

Suez Cement Company (S.A.E)
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
TOGETHER WITH THE REVIEW REPORT

Suez Cement Company (S.A.E)
Consolidated Financial Statements
For THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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Suez Cement Company (S.A.E)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 September 2018

	Note	30 September 2018 EGP	31 December 2017 EGP
Assets			
Non-current assets			
Fixed assets	(13)	3,535,797,947	3,875,597,729
Fixed assets under construction	(14)	352,986,721	394,184,010
Goodwill		2,689,429,222	2,689,429,222
Investment in an associate and shares in joint ventures	(15-a)	40,526,554	41,610,569
Available-for-sale investments	(15-b)	1,460,562	1,460,562
Held to maturity investments	(15-c)	8,429,279	8,429,279
Amounts paid under investments in subsidiaries and other companies	(15-d)	-	2,000,000
Total non-current assets		6,628,630,285	7,012,711,371
Current assets			
Inventory	(17)	1,207,025,091	1,067,684,474
Accounts and notes receivable	(18)	562,669,671	546,405,863
Prepayment, other receivables and other debit balances	(19)	758,632,686	539,948,770
Cash on hand and at banks	(20)	722,935,970	726,756,599
Total current assets		3,251,263,418	2,880,795,706
Assets held for sale	(16)	365,108,933	186,257,654
Total assets		10,245,002,636	10,079,764,731
Equity and liabilities			
Equity			
Share capital	(21-a)	909,282,535	909,282,535
Reserves	(21-b)	2,668,886,627	2,668,886,627
Reserve of unrealized gain on available-for-sale investments		327,001	327,001
Cumulative foreign currencies translation differences		258,210,108	260,113,607
Accumulated actuarial (losses) on defined benefit plans		3,899,908	3,996,986
Retained earnings		1,286,660,292	2,358,450,532
(Losses) for the Year		235,628,582	(937,615,084)
Equity attributable to equity holders of the parent		5,362,895,053	5,263,442,204
Non-controlling interest	(22)	538,208,244	513,923,606
Total Equity		5,901,103,297	5,777,365,810
Non-current liabilities			
Medium term loans	(24)	93,506,178	63,578,576
Other long term liabilities	(25)	44,496,216	43,587,637
End of service benefits liabilities	(26)	86,510,599	80,565,670
Deferred tax liabilities	(12)	208,166,960	171,080,205
Total non-current liabilities		432,679,953	358,812,088
Current liabilities			
Provisions	(27)	675,091,184	964,075,282
Bank overdraft	(23)	7,735,219	316,008,855
Trade payables, accrued expenses and other credit balances	(28)	1,920,253,326	1,988,761,414
Due to tax authority	(29)	180,264,771	142,130,602
Advances from customers	(30)	977,132,932	429,927,621
Retention Payable	(31)	26,022,551	19,077,771
Income tax payable		-	28,793,952
Income taxes for the period	(12)	35,390,401	-
Total current liabilities		3,821,890,384	3,888,775,497
Liabilities directly associated with the assets held for sale	(16)	89,329,002	54,811,336
Total liabilities		4,343,899,339	4,302,398,921
Equity and liabilities		10,245,002,636	10,079,764,731

Auditors	Accounting Manager	Chief Financial Officer	Managing Director	Chairman	
Amr M. El Shaabini	Ehab M. Azer	Sherif El Masry	Ali Ihsan Kucukoglu	Jose Maria Magrina	Omar A. Mohanna

- The accompanying notes from (1) to (37) are an integral part of these consolidated interim financial statements.
- Review report attached

Suez Cement Company (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF INCOME (PROFIT AND LOSS) FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	Period from 1 January 2018 till 30 September 2018 LE	Period from 1 January 2017 till 30 September 2017 LE	Period from 1 July 2018 till 30 September 2018 LE	Period from 1 July 2017 till 30 September 2017 LE
Sales	(6)	5,666,352,921	4,757,028,087	1,701,965,974	1,639,739,609
Cost of sales	(7)	(5,115,707,635)	(4,569,399,052)	(1,647,060,499)	(1,663,739,410)
GROSS PROFIT		550,645,286	187,629,035	54,905,475	(23,999,801)
General and administrative expenses	(8)	(332,838,897)	(525,651,461)	(105,038,403)	(230,314,791)
Investment income in an associate company		5,179,481	5,443,356	2,126,632	2,144,659
Investment income		12,445,714	10,423,054	28,270	28,238
Gain (Losses) on sale of investment		133,372,506	-	132,813,576	-
Finance expenses	(9)	(41,168,092)	(59,468,170)	(13,679,022)	(20,812,580)
Finance income		25,221,424	33,307,530	2,613,338	3,081,755
Other income	(10)	63,231,096	107,311,956	43,617,241	52,175,660
Other expenses	(11)	(16,852,819)	(40,977,287)	3,844,502	(14,235,914)
Foreign exchange differences		(8,405,600)	(15,897,090)	(2,720,109)	15,814,562
Provisions		-	(41,300,789)	-	(4,100,000)
Provisions no longer required		-	137,004,860	-	-
Impairment of accounts and notes receivable		(10,990,985)	(6,323,759)	(2,188,740)	(1,374,673)
Reversal of impairment of accounts and notes receivable		-	279,475	-	-
Board of directors' remuneration and allowances		(1,392,855)	(1,383,053)	(425,963)	(411,494)
PROFIT BEFORE INCOME TAXES		378,446,259	(209,602,343)	115,896,797	(222,004,379)
Deferred income taxes for the period		(37,086,755)	(31,091,885)	(30,838,274)	(6,426,335)
Income taxes for the period	(12)	(35,390,401)	(29,807,964)	(5,040,089)	(1,456,469)
Profits (Losses) for the period from continuing operations		305,969,103	(270,502,192)	80,018,434	(229,887,183)
Discontinued operations					
Profit/(loss) after tax for the Period from discontinued operations		41,235,884	-	16,592,040	-
Profits (Losses) for the period		347,204,987	(270,502,192)	96,610,474	(229,887,183)
Attributable to:					
Equity holders of the parent		277,069,831	(233,048,529)	88,979,749	(196,911,136)
Non-controlling interests		70,135,156	(37,453,663)	7,630,725	(32,976,047)
		347,204,987	(270,502,192)	96,610,474	(229,887,183)

Accounting Manager

Chief financial Officer

Managing Director

Chairman

Sherief El Masry

Ali Ihsan Kucukoglu

Jose Maria Magrina

Omar A. Mohanna

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements.

Suez Cement Company (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Period from 1 January 2018 till 30 September 2018 LE	Period from 1 January 2017 till 30 September 2017 LE	Period from 1 July 2018 till 30 September 2018 LE	Period from 1 July 2017 till 30 September 2017 LE
(LOSSES)PROFITS FOR THE PERIOD	<u>347,204,987</u>	<u>(270,502,192)</u>	<u>96,610,474</u>	<u>(229,887,183)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Net (loss) on available-for-sale (AFS) financial assets		-	-	-
Exchange differences on translation of foreign operations	<u>(3,732,352)</u>	<u>(6,734,715)</u>	<u>(1,544,615)</u>	<u>(2,842,123)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	<u>(3,732,352)</u>	<u>(6,734,715)</u>	<u>(1,544,615)</u>	<u>(2,842,123)</u>
Other comprehensive income not to be reclassified to loss in subsequent years (net of tax):				
Re-measurement gains/(losses) on actuarial defined benefit plans net of tax	<u>(97,078)</u>	-	<u>(97,078)</u>	-
Net other comprehensive income/(loss) not being reclassified to loss in subsequent periods, net of tax	-	-	-	-
Other comprehensive income/(loss), net of tax	<u>(3,829,430)</u>	<u>(6,734,715)</u>	<u>(1,641,693)</u>	<u>(2,842,123)</u>
Total comprehensive income, net of tax	<u>343,375,557</u>	<u>(277,236,907)</u>	<u>94,968,781</u>	<u>(232,729,306)</u>
Attributable to:				
Equity holders of the parent	<u>275,069,254</u>	<u>(236,425,414)</u>	<u>88,094,918</u>	<u>(198,366,023)</u>
Non-controlling interests	<u>68,306,303</u>	<u>(40,811,493)</u>	<u>6,873,863</u>	<u>(34,363,283)</u>
	<u>343,375,557</u>	<u>(277,236,907)</u>	<u>94,968,781</u>	<u>(232,729,306)</u>

