during the legal period till year 2003 and the issue is currently in the Internal Committee.
- No tax inspection took place for the years from 2005 till 2007.
- The estimated income taxes of the Group for the year ended 31 December 2008 amounting to LE 324,690,170.

b) Sales tax

- The Company's records were inspected till year 2007 and all the taxes due were paid.

c) Salary tax

- The Company's records were inspected till year 1998, and all the taxes due were paid.
- The Company's records are currently being inspected for the years from 1999 till 2004.
- No tax inspection took place for the years from 2005 till 2007.

d) Stamp duty tax

- The Company's records were inspected till year 2005 and all the taxes due were paid.
- No tax inspection took place for the years 2006 and 2007.

22 EARNING PER SHARE

Earnings per share for the year ended 31 December 2008 were calculate after deducted the distributions to employees and board of directors relating to the year ended 31 December 2008 in accordance with the distribution statements proposed by the Holding company and its subsidiaries' boards of directors in order to present it to General Assembly Meeting. Earnings per share amounted to LE 4,98.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks, accounts and noted receivable and other debit balances. The financial liabilities include credit banks, current portion of medium and long term loans, current portion of long term liabilities, accounts payable and other credit balances.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (3) of these notes to the financial statements.

b) Interest rate risk

The Company monitors the maturity structure of assets and liabilities with the related interest rates.

c) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to LE 678,818,915 whereas, the total financial liabilities denominated in foreign currencies amount to LE 317,215,193.

d) Fair Value

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

24 RELATED PARTY TRANSACTIONS

The transactions with related parties during the year ended 31 December 2008 are representing in transactions between group companies. Intra group balances and transactions, including income, expense and dividends, are eliminated in full, Profits and losses resulting from intra group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

In addition, the transactions with related parties included transactions with some of the shareholders of the group companies.

A- Cement, Clinker, Bags sales and cement transport services excluding sales tax between Suez Cement Group Companies during the year ended 31 December 2008 as follows:

	Sales/ service revenue LE	Purchases/ service cost LE
Suez Cement Company S.A.E.	7,875,279	223,368,773
Egyptian Tourah Portland Cement Company S.A.E.	88,190,812	64,535,087
Helwan Cement Company S.A.E.	104,283,654	7,334,824
Ready Mix Beton Company S.A.E.	-	20,295,238
Ready Mix Beton Egypt Company S.A.E.	-	32,085,381
Development and Construction Material Company (DECOM) S.A.E.	-	29,769,106
Suez Bags Company S.A.E.	171,331,410	-
Suez Lime Company S.A.E.	-	1,176,400
Suez for Transport and Trade Company S.A.E.	6,883,654	-
	378,564,809	**378,564,809**

B- The technical assistance from Suez Cement Company S.A.E. to Suez Cement Group Companies during the year ended 31 December 2008 as follows:

	Technical assistance revenues LE	Technical assistance expenses LE
Suez Cement Company S.A.E.	37,725,000	-
Egyptian Tourah Portland Cement Company S.A.E.	-	12,549,000
Helwan Cement Company S.A.E.	-	22,986,000
Suez Bags Company S.A.E.	-	2,190,000
	37,725,000	**37,725,000**

C- Loans and its interest transactions between Suez Cement Group Companies during the year ended 31 December 2008 as follows:

	Lender LE	Borrower LE	Debit / (Credit) Interest LE
Suez Cement Company S.A.E.	152,000,000	120,000,000	(4,620,000)
Egyptian Tourah Portland Cement Company S.A.E.	120,000,000	-	(12,351,745)
Ready Mix Beton - Egypt Company S.A.E.	-	63,526,402	7,094,953
Development and Construction Material Company (DECOM) S.A.E.	-	88,473,598	9,876,792
	272,000,000	**272,000,000**	**-**

D- Cements Francais (Strategic partnership) (Main shareholder):

The amount of the technical assessment fees offered by Cements Francais the main shareholder of Suez Cement Company S.A.E. during the year ended 31 December 2008 amounted to L.E 27,821 Million, which represents 1% of sales revenues of the group of cement products exclude intra – Suez Cement Group transactions (the maximum fees are 1% according to the agreement), The consolidated statement of income charged by the portion of Suez Cement Company S.A.E. and Egyptian Tourah Portland Cement Company S.A.E. of the claims for these fees which amounted to L.E 11,128 Million and L.E 16,693 Million respectively.

