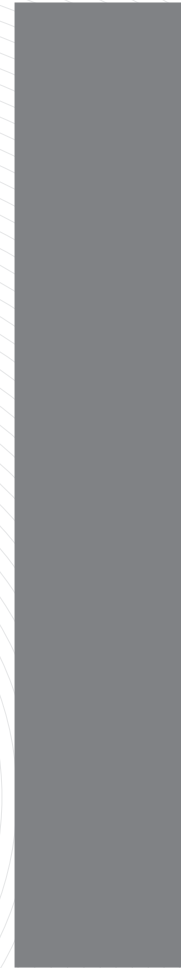




# السويس للأسمنت Suez Cement

## 2009 Annual Report





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السويس للأسمنت  
**Suez Cement**

## Annual Report 2009

**Suez Cement Company S.A.E.**

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## 1. Message from the Chairman and the Managing Director

Dear Colleagues,

2009 was a challenging year for the global economy. In Egypt, we managed to weather the economic crises while maintaining our growth figures. On the construction side, there was strong demand for housing that generated 25% growth in the cement market. Suez Cement Group of Companies maintained its position as a strong and active market leader, both in Egypt and abroad. The dispatch journey of the cement sales in 2009 has notched the significant milestone of 12 million tons.

We take pride in our 2009 achievements, recording net sales of LE 6380,1 million, with a 15.1% increase compared to 2008. Our gross profit and operating income amounted to LE 2,179.3 million and LE 1859,5 million respectively, while the net profit reached LE 1,300.8 million with a 25% increase in comparison to the previous year. We also increased the volume of sales by 700 K. tons compared to 2008.

Our client commitment instigated Suez Cement Group of Companies' efforts directed to sustained products expansion. We reinforced our market position during 2009 through our large product portfolio that encompasses 11 different types of cement. We instated tailor made binders for each specific customer application at the top of our priorities. When Super and Oasis brands were being consolidated, 2009 witnessed the birth of the masonry cement "Suez Plast" for the first time in Egypt. Meanwhile, two new premium cements "SRC" and "OPC" were launched in order to specifically meet the contractors needs. Finally, a foothold was established in the retail business through the opening of TPPC shop.

Customer satisfaction is another vital component of our success formula, prompting the launch of our initiatives that aim at better empowering our customers. Our customer satisfaction survey and tailor-made services further honor our Commitment to Excellence. We continue to invest in key growth initiatives that secure our future. In response to the escalating market demand, modernization investments were reinforced in 2009 for boosting our production lines efficiency while observing environmental and safety requirements.

In 2009, we invested more than LE 23 million in environment and safety projects, while approximately LE 160 million have been allocated to maintain and improve our technical performance across the different areas of our plants. Investments have also been extended to different areas such as quality, IT, strategy and new packing machinery, with a total cost that exceeded LE 23 million.

In addition to our efforts steered to improve our efficiency and production capacity, in 2009, we maintained our Safety focus as a main priority. On the onset of 2009, our goal has been to fortify our efforts to ensure the global implementation of our safety policy and programs. This was effected through monitoring, reporting, technical, and administrative support at the corporate level. Our aim is to become among the safest companies in the industry. Hence, the Company conducted more than 20,600 safety orientation and safety training hours for our employees and contractors' managers.

Training covered the implementation of our safety policy, emergency readiness, risk assessment, and safety rules and procedures.

Driven by our commitment to improve the quality of life and social well-being of our communities, SCGC continued its social initiatives, which are founded on the local needs of the people living in these communities. In 2009, we kept education, sustainable livelihood, health, and awareness of social issues as our key priority in social initiatives.

Looking forward, we see great opportunities for growth and we are ready to tackle, with our growth strategies, strong financial position and talented management team.

Finally, our achievements for 2009 have been orchestrated by the sincere contribution of our 3,400 employees, they have been relentlessly working hard and committed to serve our customers and all stakeholders and we would like to take this opportunity to thank all our staff for the dedication and commitment.

In 2010 we promise more success and we hope to create more value to all of you! Looking forward to continue to report our progressive results in 2011

Best regards,



Omar A. Mohanna  
Chairman

A handwritten signature in black ink, appearing to read "Omar A. Mohanna". The signature is stylized with a large initial "O" and a long horizontal line extending to the right.



Roberto Callieri  
Managing Director

A handwritten signature in black ink, appearing to read "Roberto Callieri". The signature is stylized with a large initial "R" and a long horizontal line extending to the right.

## 2. Composition of the Board of Directors, December 31st, 2009

### **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. 2009 Financial Highlights

#### 2009 Financial Highlights (figures in L.E. millions)

	December 2009	December 2008	December 2007
Revenue	6,380	5,542	4,196
Gross Profit	2,179	2,077	1,830
EBITDA	2,150	1,873	1,764
Net Earnings	1,300	1,041	981
Return on Sales	20%	19%	23%
Gross Margin	34%	37%	44%
EBITDA Margin	34%	34%	42%
Fixed Assets	3,956	4,051	4,095
Total Assets	9,622	9,290	8,994
Cash & Cash Equivalents	1,486	1,001	953
Working Capital	1,092	273	163
Total Debt	261	820	526,1
Minority Interest	650	558	488
Shareholders Equity	6,975	6,141	5,550
Net Fixed Assets Turnover	161%	137%	102%
Total Assets Turnover	66%	60%	47%
Return on Equity	19%	17%	18%
Current Ratio	160%	113%	108%



## 4.Shareholder's Information

SCGC is one of the largest Egyptian cement producers in the country. The group consists of Suez Cement Company (SCC), Tourah Portland Cement Company (TPCC), Helwan Cement Company (HCC), Suez Bags Company (SBC), Ready Mix Production Company (RMP) and Ready Mix Universal Production Company (RMPU). 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 (TPCC), 53.32 percent of Suez Bags and 98.69% of (HCC) . SCC, TPCC and SBC are listed on the Egyptian Stock Exchange. However, Helwan Cement Company was delisted optionally in January 2010

In 2006, SCGC entered the concrete sector through the acquisition of 52 percent of ready Mix production Co. (RMP) and Ready Mix Universal Production Co. (RMPU). RMPU is the country's leader in the concrete sector in Egypt. With the aim at strengthening the group's presence in the local ready mix concrete sector, as of July 1st 2007 RMPU acquired 100 percent of the share of Decom S.A.E., one of the largest Egyptian ready mix company.

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

With the aim at becoming 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.

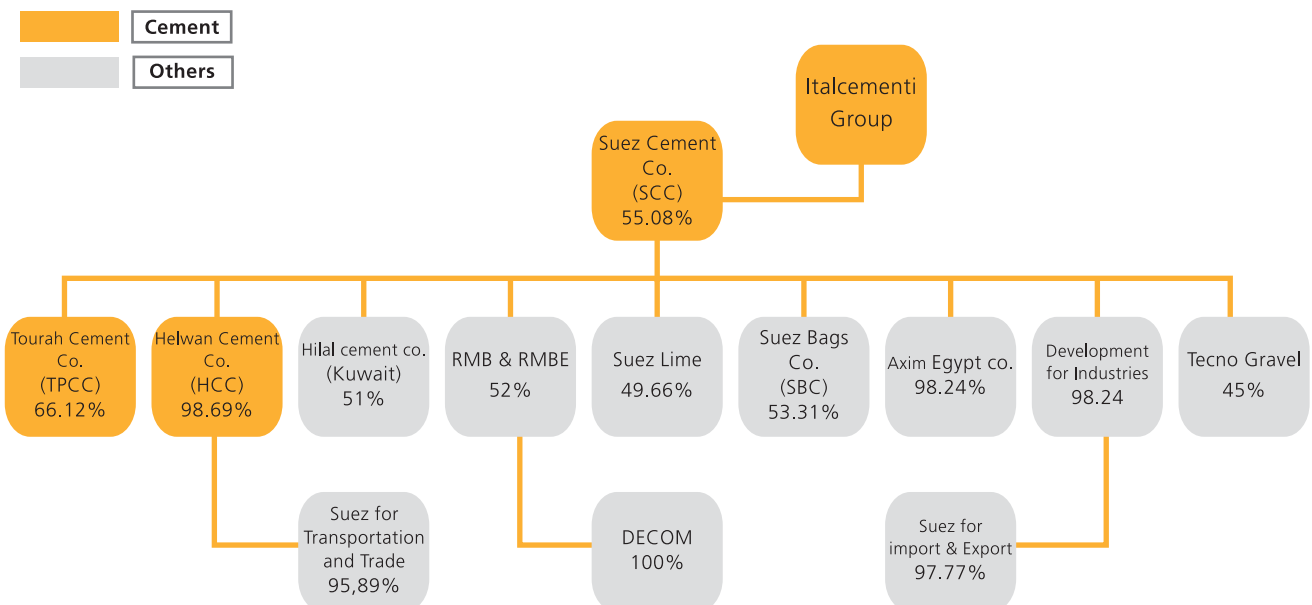
SCC, in partnership with UNICALCE, established Suez Lime Company in October 2007 to manufacture all types of lime. SCC controls 49 percent of Suez Lime share capital, while Tourah Portland Cement Company holds 1 percent. The remaining 50 percent is owned by UNICALCE. In the third quarter of 2007, SCC and its affiliated companies established Suez for Transportation and Trade Company

(STT). SCC has 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.

In the third quarter of 2007, SCC and its subsidiaries established Axim Egypt Co. and Development for Industries Co., SCC has 90 percent stake of both companies shares, (TPCC) has 5 percent stake of both companies shares, while (HCC) has 5 percent stake of both companies.

Also in the third quarter of 2009, SCGC established Suez For Import and Export Co. through its subsidiaries Axim Egypt ( 40 percent stake of shares ) , Development for Industries ( 40 percent stake of shares ) and Suez for Transportation & Trade Co. ( 20 percent stake of shares ).

### Suez Cement group of companies



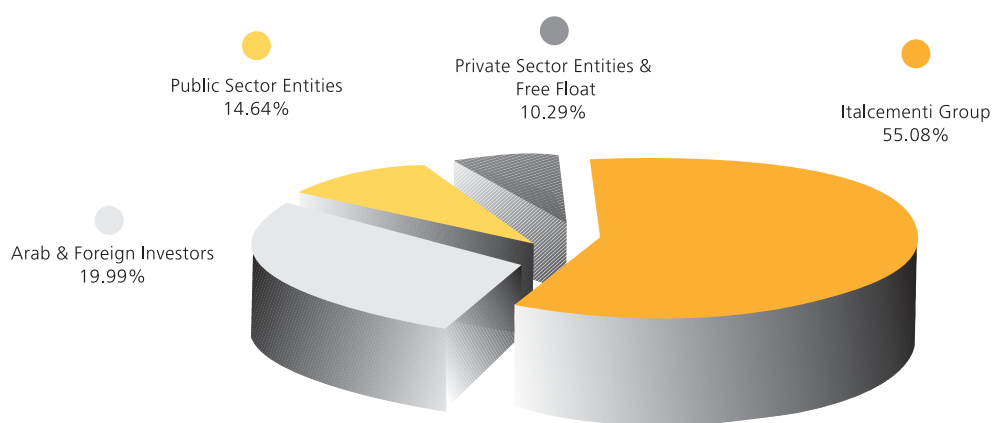


## SUEZ CEMENT COMPANY

### 1- Shareholding Structure (31-12-2009)

	Percentage %
Italcementi Group	55.08
Arab Investors	19.99
Public Sector Entities	14.64
*Private Sector Entities & Free Float	10.29

\*Including shares against G.D.R (which represents 2.22%)



- Italcementi Group
- Arab & Foreign Investors
- Public Sector Entities
- Private Sector Entities & Free Float

The aforementioned structure includes SCC direct and indirect ownership



## SUEZ CEMENT COMPANY

### 2- Trading Volume on The Egyptian Stock Market

			EGP
Month	Number of Traded Shares	Average Monthly Price	Trade Value
January 2009	335,222	20.77	6,961,871
February	121,997	17.97	2,192,470
March	299,832	21.35	6,400,112
April	429,992	24.76	10,647,013
May	3,800,325	25.45	96,718,638
June	338,835	31.28	10,598,245
July	146,970	35.27	5,184,202
August	423,221	39.54	16,732,844
September	162,639	41.17	6,695,081
October	75,230	38.09	2,865,392
November	3,514,652	41.10	144,456,788
December	1,098,158	47.03	51,647,042
Total	10,747,073	33.60	361,099,698



## 5. SCGC's Historic Summary

Italcementi Group, the fifth largest cement producer in the world, entered the Egyptian market in October 2001 and participated in the first phase of the privatization of Suez Cement (a company currently listed on the Cairo and Alexandria Stock 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 annexation to Italcementi's industrial network rendered 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 Cairo and Alexandria Stock 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 25 percent for grey cement and 42 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 service supplier for the building and construction industry. Our investments in the ready-mix concrete sector and aggregates, together with 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

Following our system's spirit, "Continuous Improvement", the plants imposed more restrictive internal environmental targets in order to avoid any penalties arising from law violation.

Through its five plant facilities, SCGC employs 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 market needs.

SCGC is home to more than 3000 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 the employees and the communities in which it operates.

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

### Key Statistics

- Five production facilities
- Total production capacity of 12 million metric tons of clinker
- 25 percent market share of grey cement
- 42 percent market share of white cement
- More than 15 operating quarries
- 16 kilns in operation
- All plants are ISO 9001 and ISO 14001 certified
- All plants attained the European certificate of conformity, for production of Portland cement 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 53.15 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 gypsum 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 boosting production. 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 cement industry needs. 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, with a combined capacity of 4.8 million tons per year. Both facilities are ISO 9001 and ISO14001 certified. As of January 2010 Helwan has been delisted optionally from the Stock Market.

### **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.

### **Ready Mix Beton**

Since 1985, RMP 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 (renamed in 2009 to be RMP). Ready Mix Production Company (RMP), RMPU and the ready-mix company Decom together produce more than 1 million cubic meters of concrete and have a market share of 17.4 percent. They are supported by 20 central mixing plants, 8 of which are located in the Greater Cairo area, where three of SCGC's five cement facilities are based. RMP, RMPU and Decom also have a fleet of 200 truck mixers and concrete pumps.

Having the RMP 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 RMP 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 desulphurization. It is also used as a component in building products such as mortars, plasters, whitewash and stuccos. In 2009, Suez Lime produced approximately 24 thousand tons of hydrated lime. Over the course of the year, Suez Lime succeeded in capturing 50 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 2009, its second year of operation, STT dispatched 380 thousand tons of bulk cement and 211 thousand tons of bagged cement; comparing to last years' 285 thousand tons bulk.