Accounting Manager

Chief financial Officer

Managing Director

Chairman

Shereif El Masry

Ali Ihsan Kucukoglu

Jose Maria Magrina

Omar A. Mohanna

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Suez Cement Company (S.A.E)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Issued and paid up capital	Reserves	Reserve of unrealized gain on available- for-sale investments	Cumulative foreign currencies translation differences	Accumulated actuarial gains/(losses) on defined benefit plans	Retained earnings	(Losses) / Profits for the Period	Total	Non-controlling interest	Total Equity
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2018 as issued	909,282,535	2,668,886,627	327,001	260,113,607	3,996,986	2,358,450,532	(937,615,084)	5,263,442,204	513,923,606	5,777,365,810
Adjustments on retained earnings and NCI	-	-	-	-	-	(78,424,588)	-	(78,424,588)	(32,286,767)	(110,711,355)
Adjustments on non-controlling interest - share of NCI in the equity of Hilal Cement Group - Kuwait	-	-	-	-	-	-	-	-	9,031,710	9,031,710
Adjustments on RE - Majority interest in the capital of Helwan	-	-	-	-	-	(92,267)	-	(92,267)	-	(92,267)
Profits (Losses) for the Period	-	-	-	-	-	-	235,628,582	235,628,582	70,340,521	305,969,103
Other comprehensive income, net of tax	-	-	-	(1,903,499)	(97,078)	-	-	(2,000,577)	(1,828,853)	(3,829,430)
Total comprehensive income, net of tax	-	-	-	(1,903,499)	(97,078)	-	235,628,582	233,628,005	68,511,668	302,139,673
Transferred to retained earnings	-	-	-	-	-	(937,615,084)	937,615,084	-	-	-
Dividends and transferred to reserves	-	-	-	-	-	(55,658,301)	-	(55,658,301)	(20,971,973)	(76,630,274)
Balance as of 30 September 2018	909,282,535	2,668,886,627	327,001	258,210,108	3,899,908	1,286,660,292	235,628,582	5,362,895,053	538,208,244	5,901,103,297

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements.

Suez Cement Company (S.A.E)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Issued and paid up capital	Reserves	Reserve of unrealized gain on available-for- sale investments	Cumulative foreign currencies translation differences	Accumulated actuarial gains/(losses) on defined benefit plans	Retained earnings	(Losses) / Profits for the period	Total	Non-controlling interest	Total Equity
	LE	LE	LE	LE		LE		LE	LE	LE
Balance as of 31 December 2016 as issued	909,282,535	2,668,886,627	327,001	311,800,980	9,532,497	2,749,397,226	(527,595,248)	6,121,631,618	801,112,262	6,922,743,880
Adjustments on retained earnings and NCI	-	-	-	-	-	3,474,210	-	3,474,210	(6,202,755)	(2,728,545)
Adjustments on non-controlling interest - share of NCI in the equity of Hilal Cement Group - Kuwait	-	-	-	-	-	-	-	-	(1,610,678)	(1,610,678)
Adjusted Balance as of 1 January 2017	<u>909,282,535</u>	<u>2,668,886,627</u>	<u>327,001</u>	<u>311,800,980</u>	<u>9,532,497</u>	<u>2,752,871,436</u>	<u>(527,595,248)</u>	<u>6,125,105,828</u>	<u>793,298,829</u>	<u>6,918,404,657</u>
Profit for the Period	-	-	-	-	-	-	(233,048,529)	(233,048,529)	(37,453,663)	(270,502,192)
Other comprehensive income, net of tax	-	-	-	(3,376,885)	-	-	-	(3,376,885)	(3,357,830)	(6,734,715)
Total comprehensive income, net of tax	-	-	-	(3,376,885)	-	-	(233,048,529)	(236,425,414)	(40,811,493)	(277,236,907)
Transferred to retained earnings	-	-	-	-	-	(527,595,248)	527,595,248	-	-	-
Dividends and transferred to reserves	-	-	-	-	-	(45,699,699)	-	(45,699,699)	(16,650,574)	(62,350,273)
Balance as of 30 September 2017	<u>909,282,535</u>	<u>2,668,886,627</u>	<u>327,001</u>	<u>308,424,095</u>	<u>9,532,497</u>	<u>2,179,576,489</u>	<u>(233,048,529)</u>	<u>5,842,980,715</u>	<u>735,836,762</u>	<u>6,578,817,477</u>

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	30 September 2018 LE	30 September 2017 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before income taxes continuing operations		378,446,259	(209,602,343)
Profits for the period before Tax from discontinued operations		41,235,884	-
		<u>419,682,143</u>	
Liquidation investments (Gain) / Losses		(27,615,250)	-
Depreciation of fixed assets	(13)	360,143,422	410,623,738
Decline in value of inventory	(17)	(19,789,602)	41,300,789
Reversal of decline in value of obsolete inventory		-	26,268,706
Provisions	(27)	-	-
Provisions no longer required	(27)	-	(137,004,860)
Impairment of accounts and notes receivable	(18)	10,990,985	6,323,759
Reversal of Impairment of accounts and notes receivable		-	(279,475)
Decline in debit balances from provisions used		-	(1,117,684)
Liabilities against end of service plan	(26)	11,996,100	15,783,334
Investment income in an associate company		(5,179,481)	(5,443,356)
Disposal of projects under construction	(14)	-	-
Losses (Gain) on disposal of fixed assets	(13)	(36,912,494)	(33,918,107)
Finance costs		41,168,092	59,468,170
Credit interests		(25,221,424)	(33,307,530)
Operating profits before changes in working capital		<u>729,262,491</u>	<u>139,095,141</u>
Change in inventory	(17)	(146,805,808)	(86,163,179)
Changes in accounts receivable, prepayments, other receivables and other debit balances	(19-18)	(218,683,916)	(116,798,992)
Change in accounts payable, advances from customers, accrued expenses and other payables	(28)	(68,508,088)	94,475,488
Changes in retentions payable	(31)	6,944,780	(9,308,114)
Changes in advanced from customers	930)	547,205,311	9,557,303
Finance costs paid		(41,168,092)	(59,468,170)
Income taxes paid		(66,643,938)	(219,306,321)
Tax adjustments		(3,877,002)	3,474,210
Payment in respect of end of service plan	(26)	(6,051,171)	(10,070,595)
Provisions used	(27)	(288,984,098)	(205,830,758)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>442,690,469</u>	<u>(460,343,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(13)	(93,766,135)	(29,371,845)
Proceeds from sale of fixed assets	(13)	66,855,131	53,364,581
Payments in fixed assets under construction	(14)	(142,182,133)	(336,497,101)
Proceeds from investment in an associate company		6,263,496	2,192,482
Proceeds from sale of investments		166,498,475	-
Change in assets held for sale		(136,915,139)	-
Change in Liabilities Directly associated with the assets held for sale		48,278,680	-
Credit interests received		25,221,424	33,307,530
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(59,746,201)</u>	<u>(277,004,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in medium term loans and other long term liabilities		30,836,181	229,570,432
Change in Bank overdraft		(308,273,636)	(101,358,835)
Dividends paid		(55,658,301)	(45,699,699)
Adjustments on retained earnings		(74,639,853)	-
Dividends paid to non-controlling interest		(20,971,973)	(16,650,574)
Changes in non-controlling interest		45,256,611	(48,624,926)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(383,450,971)</u>	<u>17,236,398</u>
Net increase /(decrease) in cash and cash equivalent during the Period		(506,703)	(720,111,942)
Foreign currencies translation differences related to fixed assets		(1,410,427)	(16,083,583)
Change in cumulative foreign currencies translation differences		(1,903,499)	(3,376,885)
Cash and cash equivalent - beginning of the Period		726,756,599	1,351,084,980
CASH AND CASH EQUIVALENT – END OF THE PERIOD	(20)	<u>722,935,970</u>	<u>611,512,570</u>
For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalent comprise of the following:		30 September 2018	30 September 2017
		LE	LE
Cash on hand and at banks	(20)	730,671,189	922,727,382
Less:			
Bank overdraft		(7,735,219)	(311,214,812)
CASH AND CASH EQUIVALENT		<u>722,935,970</u>	<u>611,512,570</u>

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1. BACKGROUND

Summary of Suez Cement Group Companies

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.

Heidelberg Cement, which acquired 100% of Italcementi's Share capital, through its subsidiaries, owns 55% of Suez Cement's outstanding shares as of 31 December 2016.

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, utilization of mines and quarries except sand and gravels. 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 Consolidated financial statements of the Company for the period ended 30 September 2017 were authorized for issuance in accordance with the Board of Directors' resolution on 14 November 2018.

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

	30 September 2018	31 December 2017
	%	%
Egyptian Tourah Portland Cement Company S.A.E.	66.12	66.12
Suez Bags Company S.A.E. Subsidiary held for sale	-	56.31
Helwan Cement Company S.A.E.	99.55	99.55
Ready Mix Concrete El - Alamyra (RMCA) S.A.E	52	52
Hilal Cement Group (K.S.C.C.) – Kuwait	51	51
Development and Construction Material Company (DECOM) S.A.E. – subsidiary of Universal For Ready Mix Production (RMPU) 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%	96.37	96.37
Suez For import and Export S.A.E	96.37	96.37

Egyptian Tourah Portland Cement Company S.A.E.

