السويس للأسمنت
Suez Cement
HEIDELBERGCEMENT Group

# 2016
# Annual Report

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# 2016 Annual Report
## Suez Cement Company

KM30 Maadi/Ein Sokhna Road
P.O. Box: 2691 - Cairo, Egypt

www.suezcement.com.eg

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## Annual Report



## Sustainable Disclosure



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## WHO WE ARE

Suez Cement Group of Companies (SCGC) is the largest cement producer in Egypt. With a longstanding history in the Egyptian market, SCGC is proud that its cement has helped build some of Egypt's well-known landmarks and continues to serve market needs with its innovative products and brands.

SCGC's overall objective is to continue to invest and develop its activities in the country by respecting its Egyptian identity and increasing its efficiency through converting the Company from a cement supplier to a service supplier for the building and construction industry.

SCGC has an industrial network of five production facilities located in Suez, Kattameya, Tourah, Helwan and El Minya, delivering the largest portfolio of products to Egyptian and export markets.

## OUR MISSION

To create value in the building materials sector through the innovative and sustainable use of natural resources for the benefit of our communities and clients.

## OUR VISION

To be a world class local business building a better and sustainable future for all our stakeholders.

# 2016
# ANNUAL REPORT

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# Message from the Chairman and the CEO

2016 was a year of change for Egypt and Suez Cement Group of Companies (SCGC). Looking back, we are pleased to say that our transition has already borne many fruits as SCGC join's HeidelbergCement's growing network of global production facilities.

When we first began discussing a possible merger, our goal was to find a way to marry Italcementi Group's dedication to world-class innovation with HeidelbergCement's industry know-how. We are happy to say that we have found much common ground throughout the year as we continue assembling a leadership team comprising some of the sector's most reputable experts the globe has to offer.

The year ended on a high note financially, as SCGC reported positive growth in quarterly and annual consolidated revenues of 18.9% and 11%, respectively. In fact, SCGC boasted almost 28% EBITDA growth in 2016 versus last year's figures.

The Company was able to leverage rising cement prices as well as its commitment to boosting internal efficiencies, minimizing overhead, diversifying plant energy mixes and renegotiating materials contracts. Furthermore, SCGC managed to decrease its need for contract workers in a way that did not negatively affect manufacturing capacities.

We plan to continue on this path well into 2017 as we strive to return SCGC and its related businesses to profit. Our stakeholders have been patient, and now it is time to take advantage of Egypt's construction resurgence by offering the best cement products at the most competitive prices possible.

In 2016, we made further strides toward meeting our environmental protection targets. We are now using alternative raw materials (ie non-quarried materials like slag) as a substitution for clinker in cement products. Slag as alternative raw material now represents 3.67% versus quarried raw materials.

We have also incorporated biomass and refuse-derived fuels in our energy mix. Alternative power sources make up 5.4% of the firm's total energy production, which mainly consists of fossil fuels. The vast majority of SCGC's alternative energy production is based at the Kattameya and Helwan Plants.

In terms of safety, SCGC focused on educating drivers. In 2016, the Company hosted a safety campaign for the public on the Sokhna Road. Company representatives distributed "Mastering Safe Driving" flyers as well as visited nearby schools to help students learn about road safety in an educational environment.

On-site activities included equipping Company vehicles and cement trucks with state-of-the-art navigation systems in addition to mandatory training on it's safe operation. Another new initiative saw the launch of the Safety Pre-Audit Program, which was geared toward occupational safety and health. Topics ranged from preventing unsafe quarry till packing conditions, safety practices on the job and employees taking action as safety team leaders. In a new offering, hundreds of SCGC employees attended an awareness seminar about the dangers of illegal drug use, organized in cooperation with the Egyptian Drug Control and Addiction Treatment Fund.

SCGC, again, made comprehensive inroads in social programming. In February, Company representatives unveiled the rehabilitated Emergency Room at Helwan Public Hospital. The project, in partnership with Misr El Kheir Foundation, improves health infrastructure in the governorate, provides the hospital with new equipment and boosts staff morale.

The crowning achievement in our social inititiaves program was the donation of LE 10 million to the Long Live Egypt Fund. The contribution will go to Egypt's national campaign to end Hepatitis C. In addation to our long-lasting partnership with the Don Bosco Technical Institute.

As you can see, we are doing everything in our power to improve the communities in which we work by offering our customers, employees and stakeholders at large an opportunity to be a true industry leader. We are looking to the future as an Egyptian employer of choice. But more than that, we want to be a part of Egypt's economic renaissance. Now is the time to take advantage of SCGC's market leadership and HeidelbergCement's impressive global industry experience. We have embarked on this journey and we are excited to share our many achievements with you as we work together.

Sincerely,

**Omar Mohanna**
Chairman

**José Maria Magrina**
CEO

# MARKET EVOLUTION

Egypt is looking to build on its reputation as a country "open for business" driven by the nation's investment friendly investment climate. However, this has been difficult since Egypt has been in the midst of a tumultuous political transition since early 2011. Inevitably, as with many similar periods of change, this has taken a toll on the economy.

As a result, the environment for investors is being transformed. Stability is now firmly established, with the government determined to unlock the country's underlying potential to become a major business centre, manufacturing and industrial hub in the region.

That being said, Egypt's construction sector is making big advances as a range of mega projects have broken ground or received appropriate funding for implementation. These include new urban communities as well as industrial zones that will modernize ageing infrastructure across the country and position the country as a regional commercial hub. The Suez Canal Regional Development Project is the centerpiece of the nation's economic renewal.