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

Hilal Cement Company (K.S.C.C.) – Kuwait was established on the 19th of January 1984 as a closed Joint Stock Kuwaiti Company. The third largest cement company's activities 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.

### **Axim for Industries Company (S.A.E)**

Axim For Industries Company, previously known as "South Upper", was established in 2007 under Corporate Law No. 159 of 1981 and its amendments. The Company purpose is:

- \*Investing in all types of industry fields and its commercialization,
- \*Establishing a plant for the purpose of manufacturing construction materials.
- \*Grinding aids to optimize the cement formulation and to create value in the grinding process.
- \*Producing concrete admixtures and enhancing the concrete performance and features

### **Development for Industries Company (S.A.E)**

Development for Industries Company was established in 2007 under Corporate Law No. 159 of 1981 and its amendments. Company purpose: Investing in all types of industry fields and its commercialization, and establishing a plant for manufacturing the various construction materials.

### **Suez for Import & Export (S.A.E)**

Suez for Import & Export Company was established in 2009, under Corporate Law No. 159 of 1981 and its amendments. The purpose of the company is: importing & exporting cement and all kinds of building materials. 2009 imports amounted to 25.6 thousand tons.



## 7. Market Evolution: Major Events of the Year

The year 2009 was a remarkable year of unprecedented volatility and challenges. Egypt has weathered the economical crisis pretty well and emerged as one of the very few countries around the world that witnessed an extraordinary domestic growth of 25% in the cement market.

Suez Cement Group of Companies maintained its position as a strong and active market leader, both in Egypt and abroad. The dispatch journey of the cement sales in 2009 has notched the significant milestone of 12 million tons.

The Company has henceforth the largest product portfolio with 11 different types of cement, giving the opportunity to customers to use tailor made binders for each specific application. The added value for the end user is not only the productivity enhancement but also the achievement of a higher quality result with a better profitability. When Super and Oasis brands were being consolidated, 2009

witnessed the birth of the masonry cement "Suez Plast" for the first time in Egypt. Meanwhile, two new premium cements "SRC" and "OPC" were launched in order to specifically meet the needs of contractors. Finally, a foothold was established in the retail business through the opening of TPPC shop.

Logistics and exports are undoubtedly the sections that have witnessed the more radical changes. The tremendous market growth has requested Suez Cement Company, which was traditionally focused on exports, to import not only cement bags but also cementations material. The focus has been on improving cement deliveries with more than 3 million tons of CPT sales, the best record ever achieved. Furthermore, relevant key performance indicators were established to monitor and improve the common goal to be in a position to deliver cement at the right place and at the right time. One of the main factors of customer

satisfaction is to avoid stock shortfall through deliveries optimization. Finally, new channels of freight were open, such as rails or barges in order to overcome the volatility of the shipping costs.

In conclusion, the Group's vision of heavy industry is to place the customer at the core of the business and to expand our activities from pure manufacturing to include the service industry. Customer satisfaction is a key strategic element in the building material industry. New methods, mainly based on IT and enhanced communication shall be deployed and reinforced:

- Customer satisfaction survey
- Tailor made services
- Best practices sharing
- Customer call center.
- Supporting end users' business through technical assistance.
- Reinforcement partnership with major cement consultants.





## 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, in compliance with both Egyptian (ES 4756/1-2009) and international (EN 197/1-2000) standard specifications. The following cements are produced by SCGC to meet the requirements of different users.

- Ordinary Portland Cement	CEM I 42,5 N
- Ordinary Portland Cement	CEM I 42,5 R
- Portland Cement Super Fine	CEM I 42,5 R 4100
- Portland Limestone Cement	CEM II /B-L 32,5 N
- Oil Well Cement	API Class G HSR
- High Slag blast furnace Cement	CEM III /A 32,5 N
- Portland Slag Cement	CEM II /A-S 32,5 N
- Sulphate Resistant Cement	SRC CEM I 42,5 N
- White Ordinary Portland Cement	CEM I 52,5 N
- White Portland Limestone Cement	CEM II /B-L 42,5 N
- Masonry Cement	MC5

In addition to cement production, Suez Lime Company produces and sells hydrated lime. This product is used in various construction applications; 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.

All Group laboratories are linked to Italcementi's Production and Quality Data Management System (ITC-PQDM).

To guarantee routine quality control, SCGC signed an agreement with the Housing and Building Research Center (HBRC) to monitor the Group's products via their own accredited laboratories. The Group also routinely sends random samples to Italcementi's labs in Italy for quality assurance.

The five plants are certified ISO 9001-2008 Quality Management System and

ISO 14001-2009 Environment Management System, EN 197-1 certified for evaluation of conformity, and EN 197-2 certified for composition, specification and conformity criteria (CE mark). All Group products were granted the Egyptian Quality Mark (EQM) in 2009.

Tourah Portland Cement Company (one of SCGC's companies) is the only Egyptian cement company that holds the API Quality Certificate for producing Oil Well cement.

## 9.Industrial Facilities

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

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





## 10. Investments

The cement industry is a strongly capital-intensive type of industry. 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 growing market demand.

Several major projects were completed through 2009 in the different SCGC plants in the areas of:

- Environment and Safety, at a total cost of around LE 23 million
- Performance Improvement and Capitalized Maintenance, at a total cost of approximately LE 160 million
- Strategy, new packing machines in both Suez & Helwan plants, at a total cost of approximately LE 8 million
- Quality, IT and other domains, at a total cost of approximately LE 15 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 on 16th of December 2009 signed a contract with Thermax for the supply and erection of the Environment Pollution Abatement Project (EPAP II) scope with a total amount of 15 MUSD.

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 total cost of approximately LE 132 million is to be completed by mid-2011.

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. The installation of a new gas reduction station of a total capacity of 90,000 cubic meters per hour at the plant was completed in August 2009, at a total cost of approximately LE 16 million. The station started to be operational in October 2009. Meanwhile, SCGC has also carried out a project to convert Kiln 7 at the Tourah plant from fuel oil to natural gas at a total cost of approximately LE 9 million. The plant started using gas in Jan 2010.

As part of its commitment to the research and development of new products and applications, SCGC completed in May 2009 the installation of a new project for the production of Plastrocem at the Kattameya plant and is now in production, at a total cost of LE 4.6 million.



## 11. Human Resources

Prior to the economic crisis in late 2008, the tight labor market, particularly for experienced calibers, placed pressure upon the Organization's ability to recruit high-quality staff and to retain specialized skills. These pressures have slightly eased since September. Staff retention within the Group has become a challenge with new fourteen production lines in the market by the year 2010.

In late 2009, the Human Resources Department concluded the renewal of the Collective Labor Agreements (CLA) of SCC, TPCC, with unified internal regulations and kicked off HCC collective bargaining, aiming to enhance the rewards, retention and human capital mobility within the Group.

In this matter, the Industrial Relations Function accomplished a win-win situation as the agreements produced work for the benefit of the employees and the company via an enhanced rewarding system:

- Production Incentive Plan was put in place, with an annual review of the production table that considers operational circumstances.
- Discipline Bonus criteria has been enhanced to drive the Group's human resources towards better discipline.
- Representation, Shift and Occasional Allowance Programs have been standardized among the two subsidiaries.

Redesigning and standardizing the Internal Work Regulations of both subsidiaries with an aim of alignment with the private sector labor law; as the old regulations were inherited from the public sector on acquisition.

- Standardized policies and procedures of disciplinary actions, working hours, etc.
- Improved medical services including in-patient, eyeglasses and dental services. As well as standardized Life and Disability Insurance.
- Redesigning the Travel Expenses and Missions Per Diems Policy.

The standardized structure of both SCC, TPCC's rewards system reflected on the consistency of salary leveling and yielded a simplified salary administration program for the two subsidiaries. This system furnished a flexible human resources management framework that assures efficient employees' mobility, talent management, and a healthy working environment.

Human resources practices reflected on a more stable employees' turnover that did not exceed 1%, excluding the early retirement cases. The year ended with a total headcount of 3419. By the second half of the year, the recruiting function helped hire for the ASEC handover project at Tourah plant.

Generally, the recruiting function helped fill 90 vacancies, 9 out of which were of critical need and were conducted through headhunting.

This was clearly beneficial for the corporate and specialists' job families; such as Methods and Planning Manager, Minya Plant Manager, Corporate Mechanical Maintenance Manager, Operations Category Manager, Suez Transport Operation Manager, Development and Training Manager, Recruitment Manager, Maintenance Manager, and Production Manager.

The Human Resources Department along with the Safety Department kicked-off a Human Rights initiative encompassing

a series of awareness sessions enforcing the human rights of all employees, promoting positive relations among all members and recommending positive human attitudes.

As the Human Resources Department believes that "Human Capital" is the source of sustainable development by definition, the department consolidated two of its functions by the end of the year, namely; Training and Development. The mission was to develop the Group's human capital competencies with an eye to improve performance in a variety of organizational disciplines aiming to help SCC achieve efficacy. This reform shall reflect on the quality of training and talent management.



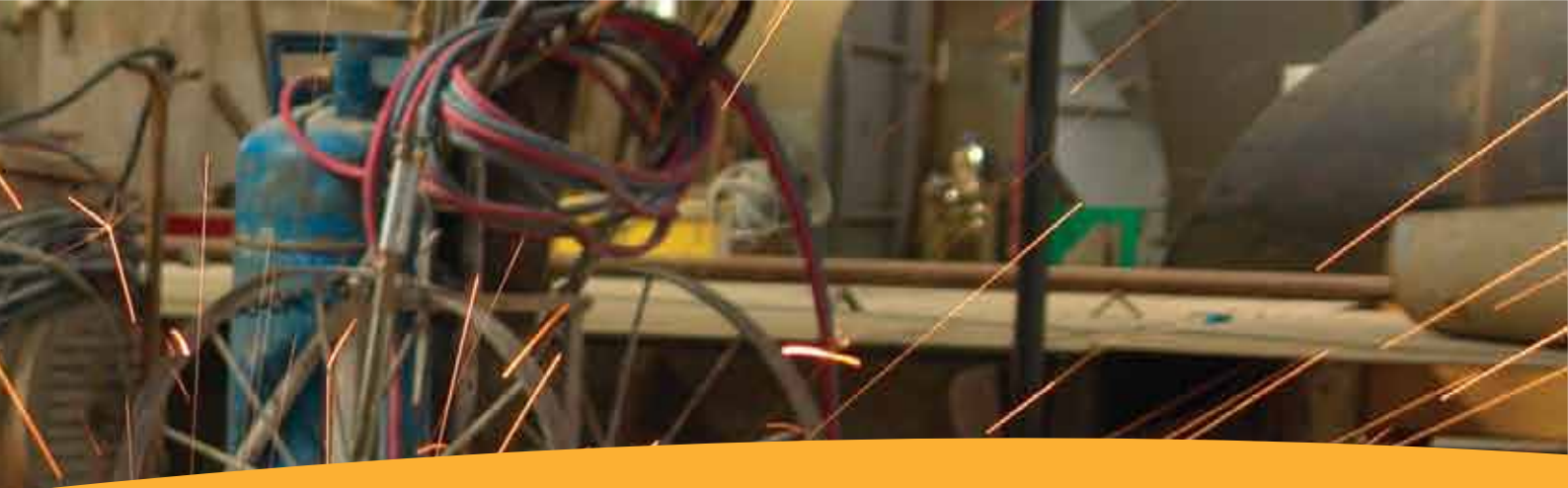
Even with a tight budget of EGP 0.75M due to the financial crises, the training function succeeded in serving more than 2300 employees by capitalizing on our Group's wealth of qualified manpower.

To carry on the continuous cooperation and support of Don Bosco Institute aiming to prepare the students for future competition and meeting market expectations; Suez Cement launched a new 2-year Internship Summer training program; the 2009's one-week module provided 18 of Don Bosco undergraduate students with the basic information of Cement Manufacturing. Over the next year, it is planned to engage the same Group on the Kiln/Milling Simulator training.

Among a wide range of training activities, the main training programs conducted in 2009 included the following:

- Train of Trainers: To capitalize on the internal human resources, the training department conducted two runs of TOT. The outcome was developing the skills needed for fourteen trainers out of the Technical department.
- Egypt New Graduates Training "ENG": Building on last year's success we have sustained the ten-week program aimed at raising the awareness of newly hired engineers and chemists, providing them with basic knowledge and practices by rotating over the safety, environment, process and maintenance functions in our plants.
- Kiln and Milling Simulation: among all cement producers in the Egyptian market SCGC possesses state of the art computer based training solution that equipped 22 operators with the know-how and the experience to efficiently troubleshoot different situations and crises that might arise during operations.
- Drives, Motors, Switchgears and Control Systems Training Program: Automation and electrical maintenance engineering to enhance troubleshooting of operational problems they might be encounter, covering different kinds of ABB devices in all plants.
- Practical Industrial Course "PIC" - Grinding Module: a one-week in-depth workshop for process engineers and chemists, on the identification of the physical and mechanical principles governing the grinding process, the calculation of control and optimization of the main process parameters in addition to practicing a simple Mill check-up operation.
- Practical Industrial Course "PIC" - Burning Module: a one-week in-depth workshop for process engineers and chemists, it helps them identify the chemical and physical phenomena in the burning line, analyze and optimizing burning line operational conditions and in the production of a simplified heat balance.
- Safety Training: the training department, in cooperation with the safety department, launched and executed the "Managing Safety", "Group supervisors" for all managers and supervisors in the Group, and is continuing with "Safety Living for Group Workers".

In order to widen the services offered, the facility function department re-organized the fleet management and extended the transportation services provided to the Group employees by adding ten new routes and twenty personal cars while saving more than EGP 1.1 Million. The Services department implemented new food and beverage administration controls that guarantees standardized meals among all organizational levels in harmony with the Human Rights Initiative that has been influenced this year and saved EGP 600,000 at the same time.



## Corporate Governance in Suez Cement Company

The OECD Principles of Corporate Governance provide good insight into corporate governance at a macro level:

*'Corporate governance represents a key element to improving economic efficiency, establishing a set of relationships between the company management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining these objectives and monitoring performance are determined.'* *'Corporate governance is only part of the large economic context in which firms operate, including macroeconomic policies in relation to markets competition. The corporate governance framework also depends on the legal, regulatory and institutional environment. In addition, factors such as business ethics and corporate awareness of the environmental and societal interests of the communities in which it operates can also have an impact on the reputation and the long-term success of a company.'*

During the 2006 Sophia Group Seminar, Italcementi Group S.P.A launched the Corporate Governance Program that aims to bring Culture, Values, Organizations and Business Processes in line with the strategic objectives, with the ultimate goal to bring a UNIFIED MANAGEMENT Style with an ETHICAL business attitude supported by TRANSPARENT and EFFICIENT Business Processes.