Egyptian Tourah Portland Cement Company S.A.E. was established on 23 September 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.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 4-3). The total accumulated depreciation as of 30 September 2018 amounting to LE 516,766,707 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 30 September 2018 amounting to LE 208,159,220.

Suez Bags Company S.A.E. Subsidiary Held For Sale

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%.

According to Suez cement Company Board resolution, approving the sale of all its shares in the company to Mondi Industrial Bags B.V, Suez cement company (S.A.E) classified its investments in Suez Bags Company form Investments in subsidiaries to Non-current assets investments available for sale.

-On 06 August 2018 Suez Bags was Sold in the Egyptian Stock Exchange.

Helwan 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 September 2003. The Helwan Portland Cement Company S.A.E. was cancelled from the commercial register on 29 September 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.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 non-current asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of profit or loss.

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 96.37%.

During year 2010, Helwan Cement Company S.A.E. purchased 921,690 shares of its outstanding shares at LE 34,063,566.

On 6 December 2010 The Extraordinary General Assembly Meeting decided to decrease issued capital by 921690 shares, and to decrease par value by LE 5 instead of LE 10, consequently, the Company's outstanding shares reached 116775085 shares.

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 Production (RMP) S.A.E. – (Previously: Ready Mix Beton S.A.E.)

Ready Mix Production (RMP) S.A.E. – (Previously: Ready Mix Beton 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 260000 shares from the shares of Ready Mix Beton Company S.A.E., Suez Cement Company S.A.E. share is 52 % (260000 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 non-current asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of profit and loss.

Based on a decree from the Extraordinary General Assembly Meeting dated 25 September 2008, the Company's name was changed to Ready Mix Production (RMP) S.A.E.

The Company was merged to form Universal Ready Mix Concrete S.A.E that was established on 21 February 2012,

Universal For Ready Mix Production (RMPU) S.A.E. – (Previously: Ready Mix Beton – Egypt Company S.A.E.)

Universal For Ready Mix Production (RMPU) S.A.E. – (Previously: Ready Mix Beton – Egypt Company S.A.E.) was established on 14 April 1996 as a Joint Stock Company under investments Guarantees and Incentives Law 8 of 1997.

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

On 1 October 2006, Suez Cement Company S.A.E. acquired 520000 shares from the shares of Ready Mix Beton – Egypt Company S.A.E., Suez Cement Company S.A.E. share is 52% (520000 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.

Based on a decree from the Extraordinary General Assembly Meeting dated 25 September 2008, the Company's name was changed to Universal for Ready Mix Production (RMPU) S.A.E.

The Company was merged to form Universal Ready Mix Concrete S.A.E that was established on 21 February 2012,

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Universal Ready Mix Concrete S.A.E “El – Alamyia” (RMCA)

Universal for Ready Mix Concrete S.A.E was established under the law 8 of 1997 on 21 February 2012 by mean of the merge took place between Universal for Ready Mix Production S.A.E “Subsidiary” and Ready Mix Production S.A.E “Subsidiary”.

On 26 February 2012, the extraordinary assembly meeting decided the change of the Company’s name to become “Ready Mix Concrete El – Alamyia (RMCA) S.A.E

The objective of the company is manufacturing and construction building materials especially ready mix.

On 31 December 2009, the merge took place by mean of revaluing the assets and liabilities of the merged companies, taking into consideration the changes occurred on the financial position till the establishment date as of 21 February 2012, This merge were reflect at the balance sheet as an increase in the fixed Assets by LE 129,758,310 against a decrease in the good will by LE 68,686,548 and a decrease in Non-Controlling interest by LE 61,071,762.

The final goodwill amounted to LE 735,755.

Development and Construction Material Company (DECOM) S.A.E.

Development and Construction Material Company (DECOM) S.A.E. was established on 3 August 1996 as a Joint Stock Company under Law 95 of 1992. The objective of the company is to manufacture cement and construction materials.

On 5 July 2007, Universal For Ready Mix Production (RMPU) S.A.E. 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.

Hilal Cement Group (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% (16830000 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.

Additionally; there’s a goodwill related to Hilal Cement Company and its subsidiaries amounted to KD 5,047,444 equivalent to LE 124,507,572; and consequently, goodwill of Hilal Cement Company (K.S.C.C.) – Kuwait amounted to LE 241,107,547

The goodwill was recorded as non-current asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of profit and loss.

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 3), the cumulative foreign currencies translation differences resulted from the translation which belong to the parent company’s equity amounting to LE 258,210,108 as of 30 September 2018 have been presented separately in the shareholders’ equity. The cumulative foreign currencies translation differences resulted from the translation which belong to the non-controlling interest amounted to LE 248,084,221 as of 30 September 2018 have been presented as a part of non-controlling interests in the consolidated statement of financial position (Note 21).

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018 Suez for Import and Export Company (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 10 August 2015, Suez Transport and Trade Company S.A.E acquired 100% of Suez for Import and Export Company (S.A.E) Share Capital, accordingly, the total indirect share of Suez Cement Company S.A.E is 96.37%.

2. Basis of consolidation

Control

An investor controls an investee if and only if the investor has all the following:

- (1) Power over the investee
- (2) Exposure, or rights, to variable returns from its involvement with the investee
- (3) The ability to use its power over the investee to affect the amount of the investor's returns

Assessing control

An investor shall consider all facts and circumstances when assessing whether it controls an investee. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Loss of Control

If a parent loses control of a subsidiary, it shall:

- 1 Derecognize the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost./
- 2 Derecognize the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them)
- 3 Derecognizes the cumulative translation differences recorded in equity.
- 4 Recognize the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control.
- 5 Recognize any investment retained in the former subsidiary at its fair value at the date when control is lost.
- 6 Reclassify to profit or loss, or transfer directly to retained earnings, the amounts recognized in other comprehensive income in relation to the subsidiary.
- 7 Recognize any resulting difference as a gain or loss in profit or loss attributable to the parent.

If a parent loses control of a subsidiary, the parent shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the parent shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. If a revaluation surplus previously recognized in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the parent shall transfer the revaluation surplus directly to retained earnings when it loses control of the subsidiary.

Non-controlling Interests

An entity shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The entity shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Uniform accounting policies

If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Business Combination

An entity shall account for each business combination by applying the acquisition method. Applying the acquisition method requires:

- (1) Identifying the acquirer;
- (2) Determining the acquisition date;

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

- (3) Recognising and measuring the identifiable assets acquired, the liabilities assumed, contingent liabilities assumed and any non-controlling interest in the acquiree; and
- (4) Recognising and measuring goodwill or a gain from a bargain purchase

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- (a) Fair value; or
- (b) The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Goodwill

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- (a) The aggregate of:
 - (i) The consideration transferred measured in accordance with EAS 29 – Business combination, which generally requires acquisition-date fair value.
 - (ii) The amount of any non-controlling interest in the acquire measured in accordance with EAS 29 – Business combination; and
 - (iii) In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire.
- (b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with EAS 29 – Business combination.

3. 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 Cement 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 profits or losses.

- Non-controlling interest on the net of assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them; Non-controlling interest in the net of assets consists of:
 - (1) The amount of those non-controlling interest at the date of the original combination.
 - (2) The non-controlling'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 non-controlling 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:

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

- (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 non-controlling interests are allocated to, and reported as part of, the non-controlling 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 year in which the gain or loss on disposal is recognized.

4. SIGNIFICANT ACCOUNTING POLICIES

4-1 BASIS OF PREPARATION

The consolidated interim financial statements of the Company are prepared in accordance with Egyptian Accounting Standards ("EAS") issued according to Investments minister decision Num. 110 for year 2015.

The consolidated interim financial statements have been prepared in Egyptian pounds (EGP), which is the Company's functional and presentation currency.

The consolidated interim 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.

4-2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated interim financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future Years.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the Year in which the estimates are revised.

The key judgements and estimates that have a significant impact on the financial statement of the Company are discussed below:

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of fixed assets and investment properties

The Company's management determines the estimated useful lives of its fixed assets and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management Yearically reviews estimated useful lives and the depreciation method to ensure that the method and Year of depreciation are consistent with the expected pattern of economic benefits from these assets.

Taxes:

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

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.

4-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The specific recognition criteria described below must also be met before revenue is recognized.

- **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

- **Interest income**

Interest income is recognized as interest accrues using the effective interest method. Interest income is included in finance revenue in the statement of profit or loss.

- **Dividends**

Revenue is recognized 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.

- **Borrowing**

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized 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 amortization is included in finance cost in the statement of profit or loss.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial Year of time to get ready for their intended use or sale are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the Year in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

Income tax

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 years are measured at the amount expected to be recovered from or paid to the tax authority.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Deferred income tax

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

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

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

Fixed assets

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 recognized 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 recognized in statement of 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
Buildings, constructions, infrastructure and roads	6 to 20
Machinery, equipment and Tools	5 to 20
Motor Vehicles	5
Furniture and office equipment	5 to 10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss 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 balance sheet 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. Impairment losses are recognized in the statement of profit or loss.