Egyptian market cement consumption in 2016 increased by 6.5% vs 2015, reaching 57,314 Kt compared to 53,816 Kt. In 2016, SCGC's grey cement sales reached 7.8 million tons of cement.

Major foreign construction developers, such as Palm Hills Developments, Hassan Allam, Orascom Construction, SODIC, etc. were driven to boost investment in-country based on speculation that the Egyptian pound would be devalued significantly even before other economic reforms came about. In addition, the government has already increased public expenditures on infrastructure development, which led to a jump in ready-mix and asphalt demand as well.

**Infrastructure** construction remained the main driver for cement consumption, due to several mega projects under construction and in the final phases; Suez canal development initiatives including canal tunnels and ports; Egypt's new economic capital; the Dabaa nuclear power station; and national roads projects. The Armed Forces engineering arm is the largest vendor in this area.

The **Residential** sector was a clear focus of investors based on the sector's performance in 2016. In the first quarter of 2016 alone, property investments in Egypt increased by almost 40%. Consequently, residential project prices have increased by as much as 10% depending on location, while the cost of land rose 25%.

The **non-residential** segment represents 10% of all cement consumption and is unlikely to witness unexpectedly rapid growth in the near term as it is still dependent on tourism, which has suffered as late.

# INVESTMENT

SCGC continues to invest in pollution abatement and emissions control as part of our commitment to environmental protection and the SCGC Compliance Action Plan mandated by the Egyptian Environmental Affairs Agency (EEAA). In 2016, the Company also launched the project to convert electrostatic precipitators to bag house filters at Suez Plant's Line 2 worth LE 119 million.

In addition, SCGC completed the engineering phase to convert the cooler filter at the Kattameya Plant to a bag house filter instead of a gravel filter. The initiative has a budget of LE 46 million and will be completed in 2017.

As a part of the Company's strategy to decrease production costs after the dramatic increase in natural gas prices, SCGC began construction of a coal mill at Helwan Plant slated for completion in 2017. It is worth LE 435 million.

Moreover in 2016, Helwan Plant started energy production at its RDF facility, which cost LE 25 million.







# HUMAN RESOURCES MANAGEMENT

## Talent Management

The Talent Management department (TM), in collaboration and working closely with all other departments is keen and dedicated in fostering a learning environment, along with numerous long-term programs and activities in particular, programs that support the United Nations Global Compact principles in the areas of Health and Safety, Environment and Social Responsibility etc..

In regards that Safety and Health is one of SCGC's main focuses, during 2012-2013 we trained over 268 company cars users with over 4,700 training hours in the Safety Driving course; This initiation begun with the aim of more ambitious results in reducing/preventing vehicle accidents and fatalities as well as promoting safety driving habits, and increasing awareness regarding driving behaviors on roads, in and outside the company through a series of real life driving simulations and coaching by "learning by doing - learning by experiencing". In 2016, we continued this venture covering 106 employees with 1,536 training hours.

This year (2017) we have already started with the implementation of the Defensive Driving training program (the second and more advanced version of safety driving). By the end of the first quarter it is expected, the TM department will have trained a total of 249 company car users with a total of 1,992 Defensive Driving training hours which will mark the end of the program and assistance in the overall company goal to create a safer working environment by preventing accidents and injuries, on and off the clock.

Moving on to Social responsibility, another key priority for the TM department. This is why we have placed a lot of our attention in numerous programs supporting this area as the TM department understands that education is a key factor for the development of the company as well as the country. In 2011, the TM started the initiation of the SCGC Literacy program to eradicate illiteracy wherever it remains, as the ability to read and write is the foundation for all other learning. This not only encourages them with their professional lives but as well as their personal, as it ensures that they are able to make a full contribution and take part in society and in their communities. Since 2011 we have certified 124 employees, In 2016 alone we are pleased to announce that 19 have successfully graduated from the literacy program and received their certificates.

We have also targeted our youth as well; The TM exerted its efforts like never before, making the SCGC's 2016 Summer Internship one of the best so far, targeting over 160 students from 36 different universities. A series of theoretical workshops, provided by 28 of our own department heads and experts to first acquaint the interns with the fundamental basics of each function highlighting the main scope of each department encompassed by Suez Cement before venturing out to the wide-ranging real-world work experience during their internship placement, organized in over 26 different sub-departments. The main objective with such structure was to give them a comprehensive and integrated vision of the different functions which will help them explore connections between their academic track and professional experience thus to gain essential skills, knowledge, along with gaining invaluable experience in the corporate world.

To further ensure upmost quality, prior to the on-the-job training on-our assigned mentors were provided with intensive coaching/mentoring sessions to guarantee that our mentors were well equipped to provide the summer interns with the guidance and constructive feedback needed. As part of the agenda, interns also got the chance to network with a wide range of graduates and SGCG employees, and develop great skills important for future success in the workplace. This is from one side, while on the other side, we had used such program to build a vibrant, diverse and inclusive pool of potential candidates for possible future hiring as we value the diverse backgrounds, perspectives and life experiences of all people to help us forge strong connections with all our customers, innovate and make better decisions for our business. Towards the end of the program, The summer interns were then provided with soft skills and personality package of programs from qualified external parties, which included career counseling, leadership, HR principles & interviewing skills and accounting principles. This had the aim of preparing a new generation whom are aware of their personality traits, strengths, needed development areas, and also to encourage them to stand out and be influencers, with ultimate objective to better prepare them for the new workforce.

Finally, the two batch Internship was concluded with a closing ceremony that consisted of first-hand testimonials from students and parents about the program and their accomplishments, accompanied by a motivational speech from an external party. Students, staff members and mentors gathered for the submission of certificates to all interns with special recognition to best group presentation along with best mentor; followed by a group lunch to reminisce about achievements and memories gained throughout the program.