On February 14th, 2007, Mr. Carlo Pesenti, the Chief Executive Officer of Italcementi Group S.P.A, issued his letter addressed to the top management drawing their attention to the Corporate Governance as a Strategic Objective for the Development of the Group. The directive stressed on Corporate Governance being the real lever to create Efficiency and Transparency in the management and control of the Group. The CEO focused on establishing and implementing a well defined decision –making structure, leading to the listing of a series of ethical as well as more typically managerial rules, principles and behaviors that must be applied in all the Group companies.

Since then, the Corporate Governance system, which Italcementi has adopted over recent years, comprises not only the company by-laws but also abides by the codes and/or regulations (Texts available on the corporate website [www.italcementigroup.com](http://www.italcementigroup.com))

- 1) Voluntary code of conduct
- 2) Code of Ethics
- 3) Treatment of confidential information
- 4) Internal dealing code of conduct
- 5) Procedural code for transactions with related parties
- 6) Insider register procedure
- 7) Organization management and control model

An examination of the corporate governance, envisaged in the binding articles of the company by-laws and in the provisions adopted by the company in the above codes and regulations, confirms Italcementi's commitment to adhering to generally agreed best practice whose application is reflected in the Board resolutions adopted and in the organizational notices issued.

Following Italcementi Group S.P.A policies and rules, **Suez Cement Company** started its first phase according to the settled action plan for the adoption of the Corporate Governance principles

**Step (1): General Organization** in which the company illustrated the organization structure, business objectives and management style in alignment with the Group Values, Policies and Culture through the development of:

1. A General Organization Notice;
2. The Organization Chart;
3. The Management Appointments

In 2008, **Suez Cement Company** started its second phase of establishing and implementing the Corporate Governance- **Step (2): Department Organizations**. The company detailed the way a department is organized and is operated, taking into account major strategic priorities: Change management initiatives, critical business issues as well as short and long term business targets, through the development of the following for each department:

1. An Organization Notice;
2. The Organization Chart;
3. Appointments.

In 2009, the Suez Cement Company started its third phase of establishing and implementing the Corporate Governance- Step (3): Job Descriptions in which the company illustrated the critical operational roles having great influence on business targets per key position, identifying major responsibilities and activities, aligned to the defined business objectives as well as the Group values and policies.

By the end of 2010 we are planning to finalize Step (4): Powers in which, the company will formally illustrate as per the legal practices, the External Authority conferred to each Position involved in acts of fulfillment that require the use of the company's name; It identifies:

1. Role;
2. List of specific powers by process;
3. Sphere of competence;
4. Financial powers;
5. Representative powers.

The company will proceed with the Step (5): Processes and Procedures in which the company shall illustrate the flow of products and services development, through a complete set of process-oriented procedures;

1. Each procedure describes the activities flow, identifying the risk activities and decisional points, mitigating the managerial, operational and compliance risks and bringing to light preventive and subsequent control points.
2. Ensuring the segregation of duties and the adequate development of the best practice.

The outcome shall be the company's Subsidiary Organizational Blue Book, describing the company Corporate Governance System that shall be fully integrated with the Group policies, guidelines, local laws and legislations as well as the applied management systems. Assuring that the company objectives are well defined, the means of attaining these objectives are determined and performances are monitored.



## 12. Safety and Health at Work

“Safety First” is our first concern that we emphasize to all our employees and contractors. Safety audits are always a critical element of the integration process for all our acquisitions. All of our operations have safety programs that include training, auditing, sharing best practices, close follow up, reporting and keen incidents investigation as well as accidents prevention.

Each of SCGC’s companies is responsible for applying our safety policy to the specifics of its business while defining its own safety guidelines. Up till now, safety has generally been seen as a local matter, in compliance with the decentralization of responsibilities stated in our safety manual.

Although most operating units have been collecting health and safety data for years, SCGC started to consolidate this data at the Group level in 2006.

Unfortunately, four fatal accidents in the Cement Division occurred in 2007, three of which involved external contractors' personnel.

On the onset of 2009, our goal has been to reinforce our efforts to ensure the global implementation of our safety policy and programs through monitoring, reporting, technical, and administrative support at the corporate level. Our aim is to become one of the safest companies in the industry. Our efforts contributed to reducing the frequency of workplace accidents in 2009, our accident rate was 2.9 across all activities. We experienced two fatal accidents for a contractor and one commuting accident to Suez employees in 2009. The Company conducted more than 20,600 safety orientation and safety training hours for our employees and contractors’ managers on the implementation of our safety policy, emergency readiness, risk assessment, and safety rules and procedures.



## Actions Taken To Combat 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 accentuated the significance of this Group concern, given the importance of the assessment of hazards 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.

### Accidents<sup>1</sup> Frequency Decline (2005 – 2009)

	2005	2006	2007	2008	2009	2010	Industry Benchmark <sup>3</sup>
Employees	31.23	5.2	2.6	1.9	2.9	1.5	8.98
Contractors	54.50	4.8	3.0	2.7	3.2	1.0	61.25

1-Number of accidents with at least one day off per million working hours.

2-Our target for 2010

3-Recalculated from Health & Safety Local Authority. Figures not strictly comparable.

### Fatal Accidents Rate Decline (2005 – 2009)

	2005	2006	2007	2008	2009	Industry Benchmark
Employees	2	2	1	0	0	10
Contractors	7	3	2	1	2 fatality and 1 commuting accident	7

## Implementing the 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 safe 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 for 2010 includes the implementation of the standard of working at heights, PPE Standard, forbidding the truck driver helpers from entering all sites. Continuing the 5S Project, which has been launched in 2009 and choosing two other zones in each plant area for implementing the 5S project in order to enhance and improve the work environment. We will start with the quarry at Suez so that it could be the model to implement in all the other quarries. The objective of 2010 is to reach the best operating conditions and to eliminate any unsafe factors in all the quarries.



### 13.Environmental Protection

Egypt enforced the Environmental Law no. 4/1994 in mid 1996, granting three years for the industrial sector compliance with the new legislations. Cement companies were obliged to rehabilitate the existing filters and/ or erect new ones. These adjustments cost a lot at the time, just to reach 500 mg/ Nm<sup>3</sup> of dust emission.

Since then, the cement industry started to invest in improving its image in front of the interested parties and the society. All companies were racing to apply the EMS 14000 in order to acquire the EMS 14001 certificate.

Tourah Portland Cement Co. (TPCC) was the first cement company to be ISO 14001 Certified in Egypt, followed by Helwan then Suez Cement Co.. This means that all the Group plants are ISO 14001/2004 certified (applying the requirements of the environment management system ISO 14000.).

Following our system's spirit, "Continuous Improvement", the plants imposed more restrictive internal environmental targets in order to avoid any penalties arising from law violation.

Applying the EMS forced the companies to issue an environmental policy that reflect the top management commitment towards improving the environmental quality of our surroundings.

With the direct connection between the Ministry of State of Environmental Affair and the continuous emissions monitoring devices that covered all our cement kiln's stacks, they were able to evaluate the potential amendments in the law.

On October 2005, the new amendments to the law no. 4/1994 were issued, including more restriction on emission to air, the dust emission to be only 300 mg/ Nm<sup>3</sup> instead of 500 mg/ Nm<sup>3</sup> for plants constructed before 1995, i.e. all of our plants. Therefore, the Group has to modify its targets again to comply with the new amendments and moreover to modify the existing management systems according to the new version of the EMS ISO 14001/ 2004.

Italcementi policy in Egypt took all these expectations into consideration and started to implement a Strategic Action Plan from 2005 until 2012, with total investments amounting to 463 Million EGP aimed to cover the expected further modifications to the Law.

Several major projects were completed and successfully implemented in the area of pollution abatement and emission control.

Through the implementation of EPAP, SCGC has successfully implemented in 2005 the first phase of the project, EPAP I, three new electrostatic precipitators were installed at two of the SCGC's five plants, namely Suez and Kattameya plants. This resulted in the drastic reduction of dust emissions from 350 milligrams per cubic meter to 50 milligrams per cubic meter, with a total cost of EGP 50.6 million (EGP 1 = USD 5.6).

Following our success in EPAP I, SCGC is strongly nominated and supported by the Environmental Authority to start a large project in Tourah plant line 8, through the EPAP second phase. The main goal that SCGC wants to achieve from EPAP II is to minimize dust emissions from three existing electrostatic precipitators and two gravel bed filters with the bag house filters according to the best available techniques. EPAP II is being carried out at a cost of approximately LE 132 million and is expected to be completed by mid 2011.

On 2009, and through EPAP II, Helwan Cement Company succeeded to switch off the fuel of the two big dry kilns from Mazout to natural gas. This project reflected a significant improvement to Helwan area and reduced the SO2 emissions from 350 mg/m3 to less than 50 mg/m3. By the end of 2009, kiln 7 in Tourah plant was also switched off from mazout to natural gas.

Another SCGC successful project is the concealment of the historical bypass dust

that was accumulated for more than 30 years, which is the main common problem for all cement factories in Egypt. SCGC was the first and the leader of that project in Egypt. The Group succeeded to conceal and cover 5.5 million m2 of historical Bypass dust area, in Kattameya, Tourah & Helwan plants. The total cost was 12 million EGP, after obtaining the necessary approvals for the concealment procedure, from the Environment Authority. In Minya plant, the group has also started to conceal

the historical bypass covering an area of 570,000 m2, the project is expected to complete by end of 2010.

This project added a good environmental value to the plant area since the suspended bypass dust particles had been greatly eliminated by the wind effect.

Concerning the daily bypass dust, in 2009 SCGC succeeded to specify a certified landfill for disposing the daily Bypass dust and succeed to get the necessary permissions from EEAA & Helwan Governorate for Helwan, Tourah & Kattameya plants.

In parallel to this project, SCGC signed a protocol, under the EEAA umbrella, with the largest company in the construction and road pavements domain to recycle 300 T/day of bypass dust from Helwan plant.

Another protocol was signed with a company working in the production of floor tiles, in El-Minya to recycle 40 Tone/day of daily bypass dust.

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 third external audit in March 2009 for the consolidation of carbon dioxide emissions, covering the five plants of Kattameya, Tourah, Helwan, El Minya and Suez.

### SCGC 2009 CO<sub>2</sub> Cement Production\* Emissions

Absolute gross (ton/year)	8,563,598
Specific gross (kg/ton clinker)	851
Specific gross (kg/ton cem.**)	757

\* These calculation are based on the WBCSD-CSI CO2 protocol, June 2005, version 2 and Italcementi Group guidelines.

\*\* "cem." is a cementitious product that includes both clinker and cement substitutes used for grinding.

In the view of SCGC strategy, by the end of 2009 the Group got all the necessary permissions to utilize agriculture wastes, Sewage Sludge & RDF(Refused derived fuel) as an alternative fuel in both Kattameya & Helwan plants and started planning for an industrial test in 2010.

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. In 2009, a surface of 15,000 square meters was designated as a new green area, and 3,000 trees were planted over the concealed historical bypass area.

The final goal of our Environment policy is to achieve the best balance between the use of natural resources and long term economic growth while ensuring a better quality of life for present and future generations.



## 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 2009, our social initiatives continued to give priority to education, sustainable livelihood, health, and awareness of social issues.

### **Sustainable Livelihoods, Health and Social Awareness**

In December 2009, SCGC signed a new partnership agreement with the Ministry of Family and Population whereby it provides L.E. 3,500,000 to create new job opportunities in Helwan and El Minya Governorates. With this agreement, Suez Cement and the Ministry of Family and Population target the poorest and most vulnerable Groups of Kafr El Elw, El Maasara and Samalut areas and will increase the capacity to deliver more effective and efficient social services.

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. Motivated by the close cooperation between Suez Cement and NCCM, the new phase of the project would be extended to help the local community surrounding SCGC's El Minya White Cement Plant. 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 non-governmental organizations (NGOs) and women's Groups. A Steering Committee has been established encompassing representatives of Suez Cement, NCCM, Helwan Governorate, the Ministry of State for Environmental Affairs, the ministries of Education, Health, Electricity, Industry, and the Interior, the Cairo Holding Company for Water and Sanitary Drainage, and local NGOs.



### **Children's Rights**

Building on its firm belief that there is no duty more important than ensuring that children rights are respected, their welfare is protected and their lives are free from fear and want, SCGC made 2009 a year to remember. It dedicated concerted efforts to the protection of children's rights, and helping them to meet their basic needs and expand their opportunities to reach their full potential, particularly in the light of the new Child Law that Egypt adopted in 2008.

Having access to basic needs such as education and health care, as well as exercising the right to a decent and high-quality life cannot be feasible for children who do not carry official papers. In full realization of such a problem among the children of the local community in Helwan and Tourah districts, SCGC and the National Council for Childhood and Motherhood (NCCM) in March 2009 issued 250 birth certificates for children of Helwan Governorate. We also helped mothers to have their identity cards in order to be able to practice their legal rights. This initiative came within a long-term project entitled "For the Smile of our Children" launched in April 2007 by SCGC and NCCM.

To further raise awareness of the provisions of the new Child Law, SCGC and NCCM organized the summer football tournament for the children of El Maasara and Kafr El Elw districts in August 2009 to raise awareness about the children's rights and the new law. In November 2009, SCGC sponsored the International conference on "The Convention on the Rights of the Child and the Islamic Jurisprudence" organized by the Egyptian Ministry of Family and Population under the auspices of the First Lady, Mrs. Suzanne Mubarak. The conference marked the occasion of the 20th anniversary of the adoption of the Convention on the Rights of the Child (CRC) by the General Assembly of the United Nations and the National Council for Childhood and Motherhood.

#### **Better Health for Children**

Fully convinced that healthy children means a healthy and promising society, SCGC exerts every possible effort to promote better health care for children. In May 2009, the Company donated 1,100 tons of cement to the association "Friends of Children with Cancer" for the construction of the Health and Hope Oasis, a rehabilitation and recovery center for children, especially children from low income families, receiving cancer treatment.

SCGC also signed an agreement in May 2008 with 57357 Children's Cancer Hospital for the donation of 600 tons of cement for a new building that will contain a cyclotron, a piece of equipment used in cancer therapy and allows for personalized cancer treatment. SCGC had 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 beacon hope for Egyptian and Arab children.

In 2009, Suez Cement continued its school feeding program, implemented in cooperation with the World Food Programme, under a partnership agreement signed in January 2008. The programme aimed 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 Samalut district. 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 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.