A previously recognized 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 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 profit or loss.

Fixed assets under construction

Fixed assets under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Fixed assets under construction are valued at cost net of impairment loss (if any) .

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months.

Suppliers and accrued expenses

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the 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 recognized as a finance cost.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Social insurance and Employees' End-of-services

Social Insurance: The Company makes contributions to the General Authority for Social Insurance calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Employees' End-of-services:

Defined benefit plan

The Company provides end of service benefits to its employees, the entitlement to these benefits is measured based upon the employees' final salaries and length of service, the expected costs of these benefits are accrued over the Year of employment.

The expected costs of these benefits are accrued over the Year of employment based on the actuarial present value of the future payments required to settle the obligation resulting from employees' service in the current and prior Years.

Actuarial gains and losses on End of services benefits are recognized immediately in the statement of Profit or loss in the Year in which they occur.

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at 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 recognized in the statement of profit or loss.

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.

Contingent Liabilities and Assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related party transactions

Related parties represent in parent company, 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.

Statement of cash flows

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

Expenses

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

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. The impairment loss is recognized in the statement of profit or loss. Reversal of impairment is recognized in the statement of profit or loss in the Year in which it occurs.

Investments

Investments in subsidiaries

Investments in subsidiaries are investments in entities, which the parent controls.

The parent controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for in the separate financial statements 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 profit or loss for each investment separately.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 % 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 in the separate financial statements 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 profit or loss for each investment separately.

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 recognized at cost inclusive direct attributable expenses.

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

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

Interest in joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Suez Cement Company S,A,E accounts for its interest in the joint venture in its consolidated financial statement using cost method; and in its consolidated financial statements using equity method.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting Year.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 labour 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 labour and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realizable 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 recognized in the statement of profit or loss in the Year the write down or loss occurs according to an authorized study takes into consideration all technical and market bases to estimate any write down, The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized in the statement of profit or loss in the Year in which the reversal occurs,

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.

4-4 CHANGES IN ACCOUNTING POLICISE AND DISCLOSURES

The accounting policies adopted this year are consistent with those of the previous year except for the amendments required by the new Egyptian Accounting Standards issued during the year 2015 which is effective for the Years starting on or after January1, 2016, disclosed below the most prominent amendments which is applicable to the company and the effects of this new amendments on Financial statements, if any.

EAS (1) revised Presentation of Financial Statements:

The revised standard requires the company to disclose all items of income and expenses that were recognized during the Year in two consolidated statements, statement of profit or loss (statement of income) which disclose all items of income and expenses and statement of Comprehensive income which starts with profit or loss and presents items of other Comprehensive income (Statement of Comprehensive income).

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

It also requires an additional statement to The Statement of Financial position disclose balances as of the beginning of the first presented comparative Year in case of retrospective implementation or change in an accounting policy or reclassification carried out by the company.

The amended standard does not require the presentation of working capital.

The company has prepared the Statement of Comprehensive income and presentation of financial statements according to revised standard and there is no retrospective adjustments that require presenting Statement of Financial position which include beginning balances of the first presented comparative Year.

EAS (10) revised Fixed Assets and depreciation:

The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of fixed assets.

The strategic (major) spare parts and stand-by equipment can be classified as fixed assets when the entity expects to use them for more than one Year (when the definition of fixed assets applies thereto).

There is no impact for this amendment on company's financial statements.

EAS (14) revised Borrowing Costs:

The revised standard has eliminated previous benchmark treatment that recognised the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Statement of Profit or Loss. The revised standard requires capitalisation of this cost on qualifying assets.

There is no impact for this amendment on company's financial statements.

EAS (23) revised Intangible Assets:

The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of intangible assets.

There is no impact for this amendment on company's financial statements.

EAS (34) revised Investment Property:

The revised standard has eliminated the option of using the fair value model in the measurement after recognition of the Investment Property. The standard requires to disclose fair value.

There is no impact for this amendment on company's financial statements.

EAS (38) revised Employee Benefits:

Defined benefit plans

The revised standard requires immediate recognition for accumulated actuarial gains and losses in statement comprehensive income. Also, recognition of past service cost as expense at earlier of:

- A) When plan amended or curtailed or,
- B) When entity executes substantial restructure for its activities, hence the entity recognise related restructuring costs which comprise paying end of service benefits.

EAS (40) financial instruments: Disclosures:

A new EAS (40) Financial instruments "Disclosures" has been issued to include all required disclosures for financial instruments. The company has disclosed required disclosures in the financial statements.

EAS (41) Operating segments:

The EAS (33) Segment Reporting has superseded by EAS (41) Operating segment. Accordingly, segment reporting which should be disclosed and the required disclosures basically depends on the information about segment in the way that operating decision maker use. As described in note (3) the company currently has only one major operating segment.

EAS (45) Fair Value Measurement:

The new EAS (45) Fair Value measurement has been issued; this standard is applied when other standard requires or permits to measure or disclose the fair value. This standard defines fair value and set the frame to measure fair value in one standard and determines the required disclosure for measurements of fair value. The company disclosed all required discourses according to standards.

5. SEGMENT INFORMATION

Currently the Company's main business segment is to produce all types of cement and other products stemming from the cement industry. Revenues, profits and investments in other business segments are currently immaterial and are not separately disclosed in the financial statements

accordingly, under EAS 41. All revenues of the Company in the Year ended 31 December 2017 were reported under one segment in the financial statements.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

6. SALES

	30 September 2018 EGP	30 September 2017 EGP
Cement and Clincker Sales	4,111,579,785	3,402,940,785
Concrete Ready Mix Sales	1,554,773,136	1,186,406,151
Bags Sales	-	167,681,151
	<u>5,666,352,921</u>	<u>4,757,028,087</u>

7. COST OF SALES

	30 September 2018 EGP	30 September 2017 EGP
Fuels	1,537,460,517	1,238,760,585
Electricity	592,957,539	425,839,244
Raw Material and Quarries rents	1,365,217,753	1,447,892,573
Packaging Materials	253,297,544	65,153,664
Fixed Assets Depreciation	316,226,661	396,221,478
Wages and Salaries	358,946,623	385,078,009
Freight	188,861,790	138,453,344
Maintenances	281,603,644	291,605,578
Other	221,135,564	180,394,577
	<u>5,115,707,635</u>	<u>4,569,399,052</u>

8. GENERAL AND ADMINSTRATIVE EXPENSES

	30 September 2018 EGP	30 September 2017 EGP
Technical assistance fees	70,337,415	70,733,765
Salaries	148,126,767	204,124,519
End of service benefits plan- current and past service costs (Note 25)	2,701,800	3,641,030
Communication and public relation expenses	5,674,908	6,060,769
Expanses restructuring - social costs	-	92,212,917
Other general and administrative expenses	105,998,007	148,878,461
	<u>332,838,897</u>	<u>525,651,461</u>

9. FINANCE COST

	30 September 2018 EGP	30 September 2017 EGP
Interest on bank credit facilities and loans	25,337,763	40,213,521
Interest on End of service benefits plan (Note 25)	9,294,300	12,142,304
Other bank charges	6,536,029	7,112,345
	<u>41,168,092</u>	<u>59,468,170</u>

10. OTHER INCOME

	30 September 2018 EGP	30 September 2017 EGP
Gain from Salvage Sales	12,710,384	32,049,842
Amortization of Loan Grant*	1,834,098	1,834,098
Gain from sale of fixed assets	36,912,494	33,918,107
Other income	11,774,120	39,509,909
	<u>63,231,096</u>	<u>107,311,956</u>

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

* This amount represents the amortization of the granted loan. This loan was provide by some international bodies under the special aids package relevant to the industrial pollution control project. The Company merited that grant as a result of the company's commitment to the terms of the technical agreement that was signed with Egyptian Environmental Affairs Agency (EEAS). This grant worth 20% of the loan value and it is amortized over the fiscal Years that represent the estimated useful life and recognised as other income.