## HR Organization

The mandate of HR Organization Department (HRO) is to enforce and maintain a corporate governance program that meets SCGC directives, while ensuring the effectiveness and efficiency of its business performance in compliance with applicable laws and regulations. It supports all departments in drawing up necessary policies and procedures in different areas in collaboration with relevant departments/functions, and in the meantime, monitors their proper implementation.

In 2016, HRO was able to achieve the following deliverables:

• an HR Welcome Handbook, giving newcomers all the information they should know on their first day at work. It covers a variety of important topics including through a brief about SCGC, its mission and vision, values and code of ethics, getting started, what newcomers need to know and do, safety policies, and organizational charts.

• an HR Management System Handbook, covering the following topics:

- Workflow
- Policies and procedures of each HR function,
- Facilities: fleet management handbook,
- Facilities: canteen management,
- Security management handbook,
- Access control handbook,
- Time attendance handbook,
- Payroll handbook,
- HRO handbook,
- Recruitment and selection handbook,
- Manpower planning policy &operational handbook.

• As part of change management, all organizational charts and notices developed and updated.

• HRO played an arbitrator role in job evaluation so as to for determine the respective value and weight of each job on the HR organizational chart.

• After integrating the HR Audit into HRO, we received three audit visits, namely TUV, Heidelberg internal audit on Kattamya Plant Security and Time attendance and Heidelberg internal audit HR-Payroll. We responded to some of the findings included in the audit report following a solid action plan that was reviewed and closely monitored by the CEO and HR Director and work will continue in 2017 to implement all audit findings.

• A new cycle for managing subcontractors was developed as recommended by the audit and requested by Management.

# Sustainable Disclosure

## SAFETY

Employee perceptions regarding their organization's commitment to safety are important because positive perceptions markedly improve both the adoption and sustainability of safe work practices. They also reduce workplace injury rates.

To become one of the safest companies in the cement industry, SCGC increased efforts to reduce the frequency of workplace accidents. In 2016, SCGC's Lost Time Injury (LTI) frequency rate for employees and temporary workers – the number of accidents that resulted in lost time per million hours worked – was 1.1. Additionally, the severity rate of recorded injuries was 0.06, while the number of days lost without commuting totaled 336 days. The Total Recordable Injury Rate (TRIR) was 3.3 including Fatalities, Lost Time Injuries, Restricted Work Duty and Medical Treatment.

Regrettably, SCGC's Cement Division reported two fatalities in 2016. One of the employees who worked at the Suez Plant died offsite, while another contractor at the Helwan Plant was killed in a workplace accident.

Road safety was a major priority in 2016. In this vein, SCGC hosted a safety campaign for the public on the Sokhna Road. Company representatives distributed special Mastering Safe Driving flyers and analyzed unsafe behavior on the roads. They also gave drivers safety tips from the Egyptian Road Authority.

Furthermore, SCGC initiated a program to visit schools near its plants to raise awareness of road safety for children ages nine and above. Company employees also played a game with students called Safe Road, which was developed by SCGC .The game's aim is to teach young people basic safety precautions.

Finally, SCGC equipped the majority of Company vehicles and cement trucks with state-of-the-art navigation systems as well as created mandatory programming to train staff members on how to safely operate their vehicles.

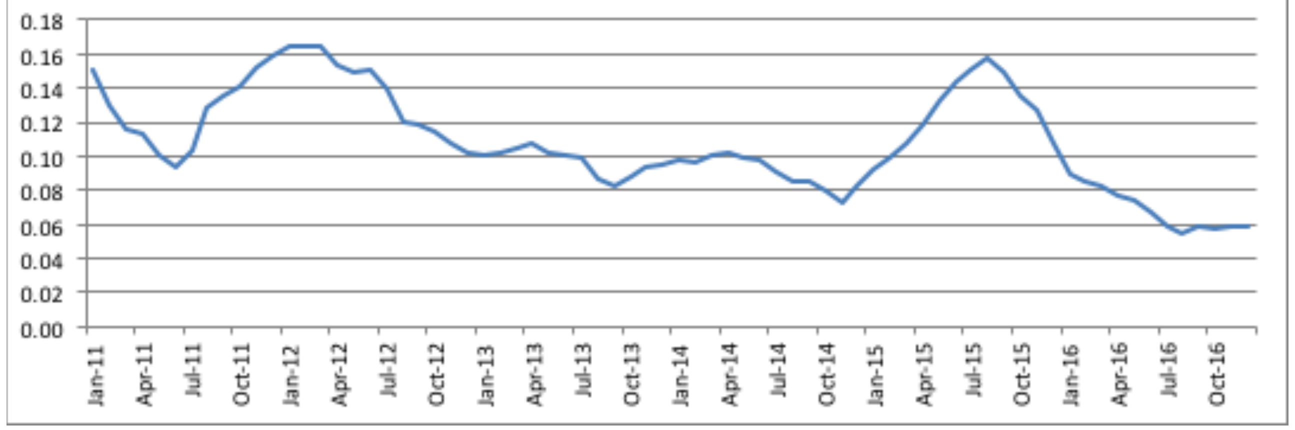
The Safety Pre-Audit Program was another project that focused on occupational safety and health. This was conducted by the Safety Team and plant representatives at all SCGC facilities and included technical and non-technical departments. Topics spanned preventing unsafe quarry till packing conditions, safety practices on the job and employees taking action as safety team leaders.

In addition, the Safety Country Committee met every two months. The meetings are led by SCGC's CEO and involve two hours of discussion about safety inspections, incident reports and action plans to correct unsafe behaviours/conditions.