In March 2009, SCGC sponsored a march "Stop Tuberculosis" by donating (in the framework of NCCM project) in-kind contribution including 2000 T-Shirts to 2000 children from Kafr El Elw and El Maasara area. The march was attended by the Minister of Health and Population, the Egyptian actor Khaled Abul Naga and the football player Hazem Imam. All were wearing Suez Cement's T-Shirt.

Sponsorship of Cultural, Environmental, Leisure and Sports Facilities and Events  
In April 2009, SCGC, for three consecutive years, has sponsored and participated in Helwan Governorate marathon to boost awareness on Environment and Safety at work. Recognizing the importance of promoting safety and health at work, the event was also an occasion for Suez Cement Group to start the celebration together with its employees, the local community of Helwan and the local authorities of the World Day for Safety and Health at Work that takes place each year on the 28th of April.

### **Dialogue with the Local Communities**

On the 5th of May 2009, with the aim of improving communication and establishing a more fruitful and transparent dialogue with local authorities and community Groups, the Tourah Cement plant opened the doors of its industrial facilities for the first time to more than 2,000 residents from Maasara district. The event was also attended by journalists, NGOs and customers providing an occasion to promote a better understanding of our business as well as our environmental and social initiatives.

Additionally, on the occasion of the Holy month of Ramadan and in the spirit of Zakat (giving money to the poor), and as part of our continuous commitment to the ongoing Corporate Social Responsibility programs, SCGC's top management, together with Company employees, distributed more than 200 Ramadan bags containing rice and pasta in the Helwan, Tourah and El Minya districts.

The company also sponsored a workshop on 'Unite to Combat Climate Change' organized by the Ministry of Environmental Affairs. In the same context, the Company sponsored a workshop in September 2009, over Ramadan Iftar, on EPAP II organized by the Egyptian Center for Developmental Studies under the auspices of the Minister of Environment.

In cooperation with the Egyptian Organization for Standardization (EOS) and Quality we organized on September 28th an awareness seminar on the cement properties. The seminar took place at EOS premises and was addressed to contractors, universities, engineering companies and the media.



## 15. Financial Statements

### 15.1 Separate Financial Statements of Suez Cement Company

## **Suez Cement Company (S.A.E)** **SEPARATE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 December 2009** **TOGETHER WITH THE AUDITORS' REPORT**



## **AUDITOR'S REPORT**

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

#### **Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of Suez Cement Company (S.A.E) , represented in the separate balance sheet as of 31 December 2009, and the related separate statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the separate Financial Statements**

These separate financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

## Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the financial position of Suez Cement Company (S.A.E), as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

As indicated in note 5, the company has investments in subsidiaries and prepared consolidated financial statements as of 31 December 2009, for better understanding of the company's financial position as 31 December 2009 and its financial performance, and its cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements.

## Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The company maintains a costing system that meets the purpose and the physical inventory count was undertaken by the Company's Management in accordance with the proper norms.

The financial information included in the Board of Director's Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

**Cairo: 1 March 2010**

## Auditors

**Emad H. Ragheb**

FESAA – FEST

(RAA. 3678)

(CMAR.42)

**Nabil A. Istanbuli**

FESAA – FEST

(RAA. 5947)

(CMAR.71)

**Allied for Accounting & Auditing (E&Y)**

	Note	2009 LE	2008 LE
<b>Non current assets</b>			
Fixed assets	(3)	531,529,711	567,667,459
Projects under construction	(4)	170,536,502	141,236,771
Investments in subsidiaries	(5 a)	5,096,006,148	5,088,047,604
Investment in an associate	(5 b)	28,334,257	28,334,257
Available-for-sale investments	(5 c)	3,590,722	3,903,109
Amounts paid under investments in subsidiaries and other companies	(5 d)	536,791	336,791
Loan to subsidiary company	(6)	108,000,000	152,000,000
Deferred tax assets	(18)	-	2,848,766
<b>Total non current assets</b>		<b>5,938,534,131</b>	<b>5,984,374,757</b>
<b>Current assets</b>			
Inventory	(7)	293,498,315	299,707,740
Accounts receivable		481,208	742,462
Due from related parties	(8)	5,738,816	9,589,955
Prepayments and other receivables	(9)	99,660,846	106,328,353
Cash on hand and at banks	(10)	22,560,205	8,268,526
<b>Total current assets</b>		<b>421,939,390</b>	<b>424,637,036</b>
<b>Current liabilities</b>			
Provisions	(11)	237,749,808	265,969,465
Bank credit balances		-	4,748,873
Credit facilities	(12)	34,031	271,687,811
Current portion of medium term loans	(17)	225,000,000	228,863,542
Loan from subsidiary company	(13)	-	120,000,000
Accounts payable		147,261,255	91,031,403
Due to related parties	(14)	148,671,588	93,778,461
Accrued expenses and other payables	(15)	221,524,018	184,473,306
<b>Total current liabilities</b>		<b>980,240,700</b>	<b>1,260,552,861</b>
<b>Excess of current liabilities over current assets</b>		<b>(558,301,310)</b>	<b>(835,915,825)</b>
<b>Total investment</b>		<b>5,380,232,821</b>	<b>5,148,458,932</b>
<b>Financed as follows:</b>			
<b>Equity</b>			
Issued and paid up capital	(16)	909,282,535	909,282,535
Legal reserve		454,641,267	454,641,267
Other reserves		2,206,482,715	2,206,478,733
Net unrealized gains on available-for- sale investments		2,477,722	2,790,109
Retained earnings		957,580,024	1,350,266,288
Profits for the year		846,995,849	
<b>Total equity</b>		<b>5,377,460,112</b>	<b>4,923,458,932</b>
<b>Non current liabilities</b>			
Medium term loans	(17)	-	225,000,000
Deferred tax liabilities	(18)	2,772,709	-
Total non current liabilities		2,772,709	225,000,000
<b>Total finance of working capital and current assets</b>		<b>5,380,232,821</b>	<b>5,148,458,932</b>

Auditors	Accounting & Conso.Manager	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Nagah Abu Zeid	Ali Ihsan Kucukoglu	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

- Auditors' report attached

## BALANCE SHEET

As of 31 December 2009

	Note	2009 LE	2008 LE
Sales		2,055,784,748	1,717,036,928
Cost of sales		(1,404,928,892)	(1,123,872,915)
<b>GROSS PROFIT</b>		<b>650,855,856</b>	<b>593,164,013</b>
General and administrative expenses	(20)	(52,094,357)	(51,721,336)
Provisions	(11)	(29,866,920)	(111,009,442)
Provisions no longer required	(11)	9,599,979	
Impairment in value of obsolete inventory		-	(2,729,256)
Reversal of Impairment in value of obsolete inventory		5,807,004	
Board of directors' remuneration and allowances		(89,360)	(111,750)
Dividends income		395,539,874	176,999,491
Other income	(21)	18,046,321	26,701,683
<b>OPERATING PROFITS</b>		<b>997,798,397</b>	<b>631,293,403</b>
Finance expenses		(67,532,150)	(101,015,302)
Credit interests		19,698,888	18,345,088
Gain from sale of fixed assets		117,928	3,981
Foreign exchange differences		979,705	(762,458)
Other income- compensations	(22)	13,414,892	-
Other expenses- loss from sale of obsolete inventory		(3,650,895)	(10,000,000)
<b>PROFITS BEFORE INCOME TAXES</b>		<b>960,826,765</b>	<b>537,864,712</b>
Deferred income taxes		(5,621,475)	17,116,454
Income taxes expense	(19)	(108,209,441)	(96,963,727)
<b>PROFITS FOR THE YEAR</b>		<b>846,995,849</b>	<b>458,017,439</b>
<b>EARNINGS PER SHARE</b>	<b>(27)</b>	<b>4.50</b>	<b>2.36</b>

Financial Director	Chief financial officer	Managing director	Chairman
Nagah Abu Zeid	Ali Ihsan Kucukoglu	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

## STATEMENT OF CHANGES IN EQUITY

As of 31 December 2009

	Issued and paid up capital	Legal reserve	Other reserves	Net unrealized gain on available for-sale investments	Retained earnings	Profits for the year	Total
	LE	LE	LE	LE	LE	LE	LE
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
Correcting error (tax differences Adjustments)	-	-	-	-	(4,098,136)	-	(4,098,136)
Adjusted balance as of 1 January 2008	909,282,535	454,641,267	2,200,306,014	2,647,397	827,861,067	471,468,467	4,866,206,747
Transferred to retained earnings	-	-	-	-	471,468,467	(471,468,467)	-
Dividends and transferred to other reserves	-	-	6,172,719	-	(407,080,685)	-	(400,907,966)
Net unrealized gain on available-for-sale investments	-	-	-	142,712	-	-	142,712
Profits for the year	-	-	-	-	-	458,017,439	458,017,439
<b>Balance as of 31 December 2008</b>	<b>909,282,535</b>	<b>454,641,267</b>	<b>2,206,478,733</b>	<b>2,790,109</b>	<b>892,248,849</b>	<b>458,017,439</b>	<b>4,923,458,932</b>
<b>Balance as of 1 January 2009</b>	<b>909,282,535</b>	<b>454,641,267</b>	<b>2,206,478,733</b>	<b>2,790,109</b>	<b>892,248,849</b>	<b>458,017,439</b>	<b>4,923,458,932</b>
Transferred to retained earnings	-	-	-	-	458,017,439	(458,017,439)	-
Dividends and transferred to other reserves	-	-	3,982	-	(392,686,264)	-	(392,682,282)
Net unrealized )loss( on available for-sale-investments	-	-	-	(312,387)	-	-	(312,387)
Profits for the year	-	-	-	-	-	846,995,849	846,995,849
<b>Balance as of 31 December 2009</b>	<b>909,282,535</b>	<b>454,641,267</b>	<b>2,206,482,715</b>	<b>2,477,722</b>	<b>957,580,024</b>	<b>846,995,849</b>	<b>5,377,460,112</b>

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

## STATEMENT OF CASH FLOWS

As of 31 December 2009

	Note	2009 LE	2008 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profits for the year before income taxes		960,826,765	537,864,712
Dividend income		(395,539,874)	(176,999,491)
Depreciation of fixed assets		93,403,962	88,627,851
Provisions		29,866,920	111,009,442
Provisions no longer required		(9,599,979)	-
Impairment in value of obsolete inventory		-	2,729,256
Reversal of Impairment in value of obsolete inventory		(5,807,004)	-
Finance expenses		67,532,150	101,015,302
Credit interests		(19,698,888)	(18,345,088)
Net (Gain) from sale of fixed assets		(117,928)	(3,981)
Foreign exchange differences		(979,705)	762,458
<b>Operating profits before changes in working capital</b>		<b>719,886,419</b>	<b>646,660,461</b>
Change in inventory		12,016,430	(78,817,545)
Change in accounts receivable		261,254	4,216,444
Change in due from related parties		3,851,139	(4,890,857)
Change in prepayments and other receivables		6,667,507	(29,726,756)
Change in accounts payables		56,229,852	26,673,968
Change in due to related parties		54,893,127	66,431,724
Change in accrued expenses and other payables		37,050,712	81,236,462
Cash from operations		890,856,440	711,783,901
Finance expense paid		(67,532,150)	(101,015,302)
Income taxes paid		(108,209,441)	(96,963,727)
Provisions used		(48,486,598)	(6,537,977)
<b>NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>		<b>666,628,251</b>	<b>507,266,895</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments to acquire fixed assets		(57,324,872)	-
Proceeds from sale of fixed assets		176,587	4,187
Payments in respect of projects under construction		(29,299,732)	(62,729,452)
Payments for acquisition of investments in subsidiaries		(7,958,545)	(2,600,000)
Payments for amounts paid under investment in subsidiaries and other companies		(200,000)	13,125,000
Dividends income		395,539,874	176,999,491
Credit interests received		19,698,888	18,345,088
<b>NET CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES</b>		<b>320,632,200</b>	<b>143,144,314</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of credit facilities		(271,653,780)	(63,364,381)
Payments of loans from subsidiary Company		(120,000,000)	(15,000,000)
Proceed of loan to subsidiary company		44,000,000	20,000,000
Payments of current portion of medium term loans		(3,863,542)	-
Payments of medium term loans		(225,000,000)	(234,333,564)
Dividends paid		(392,682,282)	(400,907,966)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(969,199,604)</b>	<b>(693,605,911)</b>
<b>Net Increase (decrease) in cash and cash</b>			

	Note	2009 LE	2008 LE
equivalent during the year		18,060,847	(43,194,702)
Foreign exchange differences		979,705	(762,458)
Cash and cash equivalent - beginning of the year		3,519,653	47,476,813
<b>CASH AND CASH EQUIVALENT - END OF THE YEAR</b>		<b>22,560,205</b>	<b>3,519,653</b>

**For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:**

Cash on hand and at banks	(10)	22,560,205	8,268,526
<b>Deduct:</b>			
Bank credit balances		-	(4,748,873)
		22,560,205	3,519,653

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

## 1- BACKGROUND

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 Company was registered in the Commercial register on 11 April 1979 under no. 181134.

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

The main objective of the Company is to produce all types of cement and other products stemming from the cement industry and related thereto and the production of other building materials and construction requirements and trading therein. The company may have an interest or participate in any manner in organization caring out activities which are similar to the company's activities, or which may contribute to the fulfilment of the Company's objects in Egypt or abroad. The company may also be merged in any of the aforementioned organizations, or may buy or have them subsidiary to the company, subject to the approval of the General Authority for Investment and Free Zones.

As disclosed in note (2-6,5), 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 have been prepared under the going concern assumption on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

#### Statement of compliance

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

### 2 - 2 Changes in accounting policies

The accounting policies adopted this year are consistent with those of the previous year.

The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency.

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date. All differences are recognised in the statement of income.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.



## 2 - 4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
<b>Buildings, constructions, infrastructure and roads</b>	<b>6 to 20</b>
<b>Machinery, equipment and Tools</b>	<b>5 to 20</b>
<b>Motor Vehicles</b>	<b>5</b>
<b>Furniture and office equipment</b>	<b>5 to 10</b>

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each reporting date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

## 2 - 5 Projects under construction

Projects under construction represent the amounts that are incurred 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 less impairment.

## 2 - 6 Investments

Investments in subsidiaries

Investments in subsidiaries are investments in entities which the company has control. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately, Impairment losses cannot be reversed.

## **2 - 6 Investments**

### **Investments in subsidiaries**

Investments in subsidiaries are investments in entities which the company has control. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately. Impairment losses cannot be reversed.

### **Investments in associates**

Investments in associates are investments in entities which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when the company holds, directly or indirectly through subsidiaries 20 per cent or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case.

Investments in associates are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately. Impairment losses cannot be reversed.

### **Available for sale investments**

Available for sale investments 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 investments at fair value through profit or loss.