11. OTHER EXPENSES

	30 September 2018 EGP	30 September 2017 EGP
Rents against unused quarries	1,579,857	15,429,446
Other expenses	<u>15,272,962</u>	<u>25,547,841</u>
	<u>16,852,819</u>	<u>40,977,287</u>

12. INCOME TAX

	30 September 2018 LE	30 September 2017 LE
Profits (Losses) before tax	410,533,509	(208,707,789)
Add:		
Provisions	10,990,985	47,345,073
Provisions – Defined benefits plans	2,701,800	3,641,030
Board of directors' allowance	2,821,875	2,798,299
Donations	909,903	1,669,864
Accounting depreciation	360,143,422	410,623,738
Other expenses	101,454,597	323,031,912
Less:		
Tax depreciation	(251,721,142)	(216,306,322)
Used provisions	(6,051,171)	(10,070,595)
Investment income	(12,445,714)	(10,423,054)
Approved Donations	(210,000)	(300,000)
Others	<u>(461,837,393)</u>	<u>(210,822,316)</u>
Taxable income	157,290,671	132,479,840
Income tax at the effective tax rate	35,390,401	29,807,964
Deferred income tax	30 September 2018 EGP	30 September 2017 EGP
Depreciation of fixed assets	(312,228,345)	(287,166,739)
Provisions and accruals	86,455,669	91,943,248
Unrealized FOREX losses	62,677,702	-
Unrealized FOREX gains	<u>(45,071,986)</u>	<u>-</u>
Net deferred income tax (Liability)	<u>(208,166,960)</u>	<u>(195,223,491)</u>

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018 TAX POSITION

The company's tax position is as follows:

a) Corporate taxes

- **Period until Year 2007:** Due tax was paid in according with the agreement of the Internal Committee - and the due value was paid within the limits of the provision
- **Years 2008 & 2009 :**
The tax authority has assessed the company for this period, The Company was agreed with the internal committee on the differences of results and pending the final results of the arrest and collection management .
- **Years 2010 & 2011 :**
The tax authority has assessed the company for this period and the results of the examination were objected and the objection was referred to the internal committee..
- **Years from 2012 to 2014 :**
The tax authority sent sample 19 to the company for this period was estimated . The company objected to the form this matter offered on the internal committee..
- **Years 2015 & 2016 & 2017 :**
No inspections took place for such period.
The Company has files the tax declaration within the legal grace period to tax authority.

b) Value Added Tax (VAT)

- **First : General Sales Tax**
- **Years 2008 & 2009 :**
Due tax was paid after the decision of the internal committee and a dispute is currently before the court in terms of some items,
- **Years 2010 & 2013 :**
The tax authority has assessed the company for this period, The Company objected against the inspection results, to be referred to the Higher Grievance Committee.
- **Years 2014 & 2015 :**
The tax authority has assessed the company for this period, The Company objected against the inspection results, The internal committee was completed and the rest of the items were referred to the appeals committees
- **Years 2016 :**
No inspections took place for such period.
The company prepares tax return monthly and pays due taxes during the legal period.
- **Second: Value Added Tax**
- **From 8 Sep. 2016 till 31 Dec. 2017 :**
Tax authority did not assess the company for such period.
The company fill the VAT declaration up to November 2017 before the deadline identified by the Egyptian tax law.

c) Salary tax

- **Period since inception up to 1998:**
The tax authority has assessed the company for this period, Due tax was settled and paid based on the internal committee decision,

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

- **Years from 1999 to 2014 :**
The company deducts the salary tax from employees and remits it to the tax authority within the Legal grace period (monthly), The tax authority is currently in the process of inspecting the company's records for this period,
- **From Year 2015 to 2017:**
The company deducts the salary tax from employees and remits it to tax authority within the Legal grace period (monthly), The Company has not been assessed for this period till now,
- **d) Stamp duty tax**
 - **Period since inception up to 2005:**
The tax authority has assessed the company for this period, Due tax was settled and paid based on the internal committee decision,
 - **Years from 2006 to 2010 :**
The company paid the items that have been agreed upon with the internal committee
 - **Years from 2011 to 2014:**
Currently inspection of this period until now the company not receive the result of inspection.
 - **Years 2015 & 2017 :**
No inspections took place for such period.

Suez Cement Company (S.A.E)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 Sep 2018

13. FIXED ASSETS

	Lands	Buildings, constructions, infrastructure and roads	Machinery, equipment and Tools	Motor Vehicles	Furniture and office equipment	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Cost						
As of 1 January 2018	580,057,683	1,967,938,469	7,628,674,452	350,828,527	144,664,317	10,672,163,448
Foreign currencies translation differences	96,964	3,218,249	2,119,136	1,485,756	171,313	7,091,418
Adjusted balance as of 1 January 2018	580,154,647	1,971,156,718	7,630,793,588	352,314,283	144,835,630	10,679,254,866
Additions	4,580,105	2,618,125	41,896,112	44,109,362	562,431	93,766,135
Transferred from projects under construction (note 14)	-	26,928,317	94,315,777	43,161,882	1,883,682	166,289,658
Adjustments	-	-	(12,076,363)	-	-	(12,076,363)
Assets held for sale	(124,201,876)	(72,003,356)	(380,746,986)	(2,675,749)	(5,287,333)	(584,915,300)
Disposals	(20,734,994)	(16,511,102)	(27,013,721)	(15,445,233)	(3,816,890)	(83,521,940)
As of 30 September 2018	439,797,882	1,912,188,702	7,347,168,407	421,464,545	138,177,520	10,258,797,056
Accumulated depreciation						
As of 1 January 2018	-	(1,443,802,889)	(4,934,050,329)	(297,096,215)	(121,616,286)	(6,796,565,719)
Foreign currencies translation differences	-	(2,459,206)	(1,820,330)	(1,237,125)	(164,697)	(5,681,358)
Adjusted balance as of 1 January 2018	-	(1,446,262,095)	(4,935,870,659)	(298,333,340)	(121,780,983)	(6,802,247,077)
Depreciation for the Period	-	(61,752,456)	(273,477,373)	(18,650,890)	(6,262,703)	(360,143,422)
Adjustments	-	-	12,023,902	-	-	12,023,902
Assets held for sale	-	56,871,642	309,737,869	2,615,083	4,559,088	373,783,682
Disposals	-	8,899,555	25,493,457	15,388,255	3,802,539	53,583,806
As of 30 September 2018	-	(1,442,243,354)	(4,862,092,804)	(298,980,892)	(119,682,059)	(6,722,999,109)
Net book value as of 30 September 2018	439,797,882	469,945,348	2,485,075,603	122,483,653	18,495,461	3,535,797,947
Net book value as of 31 December 2017	580,057,683	524,135,580	2,694,624,123	53,732,312	23,048,031	3,875,597,729

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2018

FIXED ASSETS CONT'D

First:

	EGP
Proceeds from sale of fixed assets (A)	66,855,131
Cost of fixed assets sold	90,380,143
Accumulated depreciation of fixed assets sold	(60,437,506)
Net book value (B)	29,942,637
Gain from of sale fixed assets (A) – (B)	36,912,499

Second: Fixed Assets as of 30 September 2018 includes assets that are fully depreciated and still in use. The acquisition cost for these assets are as follows:

Asset	Cost EGP
Building, constructions, infrastructure and roads	336,744,060
Machinery, equipment and tools	1,482,659,437
Motor vehicles	56,319,740
Furniture and office equipment	38,088,640
Total	1,913,811,877

Third: Helwan Cement Company S.A.E. (Subsidiary) claims title over lands held under adverse possession. These lands are not included among fixed assets, and represented in 153 Fadden, 4 hectares and 18 shares located in the Governorates of Helwan and ELmenya.

Fourth: Lands caption of Egyptian Tourah Portland Cement Company S.A.E (Subsidiary) includes acre of lands; held in usufruct; the right of using these lands. There is a legal dispute over these lands.

Fifth: No temporarily idle assets and the fair value of assets are not materially different from its carrying amount.

14. FIXED ASSETS UNDER CONSTRUCTION

	30 September 2018 EGP	31 December 2017 EGP
Spare parts for Coke project	41,334,109	46,779,852
Mechanical work-complete revamping for cooler	189,013	14,768,712
Petcoke loading system	-	7,371,956
Preheater tower modification	4,335,032	8,658,316
Civil works project	2,606,643	2,606,643
Spare parts for raw and cement mills	29,817,770	19,573,282
Improving safety and bypass filters	16,177,589	22,259,144
Others	258,526,565	272,166,105
	352,986,721	394,184,010

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

The movement of fixed assets under construction during the period ended 2018 is as follows:

	30 September 2018 EGP	31 December 2017 EGP
Beginning balance	394,184,010	641,414,175
Translation foreign currency differences during the Period	367	(512,871)
Additions during the Period	151,454,070	505,999,217
Transferred to fixed assets during the Period	(166,289,658)	(735,962,470)
Disposals	(9,271,937)	(16,146,232)
Assets held for sale	(17,090,131)	(607,809)
Ending balance	<u>352,986,721</u>	<u>394,184,010</u>

15. INVESTMENT

Investment in an associate and shares in joint ventures

	30 September 2018 EGP	31 December 2017 EGP
Beginning balance	394,184,010	641,414,175
Translation foreign currency differences during the Period	367	(512,871)
Additions during the Period	151,454,070	505,999,217
Transferred to fixed assets during the Period	(166,289,658)	(735,962,470)
Disposals	(9,271,937)	(16,146,232)
Assets held for sale	(17,090,131)	(607,809)
Ending balance	<u>352,986,721</u>	<u>394,184,010</u>