2016 also saw the launch of new safety objectives linked with bonuses for all divisions.

Lost Time Injury Frequency Rate Employee


Lost Time Injury Severity Rate Employee




Total Recordable Injury Rate Employee








## HEALTH AND PRODUCT RESPONSIBILITY

SCGC strongly believes that protecting employee health and enhancing the wellbeing of workers is as vital as safety awareness.

Health management, including industrial hygiene (dust, noise and whole-body vibration hazards), is one of the Company's major concerns.

| Exposure Risk | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Tourah | Helwan | Kattameya | Suez | Minya | Suez Bags | HQ | Suez Transp |
| % of workers exposed | Dust | 59% | 54% | 55% | 73% | 48% | 0% | 0% | 0% |
| | Silica | 47% | 39% | 32% | 40% | 41% | 0% | 0% | 0% |
| | Noise | 23% | 50% | 55% | 67% | 40% | 62% | 0% | 0% |
| | Whole-body vibration | 2 % | 4% | 5% | 3% | 4% | 6% | 0% | 19% |
| **Monitoring** | | | | | | | | | |
| % of workers monitored | Dust | 98% | 100% | 100% | 100% | 100% | 4% | 0% | 0% |
| | Silica | 100% | 100% | 100% | 100% | 99% | 2% | 0% | 0% |
| | Noise | 65% | 100% | 100% | 99% | 100% | 3% | 0% | 0% |
| | Whole-body vibration | 100% | 100% | 100% | 100% | 100% | 75% | 0% | 0% |

## ENVIRONMENTAL PROTECTION

All of SCGC's plants have renewed their ISO 14001 certificates and applied ISO 14001/2004 standards. Each plant has its own certification.

In April 2015, amendments to Law No. 4 of 1994 were issued outlining government requirements on the integration of coal/petcoke as a primary fuel to power cement kilns, which also included further restrictions on air pollutants and greenhouse gas emissions. Companies have a grace period of five years to comply with these standards.

To this end, SCGC developed stricter environmental targets for its plants to avoid penalties and to better align with the firm's corporate value of "Continuous Improvement." In related news, EMS has further urged SCGC to adopt a policy that reflects management's commitment toward improving ecosystems in areas surrounding Company facilities.

### Climate Protection

Cement production is an energy and carbon-intensive process. To track its carbon emissions, SCGC has been monitoring and reporting carbon dioxide emissions from its operations since 2006, following the WBCSD CSI CO2 protocol for the cement industry.

In 2015, the Suez, Kattameya and Tourah Plants received permission to utilize coal power for two years. These agreements will be renewed based on annual performance reports from each plant.

The approval process to integrate coal/petcock power at the Helwan Plant is on track and will likely see fruition mid-2017.

**SCGC's 2016 $CO_2$ Cement Production* Emissions**

| | |
|---|---|
| Absolute gross (tonne/year) | 3,677,787 |
| Specific gross (kg/tonne clinker) | 845 |
| Specific gross (kg/tonne cem.**) | 735 |

* These calculations are based on the WBCSD-CSI CO2 protocol, June 2005 and Italcementi Group guidelines.

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

**Air Emissions:**

All plant emissions are carefully monitored using international standards and best practices.

Regular monitoring: 100% of SCGC's clinker production lines are equipped with CEMs to measure SO2, NOx, CO, O2, THC and dust as per Italcementi guidelines.

Spot monitoring: All pollutants and micro pollutants specified in the SD Air Emissions Procedures are now measured as part of plant emissions testing.

The ultimate goal of the Company's environment policy is to promote the sustainable use of resources, long-term economic growth and an improvement in the quality of life for generations to come.

**Responsible use of resources:** SCGC is currently applying CSI guidelines.

**Alternative Raw Materials (ARM):** The Company is using non-quarried materials slag as a substitution for clinker in cement products. Slag as ARM represents 3.67% versus quarried raw materials.

**Alternative Fuel:** SCGC utilizes biomass and refuse-derived fuels to power cement production. Alternative power sources comprise 5.4% of the firm's total energy mix, which mainly consists of fossil fuels. The vast majority of SCGC's alternative energy production is based at the Kattameya and Helwan Plants.

**Clean Development Mechanism (CDM) projects:** The Company is implementing two CDM projects; one at the Helwan Plant and the other at the Kattameya Plant. The aim of the projects is to further SCGC's sustainable development values – environmental protection, economic growth and corporate social responsibility, all of which align with the Egyptian government's sustainability efforts. Both initiatives were submitted to the UNFCCC and registered in July 2003 with a 10-year crediting period..

**Quarry Rehabilitation**

Throughout 2016, SCGC continued to monitor its Biodiversity Plan in co-operation with Ain Shams University's Zoology Department at the Helwan Limestone Quarry.

The program's aim is to analyze and monitor biodiversity levels at the largest SCGC quarry and compare levels to surrounding areas. Scientists found over eight plant varieties, nine terrestrial vertebrate species (i.e. mammals, reptiles and birds) and five soil invertebrates in addition to more than 12 distinct types of water algae in the quarry areas. The team also reported that quarry rehabilitation activities had led to the formation of small lakes that migratory birds use as stopovers as they make their way south in the winter and north in the summer.

Since 2013, the study has measured biodiversity levels within the quarry according to a number of indices utilizing sampling methodologies accepted by the scientific community. The project team plans to conduct measurements over a period of two to three years on a seasonal basis. The ultimate goal is to show that a cement plant quarry can host the same or higher levels of biodiversity compared to surrounding areas as long as proper rehabilitation practices are carried out using proven approaches like the ones SCGC has put in place.