Available for sale investments are initially recognised at cost inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

Debt investments: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of income and interest continues to be accrued at original rate on the reduced carrying amount of the asset. If the fair value of the debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the statement of income.

## **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 Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs 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.

Cost of work in process includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognised in the statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognised in the statement of income in the period in which the reversal occurs.

## **2 - 8 Accounts receivable and other debit balances**

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

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The loss is recognised in the statement of income. If a future write off is later recovered, the recovery is recognised in the statement of income.

## **2 - 9 Provisions**

Provisions are recognised 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 financial position 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **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 recognised 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.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

## **2 - 12 Income taxes**

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

### **Current income tax**

Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered from or paid to the tax authority.

### **Deferred income tax**

Deferred income tax is recognised 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 recognised 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.

Current and deferred tax shall be recognised as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

## **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.

### **Interest income**

Interest income is recognised as interest accrues using the effective interest method. Interest income is included in finance revenue in the statement of income.

**Dividends**

Revenue is recognised when the company's right to receive the payment is established.

**Rental income**

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

**2 - 14 Expenses**

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

**2 - 15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2 - 16 Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards 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****Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**Impairment of non financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

## 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 less bank credit balance.

## 3- FIXED ASSETS

	Lands LE	Buildings, constructions, infrastructure and roads LE	Machinery, equipment and Tools LE	Motor Vehicles LE	Furniture and office equipment LE	Total LE
<b>Cost</b>						
As of 1 January 2009	398,502	459,334,253	1,019,059,491	49,978,275	44,328,205	1,573,098,726
Additions	-	4,560,986	49,150,543	1,542,800	2,070,543	57,324,872
Disposals	-	-	-	(2,257,451)	(1,099)	(2,258,550)
<b>As of 31 December 2009</b>	<b>398,502</b>	<b>463,895,239</b>	<b>1,068,210,034</b>	<b>49,263,624</b>	<b>46,397,649</b>	<b>1,628,165,048</b>
<b>Accumulated depreciation</b>						
As of 1 January 2009	-	(286,147,525)	(641,614,631)	(43,925,295)	(33,743,815)	(1,005,431,266)
Depreciation for the year	-	(18,239,052)	(68,530,354)	(3,082,082)	(3,552,474)	(93,403,962)
Disposals	-	-	-	2,198,875	1,016	2,199,891
<b>As of 31 December 2009</b>	<b>-</b>	<b>(304,386,577)</b>	<b>(710,144,985)</b>	<b>(44,808,502)</b>	<b>(37,295,273)</b>	<b>(1,096,635,337)</b>
<b>Net book value as of</b>						
<b>31 December 2009</b>	<b>398,502</b>	<b>159,508,662</b>	<b>358,065,049</b>	<b>4,455,122</b>	<b>9,102,376</b>	<b>531,529,711</b>
Net book value as of 31 December 2008	398,502	173,186,728	377,444,860	6,052,980	10,584,390	567,667,459

Fixed Assets as of 31 December 2009 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	137,855,589
Machinery, equipment and tools	299,701,604
Motor vehicles	36,202,394
Furniture and office equipment	28,093,308
<b>Total</b>	<b>501,852,895</b>

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

#### 4- PROJECTS UNDER CONSTRUCTION

Balance at 1 January 2009 LE	Additions during the period LE	Transferred into assets during the period LE	Balance at 31 December 2009 LE
<b>141,236,771</b>	83,882,755	54,583,024	170,536,502
		<b>31/12/2009 LE</b>	<b>31/12/2008 LE</b>
Capitalized Maintenance		<b>15,807,765</b>	24,539,114
Other projects under construction		<b>65,092,075</b>	39,315,968
Down payments under purchase of fixed assets		<b>5,661,096</b>	3,686,290
New Office Building in Cairo		<b>119,757</b>	119,757
Capitalized spare parts *		<b>83,855,809</b>	73,575,642
		<b>170,536,502</b>	141,236,771

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

#### 5- INVESTMENTS

##### A) Investments in subsidiaries

	% of Ownership	Par value LE	31/12/2009 LE	31/12/2008 LE
<b>Subsidiary companies</b>				
Helwan Cement S.A.E	<b>98.69</b>	<b>10</b>	<b>3,413,255,262</b>	3,413,255,262
Tourah Portland Cement Company S.A.E	<b>66.12</b>	<b>10</b>	<b>1,287,617,992</b>	1,287,617,992
EL Helal Cement Company-Kuwait ( Kuwaiti Joint Stock Company)	<b>51</b>	<b>15.29</b>	<b>270,415,816</b>	262,457,272
Ready Mix Beton Egypt (RMBE) S.A.E	<b>52</b>	<b>10</b>	<b>55,154,993</b>	55,154,993
Ready Mix Beton (RMB) S.A.E	<b>52</b>	<b>10</b>	<b>26,277,866</b>	26,277,866
Suez Bags Company S.A.E	<b>53.3</b>	<b>10</b>	<b>22,438,108</b>	22,438,108
Industries Development Company S.A.E *	<b>90</b>	<b>100</b>	<b>225,000</b>	225,000
Axim for Industries Company S.A.E (Previously : Upper Egypt Industries Company)	<b>90</b>	<b>100</b>	<b>13,500,000</b>	13,500,000
<b>Subsidiary companies through indirect investments **</b>				
Suez Lime Company S.A.E	<b>49</b>	<b>100</b>	<b>3,621,100</b>	3,621,100
Suez For Transport and Trade S.A.E	<b>35</b>	<b>100</b>	<b>3,500,000</b>	3,500,000
Development and Construction Materials Company (DECOM) S.A.E	<b>0.01</b>	<b>10.64</b>	<b>11</b>	11
			<b>5,096,006,148</b>	<b>5,088,047,604</b>

\*\*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 (through Tourah Portland Cement Company S.A.E - subsidiary company by 66.12%) in Suez Lime Company (S.A.E) by 66%.
- Suez cement company indirect share (through Helwan Cement S.A.E - subsidiary company by 98.69%) in Suez for Transport & Trade (S.A.E) by 60.89%.
- Suez cement company indirect share (through Ready Mix Beton Egypt (RMBE) S.A.E - subsidiary company by 52%) in Development and Construction Materials Co (DECOM) (S.A.E) by 52%.

## B) Investment in an associate

	% of Ownership	Par value LE	31/12/2009 LE	31/12/2008 LE
Techno Gravel For Quarries-Egypt S.A.E	45	10	28,334,257	28,334,257
			28,334,257	28,334,257

## C) Available-for-sale investments

	% of Ownership	Par value LE	31/12/2009 LE	31/12/2008 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			2,477,722	2,790,109
			3,590,722	3,903,109

## D) Amounts paid under investments in subsidiaries and other companies

	% of Ownership	Par value LE	31/12/2009 LE	31/12/2008 LE
Suez Bosphorus Cimento Sanayi Ve Ti	99.9	3.64	186,791	186,791
Italgin Egypt For Energy S.A.E	1	100	350,000	150,000
			536,791	336,791



## 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 2009 amounting to LE 108 Million.

## 7- INVENTORY

	31/12/2009 LE	31/12/2008 LE
Raw materials	13,551,533	9,575,094
Fuel, Spare parts and Consumables	267,432,457	266,014,319
Rolling and packing Material	7,362,993	4,875,366
Work in progress	42,892,523	47,189,861
Finished Products	9,826,946	27,191,819
Letters of credit	7,838,115	6,074,537
	<b>348,904,567</b>	<b>360,920,996</b>
<b>Less:</b>		
Impairment in value of obsolete spare parts inventory	(53,632,329)	(59,043,256)
Impairment in value of obsolete (packing -bags) inventory	(1,773,923)	(2,170,000)
	<b>293,498,315</b>	<b>299,707,740</b>

## 8- DUE FROM RELATED PARTIES

	31/12/2009 LE	31/12/2008 LE
Ready Mix Beton (RMB ) S.A.E.	1,039,423	1,453,462
Ready Mix Beton Egypt (RMBE) S.A.E.	1,513,315	1,988,517
Suez Lime Company S.A.E.	1,349,730	711,803
Suez For Transport & Trade S.A.E.	-	3,110,674
Techno Gravel For Quarries-Egypt S.A.E.	366	279,035
Development and Construction Materials Company (DECOM) S.A.E.	1,835,982	2,046,464
	<b>5,738,816</b>	<b>9,589,955</b>

## 9- PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2009 LE	31/12/2008 LE
Prepaid expenses	10,583,620	6,977,668
Advances to suppliers	32,546,685	26,997,306
Accrued interest	-	1,262
Deposits with others	16,922,511	15,827,823
Other debtors - Decrease in amounts paid under investment in Industries Development Company S.A.E.	-	13,275,000
Debtors (sale of assets)	5,152,127	13,675,504
Tax authority	27,979,036	27,040,612
Tax Refunded	7,356,720	1,167,550
Other debit balances	920,147	3,165,628
	<b>101,460,846</b>	<b>108,128,353</b>
Less: Impairment in value of other debit balances (doubtful debts)	(1,800,000)	(1,800,000)
	<b>99,660,846</b>	<b>106,328,353</b>

## 10- CASH AT BANKS

	31/12/2009 LE	31/12/2008 LE
<b>a- Egyptian Pound</b>		
Current accounts	18,112,942	-
<b>b- Foreign currencies</b>		
Current accounts	4,447,263	4,407,592
Time deposits (matures in 3 months)	-	3,860,934
	<b>22,560,205</b>	<b>8,268,526</b>

## 11- PROVISIONS

	Balance as of 1 January 2009 LE	Charged during the year LE	Utilized during the year LE	No longer required LE	Balance as of 31 December 2009 LE
Tax claims	147,650,000	5,276,875	(4,526,875)	-	<b>148,400,000</b>
Juridical disputes	5,960,196	163,701	(69,911)	(1,042,224)	<b>5,011,762</b>
Early pension refunds	46,650,000	-	(34,690,512)	(8,359,488)	<b>3,600,000</b>
Training support fund	31,188,502	9,700,333	-	-	<b>40,888,835</b>
Other tax claims					
(Clay development contribution fees)	-	9,399,211	-	-	<b>9,399,211</b>
Army claims for Suez plant - rent of lands	25,000,000	-	-	-	<b>25,000,000</b>
Other claims	9,520,767	5,326,800	(9,199,300)	(198,267)	<b>5,450,000</b>
	265,969,465	29,866,920	(48,486,598)	(9,599,979)	<b>237,749,808</b>

## 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 million, the outstanding balance of these facilities as of 31 December 2009 amounted to LE 34,031.

## 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 loan has been settled in year 2009.

## 14- DUE TO RELATED PARTIES

	31/12/2009 LE	31/12/2008 LE
Cement Francis (major shareholder)	9,580,907	7,518,373
Suez Bags Company S.A.E.	10,077,996	2,117,344
Tourah Portland Cement Company S.A.E.	3,809,286	18,810,370
Helwan Cement Company S.A.E.	124,942,629	65,332,374
Suez For Transport and Trade S.A.E	260,770	-
	<b>148,671,588</b>	<b>93,778,461</b>

## 15- ACCRUED EXPENSES AND OTHER PAYABLES

	31/12/2009 LE	31/12/2008 LE
Accrued expenses	3,360,669	11,398,126
Advances from customers	80,496,103	41,889,444
Accrued taxes and insurances	3,314,234	2,265,187
Income taxes for the year	108,209,441	-
Accrued income taxes	-	96,963,727
Deposits from others	3,252,283	1,583,393
Tax Authority - Clay development contribution fees	3,241,107	13,161,342
Other payables	19,650,181	17,212,087
	<b>221,524,018</b>	<b>184,473,306</b>

## 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 181856507 shares of par value LE 5 each.

## 17- MEDIUM TERM LOANS

	31/12/2009 LE	31/12/2008 LE
<b>Medium term loans</b>		
NSGB Bank	-	3,863,542
CIB Bank	225,000,000	450,000,000
Total medium term loans	225,000,000	453,863,542
<b>Current portion of medium term loans</b>		
NSGB Bank	-	(3,863,542)
CIB Bank	(225,000,000)	(225,000,000)
Total current portion of medium term loans	(225,000,000)	(228,863,542)
	-	225,000,000

### 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), which has been used among credit facilities (Note 12) instead of the bridge loan, this contract executed on 9 October 2006.

## 18- DEFERRED INCOME TAXES

	31/12/2009 LE	31/12/2008 LE
Depreciation of fixed assets	(32,083,921)	(33,417,778)
Provisions	29,311,212	36,266,544
Net deferred income tax (liability) asset	(2,772,709)	2,848,766

## 19- RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	%	31/12/2009 LE
Net profits before income taxes		960,826,765
Income tax at the applicable tax rate	%20	192,165,353
Non deductible expenses		19,193,275
Provisions		5,973,384
Provisions used		(8,791,880)
Provisions no longer required		(1,919,996)
Reversal of impairment in value of obsolete inventory		(1,161,401)
Capital income		(23,586)
Dividends income		(79,107,975)
Deductible expenses		(18,117,733)
Income taxes	%11.26	108,209,441

## 20- GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2009 LE	31/12/2008 LE
Technical assistance fees	14,001,200	10,977,454
Salaries	9,968,173	11,747,884
Club and social services	8,943,430	5,342,320
Insurance	5,449,743	3,886,396
Licenses	6,210,585	3,454,907
Miscellaneous other expenses	7,521,226	16,312,375
	52,094,357	51,721,336

## 21- OTHER INCOME

Other income during the year ended 31 December 2009 amounted to LE 18,046,321 represents the following:

	31/12/2009 LE
Management fees	12,428,673
Sales of scrap	3,348,352
Other income	2,269,296
	18,046,321

## 22- OTHER INCOME - COMPENSATION

Other income during the period ended 31 December 2009 represents an amount of LE 13,414,892 as indemnity for damage of Raw Mill for Suez plant.

## 23- CAPITAL COMMITMENTS

The balance of the Company's contracted capital commitments as 31 December 2009 amounted to LE 23,124,000 represents machineries and equipments related to Suez and Qatamia Planets.

## 24- CONTINGENT LIABILITIES

The letters of guarantee issued at the Company's request by Alex Bank in favor of third parties as of 31 December 2009 amounted to LE 1,180,050 whereas; the cash margin of these letters amounted to LE 34,763 as follows:

	Amount in issued currency	Equivalent in LE	Cash margin LE
Letters of guarantee - Egyptian pound	1,180,050	1,180,050	34,763
	1,180,050	1,180,050	34,763

## 25- 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 there is no claims for the year 2004 till the date of financial statements. No tax inspection took place for the years from 2005 till 2008.