	% of Ownership	Par Value EGP	30 September 2018 EGP	31 December 2017 EGP
Investment in an associate				
Techno Gravel For Quarries-Egypt S.A.E	45	10		
Investment cost– Beginning of the Period			38,078,643	32,581,833
Plus:				
The Company's share in profit for the Period			5,060,144	7,689,292
Less:				
Dividends			(6,263,496)	(2,192,482)
Investment in an associate - End of the Period			<u>36,875,291</u>	<u>38,078,643</u>
Shares in joint ventures				
Suez Lime Company S.A.E *	49.66	100		
Investment cost– Beginning of the Period			3,531,926	3,381,858
Plus / (Less):				
The Company's share in profit for the Period			119,337	150,068
Less:				
Shares in joint ventures - End of the Period			<u>3,651,263</u>	<u>3,531,926</u>
Total investment in an associate companies and share joint ventures			<u>40,526,554</u>	<u>41,610,569</u>

* Suez Cement Company S.A.E owns a 49.66 % interest in Suez Lime Company S.A.E ; a jointly controlled entity. The entity is jointly managed along with Unicalce company (an Italian company that owns a 50 % interest), and Tourah Portland Cement Company S.A.E (that holds a 1% interest).

The ventures have a contractual arrangement that establishes joint control over the economic activities of the entity; the arrangement requires unanimous agreement for financial and operating decisions among the ventures'.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

Suez Cement Company recognizes its share in the joint venture in the separate financial statements at cost; whereas it recognizes its share in the consolidated financial statements using the equity method.

A)	Available-for-sale investments	% of Ownership	Par value EGP	30 September 2018	31 December 2017
				EGP	EGP
	Available-for-sale Investment – Measured at fair value				
	Lafarge Cement Company – Egypt S.A.E (Listed - Inactive market)	0.137	1000	1,440,001	1,440,001
	unrealized gains on available-for-sale investments				-
				<u>1,440,001</u>	<u>1,440,001</u>
	Available-for-sale investments -Measured at cost				
	Iron and Steel Company (Al Hadid Wal Solb) – Listed Co.			20,500	20,500
	Al Tour Investment Company – Unlisted Co.			61	61
				<u>20,561</u>	<u>20,561</u>
				<u>1,460,562</u>	<u>1,460,562</u>
B)	Held to maturity investments			30 September 2018	31 December 2017
				LE	LE
	Bonds 5% National Bank for Investment deposit			807,715	807,715
	Bonds 5% Central Bank of Egypt deposit			2,453,620	2,453,620
	Bonds 3.5% Central Bank of Egypt deposit			5,167,944	5,167,944
				<u>8,429,279</u>	<u>8,429,279</u>
C)	Amounts paid under investments in subsidiaries and other companies			30 September 2018	31 December 2017
		% of ownership	Par Value EGP	EGP	EGP
	Italgen Egypt for Energy Company S.A.E *	1	100	-	2,000,000
				<u>-</u>	<u>2,000,000</u>

On the 4th on November 2018 an EGAM for Helwan Cement Company (subsidiary company) has been held , in which the report of revaluation of the company's assets and liabilities prepared by the committee structured by GAFI "General authority for investments & Free zones" regarding splitting the company into 2 Company's has been approved that has stated the following :-

1- Net assets for the standing company (Helwan Cement Company) "subsidiary company" on 31/12/2017 is amounted to

1,069,720,456 L.E excluding the company divided below :-

A- Net assets for the splitted company (wholly owned by the splitted company on 31/12/2017 in a factory in Alminya) is amounted to 322,830,977 L.E.

Also approving the split of the company vertically by the carrying amount stated in the statement of financial position on 31/12/2017 , which has been taken as a base of valuating the 2 company's in order to keep Helwan intact/standing.

Establishing new company as a result of the splitting under the name of Cleopatra For building materials industry and take the value of it's assets mentioned in the report from the report , which represents the value of owner's equity in the virtual FSs of the splitted company on 31/12/2017 , which represents the date that has been taken for the valuation , and this amount represents the percentage of participation of the standing company in the splitted company.

Transfer the ownership of non-current assets and current assets (rights and obligations) specified for Alminya factory and everything belongs to the factory from land ,buildings ,licenses ,equipment ,production lines ,vehicles and in general all financial and non-financial elements of Alminya factory to the splitted company in carrying amount that makes the splitting company as a replacement of the standing company legally in the ownership of this assets with all what they have from rights & obligations.

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The major classes of assets and liabilities of Menia Plant (Cleopatra For building materials industry) classified as held for sale as 30 September 2018 are, as follows:

30 September 2018

Assets	EGP
Property, plant and equipment	211,665,997
Fixed assets under construction	18,541,398
Inventory	119,438,161
Accounts and notes receivable	3,098,569
Prepayment, other receivables and other debit balances	12,364,808
Cash on hand and at banks	-
Assets held for sale	365,108,933
Liabilities	
Trade payables, accrued expenses and other credit balances	77,059,307
Advances from customers	11,759,487
Retention Payable	510,208
Liabilities directly associated with the assets held for sale	89,329,002
Net assets directly associated with disposal group	275,779,931

The results of Menia Plant (Cleopatra For building materials industry) (for the period ended 30 September 2018 as discontinued operations are presented below:

	30 September 2018
	EGP
Sales	269,693,286
Cost of sales	(198,776,418)
Gross profit	70,916,868
General and administrative expenses	(14,756,988)
Other income	895,201
Other Expenses	(15,819,197)
Profit/(loss) for the Period from discontinued operations	41,235,884

17- INVENTORY

	30 September 2018	31 December 2017
	EGP	EGP
Raw materials	71,159,375	85,766,097
Fuel, Spare parts and Consumables	895,020,869	763,893,406
Rolling and packing Material	21,067,972	24,222,601
Work in progress	211,644,151	180,855,045
Finished goods	171,436,426	192,231,223
Goods in transit	943,735	1,396,541
Letters of credit	6,145,358	9,501,958
	1,377,417,886	1,257,866,871
Less:		
Decline in value of obsolete spare part inventory	(170,392,795)	(190,182,397)
	1,207,025,091	1,067,684,474

18- ACCOUNTS RECEIVABLE

	30 September 2018	31 December 2017
	EGP	EGP
Amounts receivable within 12 months	793,741,997	766,487,204
Amounts receivable after 12 months	-	-
	793,741,997	766,487,204
Decline in the value of Accounts and notes receivable	(231,072,326)	(220,081,341)
	562,669,671	546,405,863

Suez Cement Company (S.A.E)

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19- PREPAYMENTS, OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

	30 September 2018	31 December 2017
	EGP	EGP
Tax Authority	79,934,682	56,402,334
Deposits held by others	293,377,295	271,406,492
Prepayments	135,047,135	43,586,023
Accrued Income	23,316,121	353,499
Cheques under collection	43,244,043	21,892,706
Advances to suppliers	72,976,282	54,807,066
Letters of guarantee margin	431,678	1,005,651
Blocked current account in favour of Tax, and Social security authorities	804,262	804,262
Debtors – Sale of assets	8,658,269	871,424
Other receivables	<u>129,730,908</u>	<u>117,707,302</u>
	<u>787,520,675</u>	<u>568,836,759</u>
Less:		
Impairment in value of other debit balances her receivables	<u>(28,887,989)</u>	<u>(28,887,989)</u>
	<u>758,632,686</u>	<u>539,948,770</u>

20 -CASH ON HAND AND AT BANKS

	30 September 2018	31 December 2017
	EGP	EGP
a- Egyptian Pound		
Cash on hand	3,224,442	3,899,964
Current accounts*	263,805,345	274,435,471
Treasury bills (mature in 3 months)	10,875,045	91,291,502
b, Foreign currencies		
Cash on hand	1,026,616	490,005
Current accounts*	77,868,031	96,825,344
Time deposits (mature in 3 months)	<u>366,136,491</u>	<u>259,814,313</u>
	<u>722,935,970</u>	<u>726,756,599</u>

21- CAPITAL AND RESERVES

21/a - CAPITAL

The company's authorized capital amounted to LE 1,000 million, while the Company's issued and paid up capital amounted to LE 640 million divided over 64000000 shares of par value LE 10 each,

On 30 September 2005, Minister of investment's decree was issued to approve the extraordinary General Assembly Meeting dated 17 April 2005 to approve stock split (1:2), consequently, the Company's issued and paid up capital reached 128000000 shares of par value LE 5 each,

On 10 November 2005, the Extraordinary General Assembly Meeting approved the increase of the Company's authorized capital to LE 1,300 million, and the increase of issued and paid up capital amounts to LE 909,282,535 divided over 181856507 shares of par value LE 5 each,