SCGC is currently implementing four other rehabilitation projects, three of which were undertaken voluntarily.



Authorities mandated the refilling of the west portion of the Tourah Clay Quarry, which began in 2007. The site is the oldest quarry in the country. In 2013, the project moved forward with the refilling of the quarry's east section as well using specialized filling techniques and draining protocols. The target was to stabilize land along the National Railway nearby.

Two other refilling projects are located at the Suez Plant Clay Quarry. Furthermore, 300 palm trees were planted in the area to create a buffer zone between the quarry and the Kattameya/Ain Sokhna Highway.

## SOCIAL INITIATIVES

Driven by the company's ongoing commitment to corporate social responsibility, SCGC continued to promote initiatives that focused on key needs of local community members.
In 2016, SCGC again made education and health key priorities. These initiatives also aim to improve stakeholder relations through dialogue and co-operation. Only projects that contribute to the quality of life for community members as well as comply with local government policies and the UN Universal Declaration of Human Rights are chosen.

SCGC hopes to build a better future for generations to come in co-operation with local NGOs, United Nations agencies, schools, hospitals and universities. In fact, the Company's CSR program was recognized as one of the Top 10 in Egypt by the Federation of Egyptian Industries (FEI).

In February 2016, SCGC unveiled the rehabilitated Emergency Room at Helwan Public Hospital. The project, in partnership with Misr El Kheir Foundation, aimed to improve health infrastructure in the governorate, provide the hospital with new equipment and boost staff morale.

In 2016, SCGC continued to support the Omar Ibn El-Khattab Preparatory School for Boys in Kafr Selim, an impoverished district of Suez Governorate. In cooperation with the Takatof Association for Development, the Company financed training activities for 61 teachers, administrative staff and parents.

In addition, SCGC financed a school program to put an end to classroom violence and improve education on top of hiring necessary cleaning and security staff. Helwan Cement Company (HCC) and the Association for the Development and Enhancement of Women (ADEW) also renovated two primary schools in Tourah and Kafr El Elw governorates. The program improves educational conditions through the development of school infrastructure to create healthy environments for youth.

SCGC's long-lasting partnership with the Don Bosco Technical Institute started in 2006. Last year, the Company gave its annual contribution of €25,000 to the Institute. The objective of the sponsorship program is to promote technical and vocational education for Egyptian youth, upgrade Don Bosco's infrastructure/facilities and develop new programs. Graduates of Don Bosco are well known and in demand throughout the industrial sector for their excellent training and professional skills. SCGC has hired over 50 students to date and provided on-site training to more than 170 others as well as summer internship opportunities.

In a new offering, hundreds of SCGC employees attended an awareness seminar at Kattameya plant about the dangers of illegal drug use, organized in cooperation with the Egyptian Drug Control and Addiction Treatment Fund. The fund's goal is to help everyday Egyptians learn more about the harmful effects of illegal drug use via informative campaigns that demonstrate how to prevent and even treat addiction, which can take root in any community.

As part of its comprehensive Corporate Social Responsibility (CSR) Program Suez Cement donated LE 10 million to the Long Live Egypt Fund. The contribution will go to Egypt's national campaign to end Hepatitis C.

Finally, the Company participated in charity activities during the holy month of Ramadan and Eid al Adha (Feast of Sacrifice) by distributing food and supplies to impoverished families living in Cairo, Suez and El-Minya governorates..

## RESPONSIBLE PRODUCTION

### Energy & Fuel

In 2016, SCGC continued to substitute fossil fuel for other type of energy sources, mainly coal and alternative fuels (AFs). Coal and AFs comprised about 54% of the Company's energy mix at its five cement plants.

In addition, the Procurement Department reduced the cost of AFs compared to 2015 prices by investigating a variety of sellers as well as negotiating contracts, saving the Company an estimated LE 4.5 million.

### Spare Parts and Consumables

In spite of the foreign currency shortage during 2016 and the Egyptian pound's sharp devaluation, the Procurement Department limited price hikes for imported spare parts and consumables by taking advantage of the Best Cost Country Sourcing (BCCS) project and strong negotiations. This limited price increases to fewer than 10% without diminishing product quality.

### Subcontracting

The Procurement Department, with support from the Technical and HR Departments, reduced the need for 92 subcontractors in the industrial services and general service categories. Total expenditures for subcontractors was LE 2.3 million less than 2015 figures.

### Raw Material Sourcing

During 2016, the department achieved cost savings of LE 2.7 million on raw material and cement additives as a result of price negotiations for Gypsum and Grinding Aids.

### Supplier Qualification

The Supplier Qualification Program continued in 2016 as part of SCGC's commitment to Sustainable Development. The aim of the initiative is to objectively evaluate suppliers by analyzing their performance, financial stability, commitment to health, safety and environmental protection as well as the Group's Code of Ethics. The program is supported by the Technical, Safety, Finance and Legal Departments as each are responsible for the evaluation of suppliers in their areas of concern. In 2016, 184 new suppliers were registered and the pre-qualification process was initiated for another 129 suppliers.