### b) Sales tax

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

No tax inspection took place till 2008.

### c) Salary tax

The Company's records were inspected till year 1998, and all the taxes due were paid.

The Company's records were inspected for the years from 1999 till 2004 and there is no claims till the date of financial statements.

No tax inspection took place for the years from 2005 till 2008.

### 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 from the year 2006 till year 2008.

## 26- 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 receivable, due from related parties and other debit balances. The financial liabilities include bank credit balances, credit facilities, current portion of medium term loan, accounts payable, due to related parties and other payables

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 17,967,889 whereas, the total financial liabilities denominated in foreign currencies amount to LE 9,320,826.

#### **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.

### **27- EARNING PER SHARE**

Earnings per share were calculated by dividing the net profits for the year by the weighted average number of shares outstanding during the year as follows:

	<b>31/12/2009 LE</b>	<b>31/12/2008 LE</b>
Net profits for the year	<b>846,995,849</b>	458,017,439
Board of directors' dividends	<b>(3,000,000)</b>	(3,000,000)
Employees' dividends	<b>(25,427,906)</b>	(25,969,269)
Net profit available for shareholders	<b>818,567,943</b>	(429,048,170)
W.A Number of shares outstanding	<b>181856507</b>	181856507
Earnings per share	<b>4.50</b>	2.36

### **28- RELATED PARTY TRANSACTIONS**

#### **a) Ciment Franáais (major shareholder)**

The amount of the technical assistance fees offered by Cements Frances (major shareholder) for the period ended 31 December 2009 amounting to LE 35,007 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 14,001 Million charged to statement of income.

#### **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 101,300 million for year ended 31 December 2009.

The Suez Bags portion from the fees of Suez Cement Group amounting to LE 2,211 million for the year ended 31 December 2009.

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

The value of the supplied clinker for Suez Cement company (the holding Company) amounting to LE 16,014 million for the year ended 31 December 2009.

The Tourah Cement portion from the fees of Suez Cement Group amounting to 8,922 Million for the year ended 31 December 2009.

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

The value of the supplied clinker for Suez Cement (Holding Company) amounting to LE 79,312 million for the year ended 31 December 2009.

Helwan Cement Company S.A.E. (subsidiary) portion from the fees of Suez Cement Group amounting to 24,055 Million for the year ended 31 December 2009.

**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 0,021 million for the year ended 31 December 2009.

**f) Ready Mix Beton (RMB) S.A.E (subsidiary)**

The value of cement sold to Ready Mix Beton (RMB) (subsidiary) amounting to LE 0,209 million for the year ended 31 December 2009.

**g) 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 2,354 million for the year ended 31 December 2009

**h) 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 3,605 million for the year ended 31 December 2009.

**29- COMPARATIVE FIGURES**

Certain comparative figures for the year 2008 have been reclassified to conform to the current year presentation of these separate financial statements.







## 15. Financial Statements

### 15.2 Consolidated Financial Statements of Suez Cement Group of Companies

**Suez Cement Company (S.A.E)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2009**  
**TOGETHER WITH THE AUDITORS' REPORT**

## AUDITOR'S REPORT

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

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Suez Cement Company (S.A.E) , represented in the consolidated balance sheet as of 31 December 2009, and the related consolidated statements of income, changes in equity and 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 the Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 these consolidated financial statements.

## Opinion

In our opinion, the consolidated financial statements, give a true and fair view, in all material respects, of the consolidated financial position of Suez Cement Company (S.A.E), as of 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations

**Cairo: 4 March 2010**

## Auditors

**Emad H. Ragheb**

FESAA – FEST  
(RAA. 3678)  
(CMAR.42)

**Nabil A. Istanbuli**

FESAA – FEST  
(RAA. 5947)  
(CMAR.71)

**Allied for Accounting & Auditing (E&Y)**

## CONSOLIDATED BALANCE SHEET

As of 31 December 2009

	Note	2009 LE	2008 LE
<b>Non current assets</b>			
Fixed assets	(4)	3,595,488,892	3,695,390,751
Projects under construction	(5)	360,709,657	355,672,285
Goodwill		2,684,523,061	2,676,564,515
Investment in an associate	(6 a)	38,665,830	35,806,953
Available-for-sale investments	(6 b)	12,040,562	12,352,949
Amounts paid under investments in subsidiaries and other companies	(6 c)	31,350,317	77,458,455
<b>Total non current assets</b>		<b>6,722,778,319</b>	<b>6,853,245,908</b>
<b>Current assets</b>			
Inventory	(7)	862,736,891	943,990,053
Accounts and notes receivable	(8)	198,630,027	183,837,584
Prepayments and other receivables	(9)	352,042,080	303,793,872
Cash on hand and at banks	(10)	1,485,786,120	1,000,634,730
<b>Total current assets</b>		<b>2,899,195,118</b>	<b>2,432,256,239</b>
<b>Current liabilities</b>			
Provisions	(13)	476,778,230	625,816,740
Bank credit balances		-	4,748,873
Credit facilities	(11)	22,248,733	324,735,803
Current portion of medium term loans	(16)	230,361,171	234,224,713
Current portion of long term liabilities	(17)	12,462,651	13,807,628
Accounts payable		380,013,557	283,048,942
Dividends payable		-	2,207
Accrued expenses and other payables	(12)	684,848,004	675,664,486
<b>Total current liabilities</b>		<b>1,806,712,346</b>	<b>2,162,049,392</b>
<b>Working capital</b>		<b>1,092,482,772</b>	<b>270,206,847</b>
<b>Total investment</b>		<b>7,815,261,091</b>	<b>7,123,452,755</b>
<b>Financed as follows</b>			
<b>Equity</b>			
Issued and paid up capital	(14)	909,282,535	909,282,535
Reserves		2,663,601,704	2,663,910,109
Cumulative foreign currencies translation differences		(10,256,728)	(731,519)
Retained earnings		2,112,268,104	1,523,710,741
Profits for the year		1,299,715,958	1,040,855,025
<b>Total equity</b>		<b>6,974,611,573</b>	<b>6,137,026,891</b>
Non-controlling interest	(15)	649,699,284	558,339,921
<b>Non current liabilities</b>			
Medium term loans	(16)	8,461,722	261,079,401
Other long term liabilities	(17)	32,896,112	60,899,573
Deferred tax liabilities		149,592,400	106,106,969
<b>Total non current liabilities</b>		<b>190,950,234</b>	<b>428,085,943</b>
<b>Total finance of working capital and non current assets</b>		<b>7,815,261,091</b>	<b>7,123,452,755</b>

Auditors	Accounting & Conso.Manager	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Nagah Abu Zeid	Ali Ihsan Kucukoglu	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (27) are an integral part of these consolidated financial statements.

- Auditors' report attached

## CONSOLIDATED STATEMENT OF INCOME

For The Year Ended 31 December 2009

	Note	2009 LE	2008 LE
Sales		6,380,147,378	5,542,480,386
Cost of sales		(4,200,849,932)	(3,465,579,740)
<b>GROSS PROFIT</b>		<b>2,179,297,446</b>	<b>2,076,900,646</b>
General and administrative expenses		(318,936,347)	(304,188,705)
Provisions	(13)	(86,935,646)	(255,691,526)
Provisions no longer required	(13)	18,485,297	35,011,061
Decline in value of obsolete inventory		(5,607,870)	(4,363,211)
Reversal of decline in value of obsolete inventory		21,809,246	-
Board of directors' remuneration and allowances		(615,641)	(606,041)
Dividends income		8,667,825	2,810,214
Investment income in an associate company	(6 a)	8,408,392	5,134,145
Other income	(18)	34,889,286	53,712,592
<b>OPERATING PROFITS</b>		<b>1,859,461,988</b>	<b>1,608,719,175</b>
Finance expenses	(19)	(88,838,789)	(105,351,336)
Credit interests		96,532,398	67,954,971
Gain from sale of fixed assets		1,582,151	3,728,570
Foreign exchange differences		1,271,433	1,742,626
Other income- compensations	(20)	30,759,886	-
Other expenses	(21)	(19,858,146)	(39,223,277)
Other expenses- loss from sale of obsolete inventory		(16,669,197)	-
<b>PROFITS BEFORE INCOME TAXES</b>		<b>1,864,241,724</b>	<b>1,537,570,729</b>
Deferred income taxes		(43,485,431)	4,811,122
Income taxes expense		(336,507,205)	(324,690,170)
<b>PROFITS FOR THE YEAR BEFORE NON-CONTROLLING INTEREST</b>		<b>1,484,249,088</b>	<b>1,217,691,681</b>
Non-controlling interest	(26)	(184,533,130)	(176,836,656)
<b>PROFITS FOR THE YEAR</b>		<b>1,299,715,958</b>	<b>1,040,855,025</b>
<b>EARNINGS PER SHARE</b>	<b>(24)</b>	<b>6.65</b>	<b>5.23</b>

Financial Director	Chief financial officer	Managing director	Chairman
Nagah Abu Zeid	Ali Ihsan Kucukoglu	Roberto Callieri	Omar A. Mohanna

- The accompanying notes from (1) to (27) are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For The Year Ended 31 December 2009

	Issued and paid up capital	Reserves	Cumulative foreign currencies translation differences	Retained earnings	Net profits for the year	Total
	LE	LE	LE	LE	LE	LE
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
Correcting error (tax differences adjustments)	-	-	-	(4,098,136)	-	(4,098,136)
Adjusted balance as of 1 January 2008	909,282,535	2,657,594,678	1,809,991	995,954,828	980,847,565	5,545,489,597
Transferred to retained earnings	-	-	-	980,847,565	(980,847,565)	-
Dividends and transferred to other reserves	-	6,172,719	-	(453,091,652)	-	(446,918,933)
Net unrealized gain on available for sale investments	-	142,712	-	-	-	142,712
Foreign currencies translation differences for the year	-	-	(2,541,510)	-	-	(2,541,510)
Profits for the year	-	-	-	-	1,040,855,025	1,040,855,025
<b>Balance as of 31 December 2008</b>	<b>909,282,535</b>	<b>2,663,910,109</b>	<b>(731,519)</b>	<b>1,523,710,741</b>	<b>1,040,855,025</b>	<b>6,137,026,891</b>
Balance as of 1 January 2009	909,282,535	2,663,910,109	(731,519)	1,523,710,741	1,040,855,025	6,137,026,891
Adjustments on retained earnings	-	-	-	(6,883,850)	-	(6,883,850)
Adjusted balance as of 1 January 2009	909,282,535	2,663,910,109	(731,519)	1,516,826,891	1,040,855,025	6,130,143,041
Transferred to retained earnings (tax differences)	-	-	-	1,040,855,025	(1,040,855,025)	-
Dividends and transferred to other reserves	-	3,982	-	(445,413,812)	-	(445,409,830)
Net unrealized )loss( on available for sale investments	-	(312,387)	-	-	-	(312,387)
Foreign currencies translation differences for the year	-	-	(9,525,209)	-	-	(9,525,209)
Profits for the year	-	-	-	-	1,299,715,958	1,299,715,958
<b>Balance as of 31 December 2009</b>	<b>909,282,535</b>	<b>2,663,601,704</b>	<b>(10,256,728)</b>	<b>2,112,268,104</b>	<b>1,299,715,958</b>	<b>6,974,611,573</b>

- The accompanying notes from (1) to (27) are an integral part of these consolidated financial statements.

## STATEMENT OF CASH FLOWS

As of 31 December 2009

	Note	2009 LE	2008 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profits for the year before income taxes		1,864,241,724	1,537,570,729
Depreciation of fixed assets		317,020,633	304,927,535
Decline in value of obsolete inventory		5,607,870	4,363,211
Reversal of decline in value of obsolete inventory		(21,809,246)	-
Provisions		86,935,646	255,691,526
Provisions no longer required		(18,485,297)	(35,011,061)
Investment income in an associate company		(8,408,392)	(5,134,145)
Finance expenses		88,838,789	105,351,336
Credit interests		(96,532,398)	(67,954,971)
(Gain) from sale of fixed assets		(1,582,151)	(3,728,570)
Foreign exchange differences		(1,271,433)	(1,742,626)
<b>Operating profits before changes in working capital</b>		<b>2,214,555,745</b>	<b>2,094,332,964</b>
Change in inventory		97,454,538	(212,403,900)
Change in accounts and notes receivable and prepayments and other receivables		(86,389,576)	(75,026,527)
Provisions reclassified		-	3,523,587
Change in dividends payable		(2,207)	-
Change in accounts payables and accrued expenses and other payables		121,401,961	60,817,567
<b>Cash from operations</b>		<b>2,347,020,461</b>	<b>1,871,243,691</b>
Finance expenses paid		(65,489,864)	(98,122,173)
Income taxes paid		(351,761,033)	(181,136,561)
Provisions used		(217,488,859)	(19,392,863)
<b>NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>		<b>1,712,280,705</b>	<b>1,572,592,094</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments to acquire fixed assets		(13,888,191)	(69,358,443)
Proceeds from sale of fixed assets		3,853,787	5,701,737
Payments in respect of projects under construction		(215,011,810)	(195,134,447)
Payments in respect of goodwill		(7,958,546)	-
Proceeds from investment in an associate company		5,549,515	-
Proceeds from amounts paid under investment in subsidiaries and other companies		46,108,138	(33,576,661)
Credit interests received		96,532,398	90,329,840
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(84,814,709)</b>	<b>(202,037,974)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of medium term loans, credit facilities and other long term liabilities		(588,316,729)	(775,013,644)
Dividends paid		(445,409,830)	(446,918,933)
Dividends paid to non-controlling interest		(101,143,496)	(110,739,621)
Increase in non-controlling interest		7,969,729	4,234,191
Adjustments on retained earnings		(6,883,850)	-
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(1,133,784,176)</b>	<b>(1,328,438,007)</b>
<b>Net Increase in cash and cash equivalent during the year</b>		<b>493,681,820</b>	<b>42,116,113</b>



	Note	2009 LE	2008 LE
Foreign exchange differences		1,271,433	1,742,626
Foreign currencies translation differences related to fixed assets		4,472,219	1,518,151
Change in Cumulative foreign currencies translation differences		(9,525,209)	(2,541,510)
Cash and cash equivalent - beginning of the year		995,885,857	953,050,477
<b>CASH AND CASH EQUIVALENT - END OF THE YEAR</b>		<b>1,485,786,120</b>	<b>995,885,857</b>

For the purpose of preparing the statement of cash flows, the cash and cash equivalent comprise of the following:

Cash on hand and at banks	(10)	<b>1,485,786,120</b>	1,000,634,730
<b>Deduct:</b>			
Bank credit balances		-	(4,748,873)
<b>CASH AND CASH EQUIVALENT - END OF THE YEAR</b>		<b>1,485,786,120</b>	<b>995,885,857</b>

## 1- BACKGROUND

### 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 Company was registered in the Commercial register on 11 April 1979 under no. 181134.