On 25 March 2013, the Extraordinary General Assembly Meeting approved the increase of the Company's authorized capital to LE 3,600 million,

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21/b – RESERVES

	30 September 2018	31 December 2017
	LE	LE
Legal reserve	454,641,267	454,641,267
Special reserve – Share premium	2,013,865,903	2,013,865,903
Special reserve	185,853,347	185,853,347
Capital reserve	14,526,110	14,526,110
Total other reserves	2,214,245,360	2,214,245,360
Legal reserve	2,668,886,627	2,668,886,627

Legal reserve

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

Special reserve – Share premium

- The special reserve – Share premium represents the amount collected at the last capital increase dated 10 November 2005 after the legal reserve reached 50% of the issued capital,

Special reserve

- The special reserve represents profits transferred in accordance with the resolutions of the General Assembly Meetings of the company until year 2004,

Capital reserve

- Capital reserve represents capital gain resulting from sale of salvage fixed assets in value greater than its carrying amount,

22- NON-CONTROLLING INTEREST

Changes in non-controlling interest

	30 September 2018	31 December 2017
	EGP	EGP
Beginning balance for the Period	513,923,606	801,112,262
Non-controlling interest share in net profits / (losses) for the Year	70,526,083	(200,899,176)
Change in non-controlling interest share in the equity of Hilal Cement Group Kuwait	9,031,710	(1,340,350)
Non-controlling interest share in foreign currencies translation differences	(1,828,853)	(51,481,046)
Adjustments on retained earnings	(32,286,767)	(7,241,510)
Dividends paid	(20,971,973)	(26,226,574)
Ending balance for the Period	538,393,806	513,923,606

The balance of non-controlling interest in subsidiaries

	Ownership %	30 September 2018	31 December 2017
		EGP	EGP
Egyptian Tourah Portland Cement Company S,A,E,	33,88	(85,659,918)	(75,246,430)
Suez Bags Company S,A,E,	43,69	(66,501,088)	57,428,896
Helwan Cement Company S,A,E,	0,45	5,131,668	5,269,559
Ready Mix Concrete El - Alamyra (RMCA) S,A,E	48	184,441,801	156,867,417
Hilal Cement Group (K,S,C,C,) – Kuwait	49	155,723,675	129,512,215
Cumulative foreign currencies translation differences		248,084,221	249,913,074
Development and Construction Material Company– (DECOM) –S,A,E,	48	96,670,959	56,291,402
Suez for Transport and Trade Company S,A,E,	3,63	500,891	768,909
Suez For import and Export Company S,A,E	3,63	1,597	2,857
International City Company for Concrete	50	-	(66,884,293)
		538,393,806	513,923,606

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23- Bank Overdraft

A) Suez Cement Company S.A.E obtained a line of credit from Several Banks capped at LE 635 million in the form of overdraft facility in Egyptian pounds or its equivalent in foreign currencies to finance the company's working capital requirements and imported goods.

Total usage of this line of credit as of 30 September 2018 amounted to LE 2,471.

B) Egyptian Tourah Portland Cement Company S,A,E (subsidiary) obtained lines of credit capped at LE 370 million

Total usage of these lines of credit as of 30 September 2018 amounted to LE 1,372,789,

C) Helwan Cement Company S,A,E obtained lines of credit from different banks capped at LE 519 million in the form of overdraft facility in Egyptian pounds or its equivalent in foreign currencies to finance the company's working capital requirements,

Total usage of this line of credit as of 30 September 2018 amounted to EGP 79,172.

E) Hilal Cement Company (K.S.C.C.) – Kuwait obtained a line of credit against deposits from several banks to finance the company's working capital requirements.

Total usage of this line of credit as of 30 September 2018 amounted to LE 6,280,787.

24- MEDIUM TERM LOANS

	30 September 2018 EGP	31 December 2017 EGP
Hilal Cement Company (K,S,C,C.) – Kuwait		
Unsecured borrowings from local banks and Kuwaiti shareholder	93,506,178	63,578,576
TOTAL MEDIUM TERM LOANS	<u>93,506,178</u>	<u>63,578,576</u>

24/1 Hilal Cement (K,S,C,C.) – Kuwait

Term loans represent unsecured borrowings from local banks and Kuwaitis Shareholder availed in Kuwaiti Dinar, Term loans carry interest rate in the range of 4,5% to 5% per annum,

25- OTHER LONG TERM LIABILITIES

	30 September 2018 EGP	31 December 2017 EGP
Long term employee benefits – Hilal Cement Company (K,S,C,C.) – Kuwait	44,496,216	43,587,637
TOTAL OTHER LONG TERM LIABILITIES	<u>44,496,216</u>	<u>43,587,637</u>

26- END OF SERVICES BENEFITS LIABILITIES

Suez Cement Company S,A,E, Helwan Cement Company S,A,E (subsidiary), Egyptian Tourah Portland Cement Company S,A,E (subsidiary), and Suez Bags Company S,A,E (subsidiary) pay amounts to the employees when they retire at the end of service, according to the defined benefits plan, which specifies the amount of retirement that is entitled to the employee, The amount of pay based on one or more factors, including age, years of service, and salary, The output for the defined benefit plan is calculated using an actuarial valuation conducted in a manner using estimated additional unit after taking into consideration the following assumptions:

	30 September 2018
Discount rate	15.80 %
Average salary increase	12%
Annuity schedule	60

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The amounts recognized at the date of balance sheet are as follows:

	30 September 2018	31 December 2017
	EGP	EGP
Present value of the defined benefit liability	86,510,599	80,565,670
Actuarial Present value of the defined benefit liability at the balance sheet	<u>86,510,599</u>	<u>80,565,670</u>

The movement of liabilities as per the balance sheet

	30 September 2018	31 December
	EGP	EGP
Liability at the beginning of the period	80,565,670	99,600,463
Past service cost *	-	-
Current service cost	2,701,800	3,490,000
Interest cost	9,294,300	10,534,000
Past Service Cost recognised	-	(24,956,000)
Payments from plans	(6,051,171)	(12,899,918)
Actuarial losses / (gain)	-	7,951,000
Services benefits liabilities directly associated with the held for sale	-	(3,153,875)
Liability at the end of the period	<u>86,510,599</u>	<u>80,565,670</u>

* Past service cost, represents the change in the present value of the defined benefit plans for employees' services in prior Years, resulting from plan amendments,

The cost as per income statement

	30 September 2018	31 December 2017
	EGP	EGP
Past and current service costs (Note 8)	2,701,800	3,490,000
Past Service Cost recognised (Note 8)	-	(24,956,000)
Interest cost (Note 9)	9,294,300	10,534,000
Actuarial Losses\ (gain) (Note 9)	-	7,951,000

27- PROVISIONS

	Balance as of 1 January 2018	Utilized during the Period	Balance as of 30 September 2018
	EGP	EGP	EGP
Tax claims	316,276,677	(30,191,413)	286,085,264
Judicial disputes	21,553,605	(1,683,602)	19,870,003
Restructure Social Cost	565,245,000	(257,109,083)	308,135,917
Other claims	10,000,000	-	10,000,000
Gas claims for Tourah Portland cement company	51,000,000	-	51,000,000
	<u>964,075,282</u>	<u>(288,984,098)</u>	<u>675,091,184</u>

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28- TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 September 2018	31 December 2017
	EGP	EGP
Shareholder – credit balance	175,245,407	262,873,333
Trade payables	946,765,440	1,014,438,695
Advances from sale fixed assets	232,700,000	-
Accrued Salaries	2,575,577	2,449,430
Accrued expenses	114,818,339	144,815,327
Social insurance authority	4,237,508	3,737,161
Other payables	443,911,055	560,447,468
	<u>1,920,253,326</u>	<u>1,988,761,414</u>

29- TAXES PAYABLES

	30 September 2018	31 December 2017
	EGP	EGP
Tax authority- withholding tax	12,880,779	13,852,000
Tax authority- salary tax	8,691,824	4,645,289
Tax authority- value added tax	137,084,088	116,520,420
Tax authority- other tax	21,608,080	7,112,893
	<u>180,264,771</u>	<u>142,130,602</u>

30- ADVANCES FROM CUSTOMERS

The movement of advances from customers during THE PERIOD ENDED 30 SEPTEMBER 2018 and 31 December 2017 as follows:

	30 September 2018	31 December 2017
	EGP	EGP
Balance at the beginning of the Period	429,927,621	282,569,689
Add: amounts collected during the Period	5,861,689,364	5,383,719,101
Less: Realized revenue	(5,314,484,053)	(5,236,361,169)
Balance at the end of the period	<u>977,132,932</u>	<u>429,927,621</u>

31- RETENTIONS PAYABLE (DEPOSITS FROM OTHERS)