## GLOSSARY OF TERMS

### Acronyms and abbreviations

| | |
|---|---|
| AFs | Alternative Fuels |
| ARMs | Alternative Raw Materials |
| AFRs | Alternative Fuels and Raw Materials |
| BWI | Building and Wood Workers' International |
| CEMs | Continuous Emissions Monitoring system |
| CSI | Cement Sustainability Initiative |
| GRI | Global Reporting Initiative |
| ILO | International Labour Organisation |
| ISO 14001 | The International Standards Organisation model for management and external certification of environmental performance |
| KPIs | Key Performance Indicators |
| LTI | Lost Time Injuries |
| WBCSD | World Business Council for Sustainable Development |

### Chemicals and units

| | |
|---|---|
| $CO_2$ | Carbon dioxide |
| $SO_2$ | Sulphur dioxide |
| $NO_x$ | Nitrogen oxides |
| CO | Carbon monoxide |
| VOC | Volatile Organic Compounds |

### Chemicals and units

| | |
|---|---|
| ng | nanogram (0.000000001 g) |
| mg | milligram (0.001 g) |
| g | gram |
| kg | kilogram (1,000 g) |
| t | tonne (1,000 kg) |
| kt | kilotonne (1,000 tonnes) |
| toe | tonnes of oil equivalent |
| ktoe | kilotonnes (1,000 tonnes) of oil equivalent |
| tpd | tonnes per day |
| $m^3$ | cubic metre |
| MJ | mega joule (1 million joules) |
| MW | mega watt (1 million watt) |
| kWh | kilowatt-hour (1,000 watt-hour) |
| GWh | gigawatt-hour (1 billion watt-hour) |

# Shareholder Information

## COMPOSITION OF THE BOARD AS OF DECEMBER 31ST, 2016

| number | Name | In his Capacity as |
|---|---|---|
| 1 | Mr. Omar Abd El Aziz Mohanna | Chairman |
| 2 | Mr. José Maria Magrina | CEO |
| 3 | Mr. David Robert Paul Flory | Board Member |
| 4 | Mr. Hayrullah Hakan Gürdal | Board Member |
| 5 | Mr. Ali Ihsan Kucukoglu | Board Member |
| 6 | Mr. Mohamed Chaibi | Board Member |
| 7 | Mr. Akhilesh Gupta | Board Member |
| 8 | Mr. Raed Ibrahim Soliman El Mudaiham | Board Member |
| 9 | Mr. Mohamed Iftikhar Khan | Board Member |
| 10 | Mr. Ahmed Abd El Saddik Salam | Board Member |
| 11 | Mr. Abd El Hakim Kassem Kulib | Board Member |
| 12 | Ms. Dina Andrea George Khayat | Board Member |
| 13 | Dr. Mounir Soliman Neamattalah | Board Member |

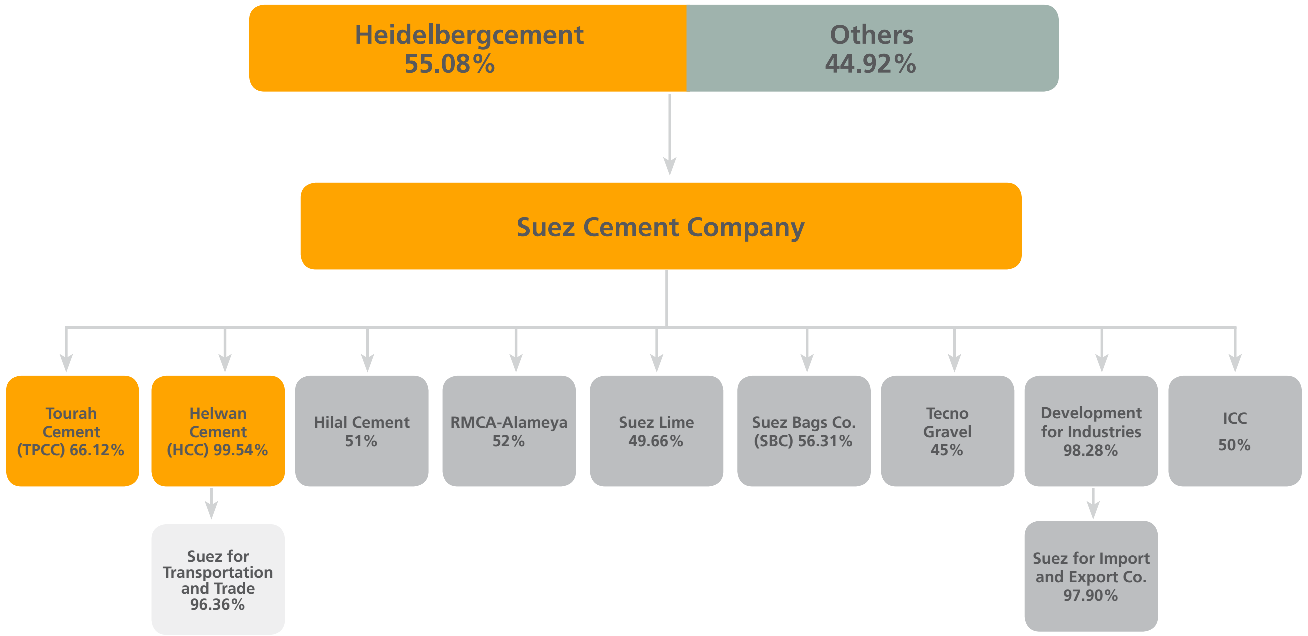
# SHAREHOLDER INFORMATION

Suez Cement Group of Companies (SCGC) is the largest cement producer in Egypt. With a long –standing history in the Egyptian market, SCGC is proud that its cement has helped build some of Egypt's well-known landmarks and continues to serve market needs with its innovative products and brands.

SCGC has an industry network of five production facilities located in Suez, Kattameya, Tourah, Helwan and El Minya, delivering quality white and grey cement to Egyptian and export markets.

The group is mainly composed of Suez Cement Company (SCC), Tourah Portland Cement Company (TPCC), Helwan Cement Company (HCC), Suez Bags Company (SBC), Ready Mix Concrete Al-Alameya (RMCA) and Hilal Cement in Kuwait.