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

The main objective of the Company is to produce all types of cement and other products stemming from the cement industry and related thereto and the production of other building materials and construction requirements and trading therein. The company may have an interest or participate in any manner in organization caring out activities which are similar to the company's activities, or which may contribute to the fulfilment of the Company's objects in Egypt or abroad. The company may also be merged in any of the aforementioned organizations, or may buy or have them subsidiary to the company, subject to the approval of the General Authority for Investment and Free Zones.

The following is Suez Cement Group companies and the direct and indirect shares of Suez Cement Company S.A.E. in its subsidiaries:

	2009 %	2008 %
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	95.89
Suez Lime Company S.A.E.	49.62	49.62
Development for Industries Company S.A.E	98.24	-
Axim for industries Company S.A.E		
Formerly, Upper Egypt For Industries Company S.A.E	98.24	-
Suez For import and Export	97.77	-

### **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 Cement Company S.A.E. ownership in Egyptian Tourah Portland Cement Company's share capital amounted to 66.12% as of 26 January 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 life using the straight-line method (note 3-4). The total accumulated depreciation as of 31 December 2009 amounting to LE 206,501,751 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 2009 amounting to LE 518,424,176.

### **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.

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%.

### **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 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.

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.

On 28 October 2007 Helwan Cement Company S.A.E. 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%.

#### **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 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.

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.

#### **Ready Mix Beton - Egypt Company S.A.E.**

Ready Mix Beton 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 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 43,548,446, 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 20,017,122.

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 amounted to LE 43,548,446 was recorded as long term asset in the consolidated financial statements.

#### **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.

#### **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.

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.

According to the Share purchase agreement (SPA), a provision setting forth the shareholders to agree unanimously to settle the litigation between Hilal Cement Company and Kuwait international investment company. Suez Cement Company transferred its share (51%) in settlement for the subject provision mentioned in Share purchase agreement (SPA) amounted to KD 409,779 equivalent to LE 7,958,544. This amount has been added to the goodwill and consequently, goodwill of Hilal Cement Company (K.S.C.C.) - Kuwait amounted to LE 116,599,975.

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), the cumulative foreign currencies translation differences resulted from the translation which belong to the parent company's equity amounting to LE 10,256,728 as of 31 December 2009 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 9,854,492 as of 31 December 2009 have been treated as a part of minority interests (Note 15).

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

On 2 October 2007, 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 Suez Lime Company S.A.E is 49,62 %.

### **AXIM FOR INDUSTRIES COMPANY (S.A.E)**

Axim For Industries Company was established in 2007 under Corporate Law No. 159 of 1981 and its amendments. The Company was registered in the commercial registry on 19 August 2007 by number 26643, the purpose of the Company is:

Investing in all types of industries fields and its commercialization.  
Establishing plant for the purpose of manufacturing construction materials.

Importing all materials, products and equipments necessary for helping the Company to achieve its purpose.  
Buy aid grind liquid at intensive figure, store and mitigate and distributed for use for grinding cement.

On 19 August 2007, Suez Cement Company S.A.E. contributes in capital of Axim industries Company S.A.E by 90% (direct Share). Tourah Portland Cement Company S.A.E contributes in the capital by 5%, Helwan Cement Company S.A.E contributes in the capital by 5%. Accordingly, the total direct and indirect share of Suez Cement Company S.A.E is 98.24%.

### **DEVELOPMENT FOR INDUSTRIES COMPANY (S.A.E)**

Development For Industries Company was established in 2007 under Corporate Law No. 159 of 1981 and its amendments. The Company was registered in the commercial registry on 19 August 2007 by number 26644 the purpose of the Company is:

Investing in all types of industries fields and its commercialization.  
Establishing plant for the purpose of manufacturing construction materials.

On 19 August 2007, Suez Cement Company S.A.E. contributes in capital of Development for Industries Company S.A.E by 90% (direct Share). Tourah Portland Cement Company S.A.E contributes in the capital by 5%, Helwan Cement Company S.A.E contributes in the capital by 5%. Accordingly, the total direct and indirect share of Suez Cement Company S.A.E is 98.24%.

### **SUEZ FOR IMPORT AND EXPORT (S.A.E)**

Suez for Import and Export Company was established on 8 July 2009 under Corporate Law No. 159 of 1981 and its amendments. The Company was registered in the commercial registry on 9 July 2009 by number 39989.

The purpose of the Company is Importing & Exporting Cement and all kind of building materials.

On 08 July 2009, Axim industries Company S.A.E contributes in the capital of Suez for import and Export S.A.E by 40% (Direct Share), Development for Industries Company S.A.E contributes in the capital by 40% (Direct share), Suez Transport and Trade Company S.A.E contributes in the capital by 20% (Direct Share), accordingly, The total indirect share of Suez Cement Company S.A.E is 97.77%.

## 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. and its subsidiaries (note 1), In preparing the consolidated financial statements of Suez C

ement Company S.A.E., 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 parent company's investments in subsidiary company over the parent's 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 have been prepared under the going concern assumption on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

#### **Statement of compliance**

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

#### **3 - 2 Changes in accounting policies**

The accounting policies adopted this year are consistent with those of the previous year.

#### **3 - 3 Foreign currency translation**

The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency.

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date. All differences are recognised in the statement of income.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

#### **3 - 4 Fixed assets and depreciation**

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:



	<b>Years</b>
<b>Buildings, constructions, infrastructure and roads</b>	<b>6 to 20</b>
<b>Machinery, equipment and Tools</b>	<b>5 to 20</b>
<b>Motor Vehicles</b>	<b>5</b>
<b>Furniture and office equipment</b>	<b>5 to 10</b>

Fixed assets of Egyptian Tourah Cement Company S.A.E (Subsidiary) 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.

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each reporting date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

### **3 - 5 Projects under construction**

Projects under construction represent the amounts that are incurred 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 less impairment.

### **3 - 6 Investments**

#### **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.

#### **Available for sale investments**

Available for sale investments 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 investments at fair value through profit or loss.

Available for sale investments are initially recognised at cost inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

Debt investments: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of income and interest continues to be accrued at original rate on the reduced carrying amount of the asset. If the fair value of the debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the statement of income.

### **3 - 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.

Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs

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.

Cost includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognised in the statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognised in the statement of income in the period in which the reversal occurs.

### **3 - 8 Accounts receivable and other debit balances**

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

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The loss is recognised in the statement of income. If a future write off is later recovered, the recovery is recognised in the statement of income.

### **3 - 9 Provisions**

Provisions are recognised 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 financial position 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **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 recognised 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.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

### **3 - 12 Income taxes**

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

#### **Current income tax**

Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered from or paid to the tax authority.

#### **Deferred income tax**

Deferred income tax is recognised 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 recognised 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.

Current and deferred tax shall be recognised as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.  
included in finance revenue in the statement of income.

### **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;
- and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Interest income**

Interest income is recognised as interest accrues using the effective interest method. Interest income is included in finance revenue in the statement of income.

### **Dividends**

Revenue is recognised when the company's right to receive the payment is established.

### **Rental income**

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

### **3 - 14 Expenses**

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

### **3 - 15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **3 - 16 Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards 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.

loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

### **3 - 18 Impairment of assets**

#### **Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### **Impairment of non financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

### **3 - 19 Statement of cash flows**

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

### **3 - 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 less bank credit balance.

#### 4- FIXED ASSETS

	Lands LE	Buildings, constructions, infrastructure and roads LE	Machinery, equipment and Tools LE	Motor Vehicles LE	Furniture and office equipment LE	Total LE
<b>Cost</b>						
As of 1 January 2009	499,196,241	1,381,292,406	4,406,267,976	281,167,996	100,413,980	6,668,338,599
Foreign currencies translation differences	-	(5,895,692)	(1,722,437)	(122,519)	(197,091)	(7,937,739)
As of 1 January 2009	499,196,241	1,375,396,714	4,404,545,539	281,045,477	100,216,889	6,660,400,860
Additions	-	15,714,033	200,661,318	2,990,623	4,496,655	223,862,629
Disposals	-	-	(3,306,057)	(9,707,103)	(204,305)	(13,217,465)
<b>As of 31 December 2009</b>	<b>499,196,241</b>	<b>1,391,110,747</b>	<b>4,601,900,800</b>	<b>274,328,997</b>	<b>104,509,239</b>	<b>6,871,046,024</b>
<b>Accumulated depreciation</b>						
As of 1 January 2009	-	(627,817,741)	(2,075,852,187)	(202,388,254)	(66,889,666)	(2,972,947,848)
Foreign currencies translation differences	-	2,428,167	832,176	80,527	124,650	3,465,520
<b>As of 1 January 2009</b>	<b>-</b>	<b>(625,389,574)</b>	<b>(2,075,020,011)</b>	<b>(202,307,727)</b>	<b>(66,765,016)</b>	<b>(2,969,482,328)</b>
Depreciation for the year	-	(56,892,549)	(228,477,689)	(23,201,881)	(8,448,514)	(317,020,633)
Disposals	-	-	2,343,187	8,572,569	30,073	10,945,829
<b>As of 31 December 2009</b>	<b>-</b>	<b>(682,282,123)</b>	<b>(2,301,154,513)</b>	<b>(216,937,039)</b>	<b>(75,183,457)</b>	<b>(3,275,557,132)</b>
<b>Net book value as of 31 December 2009</b>	<b>499,196,241</b>	<b>708,828,624</b>	<b>2,300,746,287</b>	<b>57,391,958</b>	<b>29,325,782</b>	<b>3,595,488,892</b>
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

#### FIXED ASSETS CONT'D

1-Fixed Assets as of 31 December 2009 includes assets that are fully depreciated and still in use, and the acquisition cost for these assets was as follows:

Assets	Cost
Building, constructions, infrastructure and roads	196,869,688
Machinery, equipment and tools	891,231,211
Motor vehicles	87,286,193
Furniture and office equipment	41,191,464
<b>Total</b>	<b>1,216,578,556</b>

2-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.

3-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.

4-Restrictions on the fixed assets of Ready Mix Beton - Egypt Company S.A.E. (Subsidiary) with carrying value amounting to LE 48,666,831 as of 31 December 2009 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 1 January 2009 LE	Additions during the year LE	Transferred into assets during the year LE	Balance at 31 December 2009 LE
355,672,285	215,011,810	(209,974,438)	360,709,657

	2009 LE	2008 LE
Capitalized Maintenance	15,807,765	24,539,114
Machinery and equipment	75,699,541	63,971,566
Other projects under construction	94,130,537	74,811,104
Down payments under purchase of fixed assets	12,677,645	34,357,609
New Office Building in Cairo	119,757	119,757
Capitalized spare parts *	162,274,412	157,873,135
	<b>360,709,657</b>	355,672,285

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

## 6- INVESTMENTS

### (A) Investment in an associate

	% of Ownership	Par value LE	2008 LE	2007 LE
Techno Gravel For Quarries-Egypt S.A.E	45	10		
Investment cost- Beginning of the year			35,806,953	30,672,808
<b>Plus:</b>				
The Company's share in profit for the year			8,408,392	5,134,145
<b>Deduct:</b>				
Dividends			(5,549,515)	
Investment balance - End of the year			38,665,830	35,806,953

\* Investments in associates are accounted for in separate financial statements at cost. Investments cost in Techno Gravel For Quarries-Egypt S.A.E amounted to LE 28,334,257.

## (B) Available-for-sale investments

Investment available-for-sale Measured at fair value	% of Ownership	Par value LE	2008	2007
			LE	LE
Egyptian Company for Cement S.A.E (Quoted in the 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			2,477,722	2,790,109
			3,590,722	3,903,109
<b>Investments available-for-sale Measured at cost</b>				
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
			12,040,562	12,352,949

## (C) Amounts paid under investments in subsidiaries and other companies

	% of Ownership	Par value LE	2008	2007
			LE	LE
Suez Bosphorus Cimento Sanayi Ve Ti	100	3.64	186,794	186,794
Industries Development Company S.A.E	100	100	-	250,000
Axim for industries Company S.A.E	100	100	-	15,000,000
Formerly,Upper Egypt For Industries Company S.A.E	100	100	-	15,000,000
Italgin Egypt for Energy Company S.A.E	2	100	700,000	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	30,463,523	47,884,715
			31,350,317	77,458,455

## 7- INVENTORY

	2009 LE	2008 LE
Raw materials	65,894,393	64,712,869
Fuel, Spare parts and Consumables	750,438,523	756,796,683
Rolling and packing Material	24,287,951	22,991,425
Work in progress	130,045,833	144,380,304
Finished Products	52,224,268	106,871,813
Letters of credit	21,885,198	46,477,610
	1,044,776,166	1,142,230,704
<b>Less:</b>		
Impairment in value of obsolete and slow moving inventory	(182,039,275)	(198,240,651)
	862,736,891	943,990,053



## 8- ACCOUNTS AND NOTES RECEIVABLE

	2009 LE	2008 LE
Accounts receivable	238,987,693	194,439,444
Notes receivable	13,600,055	20,006,936
	<b>252,587,748</b>	214,446,380
<b>Less :</b>		
Impairment in value of accounts and notes receivable (doubtful debts)	(53,957,721)	(30,608,796)
	<b>198,630,027</b>	183,837,584

## 9- PREPAYMENTS AND OTHER RECEIVABLES

	2009 LE	2008 LE
Other debtors - Gazelle Ltd. Inc	12,659,296	7,236,741
Other debtors - Tax Authority	87,951,572	64,649,145
Other debtors - Decrease in amounts paid under investment in Industries Development Company S.A.E.	14,750,000	-
Deposits with others	100,438,929	41,623,378
Prepaid expenses	41,981,782	22,231,276
Accrued interest	15,419,228	11,002,433
Checks under collection	1,736,468	259,991
Advance to suppliers	55,611,817	85,896,143
Debtors of fixed assets sold	9,029,031	18,475,055
Margin on letters of guarantee	244,250	10,248,516
Other receivables *	35,528,444	35,979,931
	<b>360,600,817</b>	312,352,609
<b>Less:</b>		
Impairment in value of other debit balances (doubtful debts)	(8,558,737)	(8,558,737)
	<b>352,042,080</b>	303,793,872

\* Other receivables included an amount of LE 9,564,210 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 to the first degree court decision no. 542 on 3 August 2008.