	30 September 2018	31 December 2017
	EGP	EGP
Retentions payable within 12 months	26,022,551	19,077,771
Retentions payable after 12 months	-	-
	<u>26,022,551</u>	<u>19,077,771</u>

32- CONTINGENT LIABILITIES

A- The letters of guarantee issued at the parent company's and its subsidiaries request are as follows:

	Contingent Liabilities
	EGP
Suez Cement Company S,A,E,	10,235,454
Egyptian Tourah Portland Cement Company S,A,E,	18,465,705
Hilal Cement Company (K,S,C,C) Kuwait	18,076,246
Helwan Cement Company SA,E,	63,820,556
	<u>110,597,961</u>

B- The outstanding balance of issued letters of credit in favor of Suez Cement Company as of 30 September 2018 amounted to EGP 18,276,599,

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C- In 2011, The Globe Corporation, a company based in California in the USA (the Globe) filed a case against Helwan Cement Company SAE (HCC) claiming past due payments, based on an exclusive agency contract for the export of cement allegedly entered into between HCC and the Globe in 2002, This alleged contract provided commissions/fees in favor of The Globe proportional to the volume of cement exported and provided for a compound rate of weekly interest in case of delayed payments, The Globe's case against Helwan before the Court of Cairo claims payment of about US \$ 17 million, plus interest as per the alleged contract since the year 2002, The Court has not yet examined the case on the merits and the proceeding remains suspended while awaiting the Court of Cassation's decision on the preliminary matter of jurisdiction, given that the alleged contract provided for applicable law and dispute resolution in California (USA),

Tahya Misr Investment Inc, (formerly known as The Globe) has also filed a lawsuit against Helwan Cement SAE (HCC), Suez Cement SAE and Italcementi S,P,A (The parent company of Ciments Francais) (major shareholder of Suez Cement Company SAE) in California – USA; the case against both italcementi and suez cement was rejected, and after a number of hearings Tahya Misr investment withdraw from the litigation before the US court, Currently, Helwan initiated legal action against Tahya Misr before the US courts,

33- RELATED PARTY TRANSACTIONS

The transactions with related parties for the year ended 30 September 2018 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 for the Period ended 30 September 2018 as follows:

	Sales/ service revenue EGP	Purchases/ service cost EGP
Suez Cement Company S,A,E,	138,762,000	(32,072,000)
Egyptian Tourah Portland Cement Company S,A,E,	32,324,000	(99,242,000)
Helwan Cement Company S,A,E,	195,596,000	(20,428,000)
Ready Mix Concrete El - Alamyia (RMCA) S,A,E	-	(106,476,000)
Development and Construction Material Company (DECOM) S,A,E,	-	(115,307,000)
Suez for Transport and Trade Company S,A,E,	24,531,000	(17,688,000)
	<u>391,213,000</u>	<u>(391,213,000)</u>

B- The technical assistance from Suez Cement Company S,A,E, to Suez Cement Group Companies For THE PERIOD ENDED 30 SEPTEMBER 2018 as follows:

	Technical assistance -revenues EGP	Technical assistance -expenses EGP
Suez Cement Company S,A,E,	71,850,000	-
Egyptian Tourah Portland Cement Company S,A,E,	-	25,169,000
Helwan Cement Company S,A,E,	-	46,681,000
	<u>71,850,000</u>	<u>71,850,000</u>

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C- The Management Fees from Suez Cement Company S,A,E, to Suez Cement Group and Related Parties Company for THE NINE MONTHS ENDED 30 SEPTEMBER 2018 as follows:

	Management Fees –revenues	Management Fees – expenses
	EGP	EGP
Suez Cement Company S,A,E	7,482,000	-
Ready Mix Concrete El - Alamyia (RMCA) S,A,E – (subsidiary)	-	(4,173,000)
Development and Construction Material Company (DECOM) S,A,E – (subsidiary)	-	(3,309,000)
	<u>7,482,000</u>	<u>(7,482,000)</u>

D- Loans and its interest transactions between Suez Cement Group Companies for THE NINE MONTHS ENDED 30 SEPTEMBER 2018 as follows:

	Lender	Borrower	Debit / (Credit)
	EGP	EGP	Interest
			EGP
Suez Cement Company S,A,E,	564,855,172	-	(56,662,000)
Ready Mix Concrete El - Alamyia (RMCA) S,A,E	-	10,000,000	1,259,000
Development and Construction Material Company (DECOM) S,A,E,	-	10,000,000	1,279,000
Suez Transport and Trade Company S,A,E	10,000,000	-	(1,711,000)
Helwan Cement Company S,A,E	-	145,679,721	25,569,000
Tourah Cement Company S,A,E	-	409,175,451	30,266,000
	<u>574,855,172</u>	<u>574,855,172</u>	<u>-</u>

E- Heidelberg Cement AG (holding for Italcementi) (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S,A,E):

The amount of the technical assessment fees offered by Heidelberg Cement AG (holding for Italcementi) (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S,A,E) for THE NINE MONTHS ENDED 30 SEPTEMBER 2018 which represents a percentage of sales revenues of the group of cement products exclude intra – Suez Cement Group transactions as follows:

	%	Amount
		EGP
Suez Cement Company S,A,E,	1.2	42,033,000
Egyptian Tourah Portland Cement Company S,A,E,	1.2	9,167,000
Helwan Cement Company S,A,E,	1.2	21,206,000
		<u>72,406,000</u>

Suez Cement Company (S.A.E)

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34- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and
- c) Liquidity risk,

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital,

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework, The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Parent Company on their activities,

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas,

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions,

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise bank balances and cash, financial assets at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets,

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company, The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good repute, Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations,

Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances,

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income, Financial instruments affected by market risk include interest-bearing loans and borrowings, and deposits, The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return, The Company does not hold or issue derivative financial instruments,

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits.

Exposure to 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 amounted to LE 754,455,376 whereas; the financial liabilities denominated in foreign currencies amounted to LE 304,881,110.

Suez Cement Company (S.A.E)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2018

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local company management supported by the Parent Company, The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, The Company manages liquidity

risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities,

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations,

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments,

Financial liabilities

	Less than 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Total
As at 30 September 2018					
Advances From Customers	977,132,932	-	-	-	977,132,932
Bank Over Draft	7,735,219	-	-	-	7,735,219
Retentions payable	7,369,932	18,652,619	-	-	26,022,551
Trade and other payables	1,880,746,132	39,507,194	-	-	1,920,253,326
Due to tax authority	180,264,771	-	-	-	180,264,771
Total undiscounted financial liabilities	<u>3,053,248,986</u>	<u>58,159,813</u>	-	-	<u>3,111,408,799</u>

	Less than 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Total
As at 31 December 2017					
Advances From Customers	429,927,621	-	-	-	429,927,621
Bank Over Draft	316,008,855	-	-	-	316,008,855
Retentions payable	13,418,037	5,659,734	-	-	19,077,771
Trade and other payables	1,988,761,414	-	-	-	1,988,761,414
Total undiscounted financial liabilities	<u>2,748,115,927</u>	<u>5,659,734</u>	-	-	<u>2,753,775,661</u>

35- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities,

Financial assets of the company include bank balances and cash, accounts and notes receivables, other receivables and due from related parties, Financial liabilities of the company include interest-bearing loans and borrowings, trade and other payables, due to related parties and retentions payable,

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise,

Suez Cement Company (S.A.E)

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36- SUBSEQUENT EVENTS

On the 4th of November 2018, an EGAM for Helwan Cement Company (subsidiary company) was held, in which it approved the asset assessment report and the obligations of the company prepared by the Committee formed by the General Authority for investment and free zones concerning the division of the company to two contributing companies and the following was stated:

- 1- Net assets for the standing company (Helwan Cement Company) "subsidiary company" on 31/12/2017 is amounted to 1,069,720,456 L.E excluding the company divided below :-
- 2- Net assets for the divided company (wholly owned by the divided company on 31/12/2017 in a factory in Alminya) is amounted to 322,830,977 L.E.
- 3- The division was also approved vertically by the carrying amount according to the statement of financial position on 31/12/2017 which was taken as the basis of valuating the two companies in order so that Helwan Company remains existing
- 4- The establishment of a new company resulting from the division and taking the book value of the assets mentioned in the evaluation report which represents the value of owner's equity in the virtual FS of the divided company on 31/12/2017 representing the date that has been taken for the valuation, and this amount represents the percentage of participation of the standing company in the divided company.
- 5- Transferring the ownership of non-current assets and current assets (rights and obligations) specified for Alminya factory and everything belongs to the factory from land, buildings, licenses equipment, production lines, vehicles and in general all financial and non-financial elements of Alminya factory to the divided company in carrying amount that legally replaces the existing company with the divided one through the ownership of the assets with its rights & obligations.

37- COMPARATIVE FIGURES

Certain comparative figures for the year 2017 have been reclassified to conform to the presentation of these consolidated interim financial statements.