E- Interbulk Company - One of the subsidiaries of Italcementi Group (the holding company of Ciments Francais Company) – the main shareholder of Suez Cement Company S.A.E. :

- Suez Cement Company S.A.E. has exported clinker and cement amounted to L.E 10,018 Million during the year ended 31 December 2008 through Interbulk Company.
- The sales of Egyptian Tourah Portland Cement Company S.A.E. to Interbulk Company during the year ended 31 December 2008 amounted to L.E 6,026 Million.
- The sales of Helwan Cement Company S.A.E. - to Interbulk Company during the during the year ended 31 December 2008 amounted to LE 44,144 Million.

25 GROUP COMPANIES

The following statement of the Suez Cement Group companies and the direct / indirect shares of Suez Cement Company S.A.E. the holding Company in their subsidiaries:

	2008 %	2007 %
Egyptian Tourah Portland Cement Company S.A.E.	**66,12**	**66,12**
Suez Bags Company S.A.E.	**56,31**	**56,31**
Helwan Cement Company S.A.E.	**98,69**	**98,69**
Ready Mix Beton S.A.E.	**52**	**52**
Hilal Cement Company (K.S.C.C.) - Kuwait	**51**	**51**
Ready Mix Beton - Egypt S.A.E.	**52**	**52**
Development and Construction Material Company (DECOM) S.A.E. - subsidiary of Ready Mix Beton - Egypt Company S.A.E. by 99.99%	**52**	**52**
Suez Transport and Trade Company S.A.E. - subsidiary of Helwan Cement Company S.A.E. by 55%	**95,89**	**-**
Suez Lime Company S.A.E.	**49,62**	**-**

26 COMPARATIVE FIGURES

- Certain consolidated comparative figures for year 2007 have been reclassified to conform to the current year presentation.

16. Legal Information about the Suez Cement group of Companies

Company/ Docket	**SCC**	**TPCC**	**HCC**	**Suez Bags**
Company Name	**Suez Cement**	**Tourah Portland Cement**	**Helwan Cement**	**Suez Bags**
Form	Joint stock company governed by Egyptian Law No. 43 for the year 1974	Joint stock company governed by Egyptian Law No.159 for the year 1981	Joint stock company governed by Egyptian Law No. 159 for the year 1981	Joint stock company governed by Egyptian Law No. 43 for the year 1974
Registered Office	Nile City Towers, South Tower, 10th floor, Corniche El Nil, Cairo, Egypt	Tourah Portland Cement, Corniche El Nil, Maadi	Kafr El Elw, Helwan	Kattameya, K 30 Maadi/ Ein Sokhna Road
Registration Number	181134 investments Cairo	1587 Giza	4451 investment Cairo	254876 Arab and foreign investment
Date of Incorporation	06/03/1977	1927	February 1929	14/12/1988
Term Purpose	50 years from date of incorporation. Producing all kinds of cement. Expires on 05/03/2027 Producing all kinds of cement.	Amended for 50 years starting 12/05/2001. Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	Amended for 25 years starting 03/10/2000 to 02/10/2025. Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	25 years from the incorporation date. Expired on 05/12/2013. Producing all kinds of paper bags.
Legal Information	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports
Financial Year	January 1st to December 31st	January 1st to December 31st	January 1st to December 31st	January 1st to December 31st
Shares	Ciments Français 53.15% Investors association 23.36% General underwriting and contributions & GDR 16.23% Private foundations and persons 7.26%	Suez Cement 66.12% Holding company for the metal industries 20.87% Private foundations and persons 13.01%	Suez Cement 98.69% General underwriting and contributions 1.31%	Suez Cement 53% Swiss Limited Debko 30% Closed underwriting 12% Tourah Portland Cement 5%
Voting Powers for Decision	8 votes	Majority	Majority	3 votes
Making	LE 1,300 million Authorized	LE 800 million	LE 2000 million	LE 12 million
Capital Share	LE 909,282,535 Paid	LE 357,621,000	LE 117,697,750	LE 9 million