## 10- CASH ON HAND AND AT BANKS

	2009 LE	2008 LE
<b>a- Egyptian Pound</b>		
Cash on hand	67,122	236,286
Current accounts	205,389,087	195,606,206
Time deposits and treasury bills (mature in 3 months)	1,229,027,740	660,185,432
<b>b. Foreign currencies</b>		
Current accounts	27,991,543	57,458,950
Time deposits (mature in 3 months)	23,310,628	87,147,856
	<b>1,485,786,120</b>	1,000,634,730

## 11- CREDIT FACILITIES

The balance of short term facilities amounted to LE 22,248,733 as of 31 December 2009 represents short term facilities related to Hilal Cement Company (K.S.C.C.) - Kuwait (Subsidiary), the outstanding balance of these facilities as of 31 December 2009 amounted to KD 1,160,926 equivalent to LE 22,214,702, in addition to short term facilities related to Suez Cement Company (S.A.E), the outstanding balance of these facilities as of 31 December 2009 amounted to LE 34,031.

## 12- ACCRUED EXPENSES AND OTHER PAYABLES

	2009 LE	2008 LE
Shareholders - credit balance	9,580,907	23,463,835
Advances from customers	219,934,740	131,513,425
Accrued taxes	26,293,064	378,054,097
Income tax for the year	336,507,205	-
Deposits from others	7,678,217	8,802,995
Accrued salaries	10,732,793	7,865,840
Accrued expenses	24,721,627	71,612,003
Other credit balances	49,399,451	54,352,291
	<b>684,848,004</b>	<b>675,664,486</b>

## 13- PROVISIONS

	Balance as of 1 January 2009 LE	Charged during the year LE	Utilized during the year LE	Provisions no longer required LE	Balance as of 31 December 2009 LE
Tax claims	278,569,948	12,334,615	(63,385,769)	(7,897,314)	219,621,480
Site restoration	18,314,230	2,217,203	(2,665,628)	-	17,865,805
Judicial disputes	49,349,313	5,621,880	(387,221)	(1,416,667)	53,167,305
Employee training support	73,618,786	22,209,644	-	-	95,828,430
Electricity station claims	3,077,760	-	-	-	3,077,760
Environment provision	9,650,000	1,944,000	-	-	11,594,000
Early pension refunds	160,000,000	8,965,022	(141,691,480)	(8,966,574)	18,306,968
Army Claims for Suez Plant - rent of land	25,000,000	-	-	-	25,000,000
Tax Fees	4,000,000	-	-	-	4,000,000
Other tax claims - Clay development fees	-	24,316,482	-	-	24,316,482
Other claims	4,236,703	9,326,800	(9,358,761)	(204,742)	4,000,000
	625,816,740	86,935,646	(217,488,859)	(18,485,297)	476,778,230

## 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- NON-CONTROLLING INTEREST

### (A) Changes in non-controlling interest

	2009 LE	2008 LE
Beginning balance for the year	558,339,921	488,008,695
Non-controlling interest in the net profits for the year	184,533,130	176,836,656
Non-controlling interest in Suez Lime Company S.A.E.	-	3,720,036
Non-controlling interest after capital increase of Ready Mix Beton - Egypt S.A.E.	-	2,400,000
Non-controlling interest in Suez Transport and Trade Company S.A.E.	-	412,364
Non-controlling interest in Foreign currencies translation differences	(9,151,660)	(2,441,843)
Adjustments on retained earnings	17,121,389	143,634
<b>Dividends</b>	(101,143,496)	(110,739,621)
Ending balance for the year	649,699,284	558,339,921

### (B) The balance of non-controlling interest in subsidiaries

	Ownership %	2009 LE	2008 LE
Egyptian Tourah Portland Cement Company S.A.E.	33.88	322,329,831	266,231,739
Suez Bags Company S.A.E.	43.69	52,367,868	44,551,445
Helwan Cement Company S.A.E.	1.31	34,558,393	30,547,862
Ready Mix Beton S.A.E.	48	15,326,580	19,011,091
Hilal Cement Company (K.S.C.C.) - Kuwait	49	151,897,046	151,967,726
Cumulative foreign currencies translation differences - Hilal Cement Company (K.S.C.C.) - Kuwait (Note 2-6)		(9,854,492)	(702,832)
Ready Mix Beton - Egypt S.A.E.	48	31,325,143	22,776,089
Development and Construction Material Company- (DECOM) -S.A.E.	48	47,730,451	20,344,609
Suez for Transport and Trade Company S.A.E.	4.11	838,051	443,146
Industries Development Company S.A.E	1.76	76	-
Axim for industries Company S.A.E			
Formerly, Upper Egypt For Industries Company S.A.E	1.76	3,646	-
Suez For import and Export Company S.A.E	2.23	5,863	-
Suez Lime Company S.A.E.	50.38	3,170,828	3,169,046
		649,699,284	558,339,921

## 16- MEDIUM TERM LOANS

	2009 LE	2008 LE
<b>MEDIUM TERM LOANS</b>		
<b>Suez Cement Company S.A.E.</b>		
National Societe General Bank (NSGB)	-	3,863,542
Commercial International Bank - Egypt (CIB)	225,000,000	450,000,000
<b>Ready Mix Beton - Egypt Company S.A.E.</b>		
Audi Bank - Egypt	13,822,893	19,184,064
<b>Hilal Cement Company (K.S.C.C.)- Kuwait</b>		
Kuwaiti Financial Institution	-	22,256,508
<b>TOTAL MEDIUM TERM LOANS</b>	<b>238,822,893</b>	<b>495,304,114</b>
<b>CURRENT PORTION OF MEDIUM TERM LOANS</b>		
<b>Suez Cement Company S.A.E.</b>		
National Societe General Bank (NSGB)	-	(3,863,542)
Commercial International Bank - Egypt (CIB)	(225,000,000)	(225,000,000)
<b>Ready Mix Beton - Egypt S.A.E.</b>		
Audi Bank - Egypt	(5,361,171)	(5,361,171)
<b>TOTAL CURRENT PORTION OF MEDIUM TERM LOANS</b>	<b>(230,361,171)</b>	<b>(234,224,713)</b>
	<b>8,461,722</b>	<b>261,079,401</b>

### 16-1 Suez Cement Company S.A.E.:

#### 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 9,740,581 with an interest rate of 6,54% per annum, borrowed from a Kuwaiti financial institution prior to Iraqi invasion of Kuwait and was settled at current year.

## 17- OTHER LONG TERM LIABILITIES

	2009 LE	2008 LE
<b>OTHER LONG TERM LIABILITIES</b>		
Long term creditors - Land purchasing	2,390,709	2,390,709
Production lines sales tax	1,146,155	1,151,883
Long term creditors - Gazelle Ltd. Inc.	10,486,760	26,669,427
Long term employee benefits - Hilal Cement Company (K.S.C.C.) - Kuwait	2,255,615	1,613,758
Petroleum Cooperative Association*	29,079,524	40,202,928
Electricity Distribution Company*	-	2,678,496
<b>TOTAL OTHER LONG TERM LIABILITIES</b>	<b>45,358,763</b>	<b>74,707,201</b>
<b>CURRENT PORTION OF LONG TERM LIABILITIES</b>		
Tax Authority	-	(5,728)
Petroleum Cooperative Association*	(12,462,651)	(12,462,651)
Electricity Distribution Company*	-	(1,339,249)
<b>TOTAL CURRENT PORTION OF LONG TERM LIABILITIES</b>	<b>(12,462,651)</b>	<b>(13,807,628)</b>
	<b>32,896,112</b>	<b>60,899,573</b>

\* 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

Other income as 31 December 2009 amounted to LE 34,889,286 represents the following:

	2009 LE
Salvage sold income	9,913,563
Other income	24,975,723
	<b>34,889,286</b>

## 19- FINANCE EXPENSES

	2009 LE
Finance interests	65,489,864
Impairment in value of accounts and notes receivable	23,348,925
	<b>88,838,789</b>

## 20- OTHER INCOME - COMPENSATIONS

Other income at 31 December 2009 amounted to LE 30,759,886 represents an amount of LE 13,414,892 as an indemnity related to Suez Cement Company S.A.E for damages of Suez plant raw materials, other income related to Hilal Cement Company (K.S.C.C.)- Kuwait for loan settlement during the current year ended 31 December 2009 amounted to LE 16, 647,564, in addition to LE 697,430 related to Helwan Cement Company S.A.E.

## 21- OTHER EXPENSES

Other expenses as of 31 December 2009 amounted to LE 19,858,146 includes an amount of LE 7,115,991 represents rent for unused quarries.

## 22- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Suez Cement Group capital commitments amounted to LE 23,124,000 and contingent liabilities amounted to LE 81,039,970 as of 31 December 2009, 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.	23,124,000	1,180,050
Egyptian Tourah Portland Cement Company S.A.E.	-	10,009,000
Suez Bags Company S.A.E.	-	18,431,263
Hilal Cement Company (K.S.C.C.) Kuwait	-	3,827,066
Helwan Cement Company S.A.E.	-	47,592,591
	23,124,000	81,039,97

## 23- 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 2008.

The estimated income taxes of the Group for the year ended 31 December 2009 amounting to LE 336,507,205.

### b) Sales tax

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

No tax inspection took place for the year 2008.

### 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 2008.

### 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 2008.

## 24- EARNING PER SHARE

Earnings per share were calculated by dividing the net profits for the year by the weighted average number of shares outstanding during the year as follows:

	2009 LE	2008 LE
<b>Net profits for the year</b>	<b>1,299,715,958</b>	1,040,855,025
Board of directors' dividends	<b>(10,730,298)</b>	(9,861,800)
Employees' dividends	<b>(78,862,883)</b>	(79,220,217)
<b>Net profit available for shareholders</b>	<b>1,210,122,777</b>	951,773,008
W.A Number of shares outstanding	<b>181856507</b>	181856507
Earnings per share	<b>6.65</b>	5.23

## 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 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 395,3millions whereas, the total financial liabilities denominated in foreign currencies amount to LE 57,8millions.

### 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- RELATED PARTY TRANSACTIONS

The transactions with related parties during the year ended 31 December 2009 are representing in transactions between group companies. Intra group balances and transactions, including income, expense and dividends, are eliminate 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 2009 as follows:**

	Sales/ service revenue LE	Purchases/ service cost LE
Suez Cement Company S.A.E.	2,584,107	193,139,644
Egyptian Tourah Portland Cement Company S.A.E.	35,309,200	88,129,892
Helwan Cement Company S.A.E.	104,189,681	18,768,738
Ready Mix Beton Company S.A.E.	-	8,042,624
Ready Mix Beton - Egypt Company S.A.E.	-	13,730,430
Development and Construction Material Company (DECOM) S.A.E.	-	19,094,477
Suez Bags Company S.A.E.	184,705,703	-
Suez Lime Company S.A.E.	-	676,800
Suez for Transport and Trade Company S.A.E.	14,793,914	-
	<b>341,582,605</b>	<b>341,582,605</b>

**B- The technical assistance from Suez Cement Company S.A.E. to Suez Cement Group Companies during the year ended 31 December 2009 as follows:**

	Technical assistance - revenues LE	Technical assistance - expenses LE
Suez Cement Company S.A.E.	42,279,313	-
Egyptian Tourah Portland Cement Company S.A.E.	-	16,013,733
Helwan Cement Company S.A.E.	-	24,054,767
Suez Bags Company S.A.E.	-	2,210,813
	<b>42,279,313</b>	<b>42,279,313</b>

**C- Loans and its interest transactions between Suez Cement Group Companies during the year ended 31 December 2009 as follows:**

	Lender LE	Borrower LE	Debit / (Credit) Interest LE
Suez Cement Company S.A.E.	108,000,000	90,000,000	(8,421,345)
Egyptian Tourah Portland Cement Company S.A.E.	90,000,000	-	(7,493,170)
Ready Mix Beton - Egypt Company S.A.E.	-	45,000,000	6,741,267
Development and Construction Material Company (DECOM) S.A.E.	-	63,000,000	9,173,248
	<b>198,000,000</b>	<b>198,000,000</b>	<b>-</b>

The Loan from Egyptian Tourah Portland Cement Company S.A.E to Suez Cement Company S.A.E. was settled during the current year



**D-Ciments Francais (Strategic partnership) (Main shareholder):**

The amount of the technical assessment fees offered by Ciments Francais the main shareholder of Suez Cement Company S.A.E. during the year ended 31 December 2009 amounted to L.E 35,007 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 14,001 Million and L.E 21,006 Million respectively.

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

- The Purchase of Suez Cement Cement Company S.A.E. From Interbulk Company during the year ended 31 December 2009 amounted to L.E 31,156 Million.
- The Purchase of Egyptian Tourah Portland Cement Company S.A.E. From Interbulk Company during the year ended 31 December 2009 amounted to L.E 13,516 Million.
- The sales of Egyptian Tourah Portland Cement Company S.A.E. to Interbulk Company during the year ended 31 December 2009 amounted to L.E 9,975 Million.
- The sales of Helwan Cement Company S.A.E. - to Interbulk Company during the year ended 31 December 2009 amounted to LE 37,458 Million.

**F- Interbulk Egypt for Export Company - One of the subsidiaries of Interbulk Company - one of the subsidiaries of Italcementi Group (the parent company of Ciments Francais Company) - the main shareholder of Suez Cement Company S.A.E. :**

- The Purchase of Suez Cement Cement Company S.A.E. From Interbulk Egypt for Export Company during the year ended 31 December 2009 amounted to L.E 58,694 Million.
- The Purchase of Egyptian Tourah Portland Cement Company S.A.E. From Interbulk Egypt for Export during the year ended 31 December 2009 amounted to L.E 13,339 Million.
- The Purchase of Helwan Cement Company S.A.E Cement Company S.A.E. From Interbulk Egypt for Export during the year ended 31 December 2009 amounted to L.E 5,927 Million.

**27- COMPARATIVE FIGURES**

- Certain consolidated comparatives figures for year 2008 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 the Egyptian Law no. 43/1974	Joint stock company, governed by Egyptian Law no. 159 /1981	Joint stock company, governed by Egyptian Law no. 159 /1981	Joint stock company, governed by Egyptian Law no. 43 /1974
Registered Office	Nile City Towers, South Tower, 10 <sup>th</sup> 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	50 years from date of incorporation.	Amended for 50 years starting 12/05/2001.	Amended for 25 years starting 03/10/2000 to 02/10/2025.	25 years from the incorporation date. Expired on 05/12/2013.
Purpose	Producing all kinds of cement. Expires on 05/03/2027 Producing all kinds of cement.	Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	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 Making	8 votes LE 1,300 million Authorized	Majority LE 800 million	Majority LE 2000 million	3 votes LE 12 million
Capital Share	LE 909,282,535 Paid	LE 357,621,000	LE 117,697,750	LE 9 million