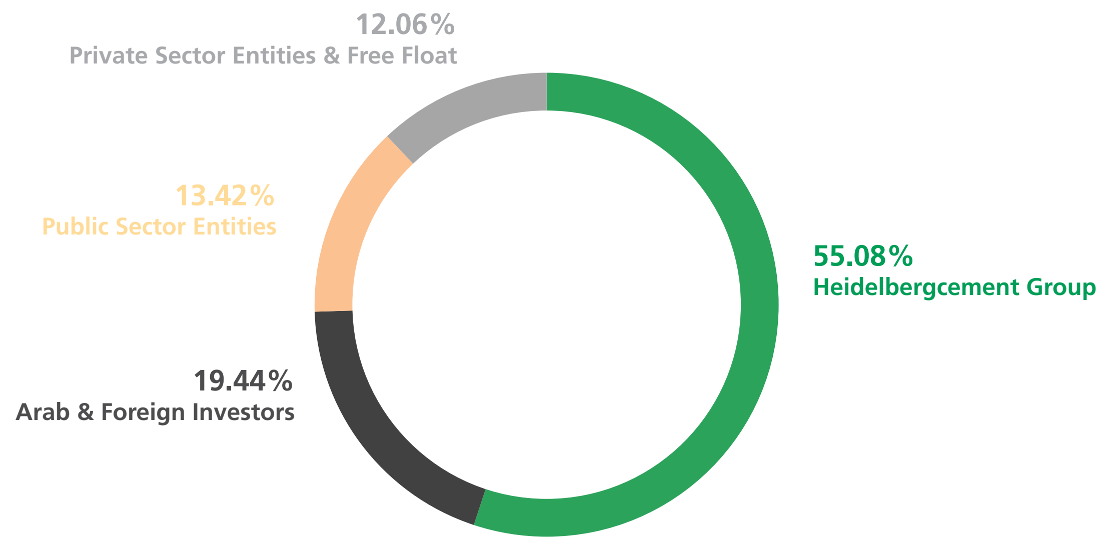
Heidelberg Cement Group is the majority shareholder of SCC with a share of 55.08% in SCC which holds 66.12% of TPCC, 53.32% of Suez Bags and 99.55 % of HCC. SCC, TPCC and SBC are listed on the Egyptian Stock Exchange, while HCC was optionally delisted in January 2010.




The afoementioned structure includes SCC direct and indirect ownershipht



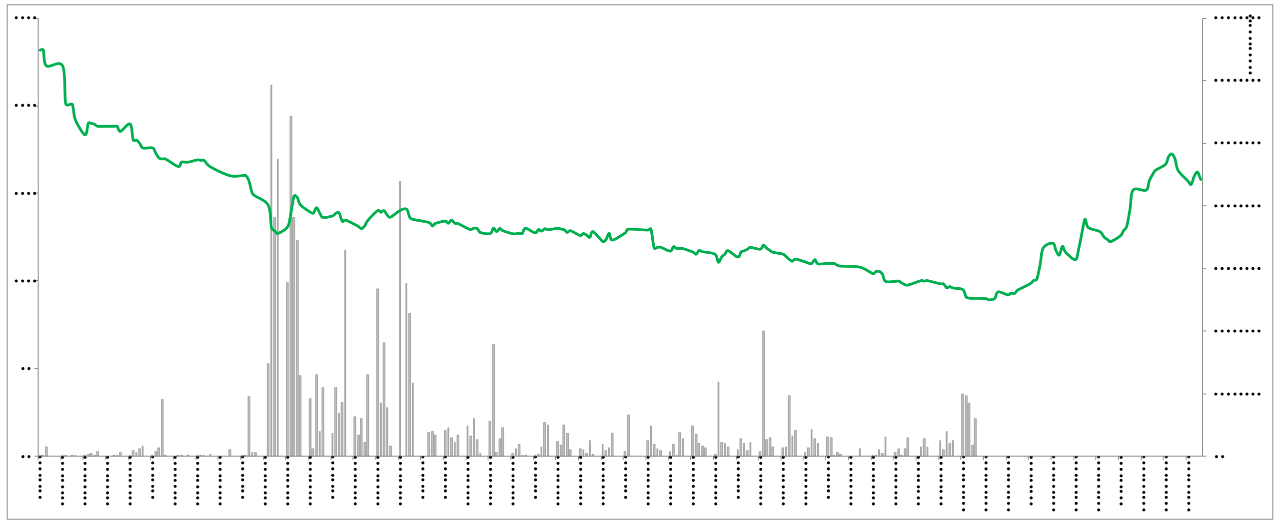
**SCC Shareholding structure as of December 31st, 2016**




**SCC Trading Volume on The Egyptian Stock Market 2016**

| Month | Number of Traded Shares | Average Monthly Price | Trade Value EGP |
|---|---|---|---|
| January | 23,616 | 20.00 | 42,389 |
| February | 96,365 | 17.17 | 1,654,934 |
| March | 2,766,031 | 13.64 | 37,733,040 |
| April | 1,909,107 | 13.74 | 26,240,302 |
| May | 614,769 | 13.05 | 8,020,137 |
| June | 310,755 | 12.75 | 3,961,444 |
| July | 342,107 | 12.13 | 4,148,449 |
| August | 721,560 | 11.49 | 8,288,490 |
| September | 204,043 | 10.41 | 2,125,096 |
| October | 675,763 | 9.31 | 6,290,701 |
| November | 2,044,133 | 12.10 | 24,736,261 |
| December | 4,379,148 | 14.75 | 64,581,211 |
| **Total** | **14,087,397** | **13.36** | **188,252,453** |

Source: Misr Information System and Trading (MIST)

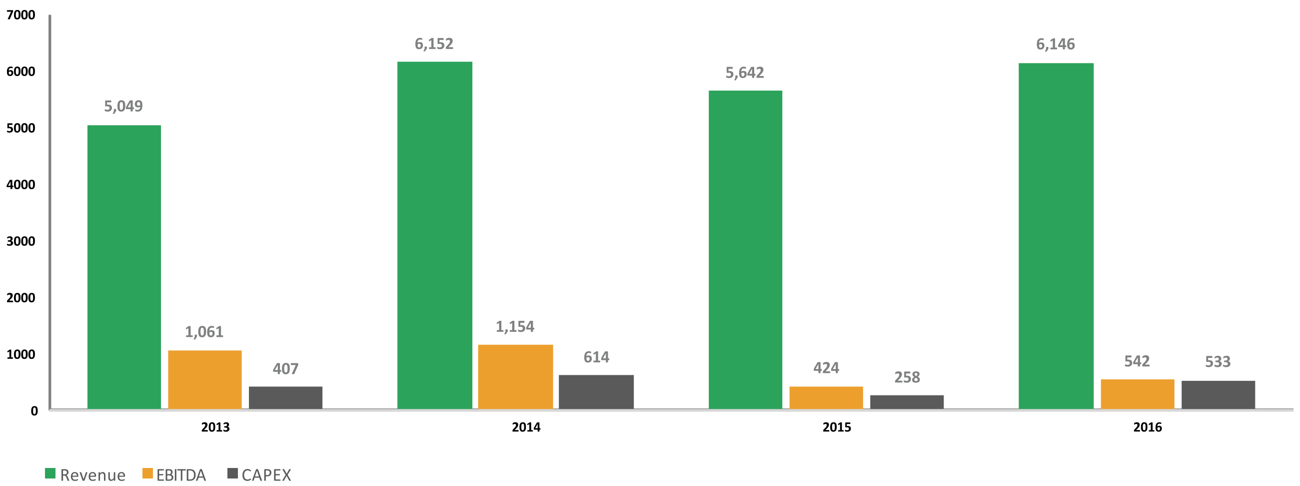


## Capital Expenditure (CAPEX)

The SCC Capital Expenditure programme is focused on reconstruction and modernization of our existing production facilities in order to reduce costs, improve process, and increase utilization capacities.

| Year | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Revenue | 5,049 | 6,152 | 5,642 | 6,146 |
| EBITDA | 1,061 | 1,154 | 424 | 542 |
| CAPEX | 407 | 614 | 258 | 533 |

MEGP




# FINANCIAL HIGHLIGHTS - CONSOLIDATION FOR YEAR 2016

| | Dec-16 | Dec-15 | Dec-14 |
|---|---|---|---|
| Revenue | **6,146** | 5,642 | 6,152 |
| Gross Profit | **662** | 423 | 1,086 |
| EBITDA | **542** | 424 | 1,154 |
| Net Earnings | **(528)** | (60) | 500 |
| | | | |
| Return on Sales | **-9%** | -1% | 8% |
| Gross Margin | **11%** | 7% | 18% |
| EBITDA Margin | **9%** | 8% | 19% |
| | | | |
| Fixed Assets | **4,700** | 4,322 | 4,453 |
| Total Assets | **11,247** | 10,023 | 10,726 |
| Cash & Cash Equivalents | **939** | 809 | 1,559 |
| Working Capital | **137** | 619 | 1,086 |
| Total Debt | **314** | 147 | 147 |
| Minority Interest | **801** | 641 | 676 |
| Shareholders Equity | **6,122** | 6,581 | 7,185 |
| | | | |
| Net Fixed Assets turnover | **131%** | 131% | 138% |
| ROA , Total Assets turnover | **55%** | 131% | 57% |
| Return on Equity | **-9%** | -1% | 7% |
| Current Ratio | **104%** | 127% | 145% |
| Debt to equity ratio | **10%** | 10% | 20% |
| Gearing ratio | **5%** | 10% | 20% |

## LEGAL INFORMATION ABOUT THE SUEZ CEMENT GROUP OF COMPANIES

| Company/Docket | | SCC | TPCC | HCC | SBC |
|---|---|---|---|---|---|
| **Company Name** | | **Suez Cement** | **Tourah Portland Cement** | **Helwan Cement** | **Suez Bags** |
| Form | | Joint stock company, governed by the Egyptian Law no. 8/1997 | Egyptian stock company, governed by the Egyptian Law no. 159/1981 | Egyptian stock company, governed by the Egyptian Law no. 159/1981 | Joint stock company, governed by the Egyptian Law no. 8/1997 |
| Registered Office | | Nile City Towers, South Tower, 10th floor, Corniche El Nil, Cairo, Egypt | Tourah Portland Cement, Corniche El Nil, Tourah | Kafr El Elw, Helwan | Kattameya, K 30 Maadi/Ein Sokhna Road |
| Registration Number | | 181134 investments Cairo | 1587 Giza | 4451 investments Cairo | 254876 investments Cairo |
| Date of Incorporation | | 06/03/1977 | 1927 | February 1929 | 14/12/1988 |
| Term | | 50 years from date of incorporation | Amended for 50 years starting 12/05/2001 | Amended for 25 years starting 03/10/2000 to 02/10/2025 | 25 years from the incorporation date. Expired on 04/12/2038 |
| Purpose | | Producing all kinds of cement. Expired on 05/03/2027 | Producing all kinds of cement and lime; owing terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries. | Producing all kinds of cement and lime; owing terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries. | Producing all kinds of paper bags. |
| Legal Information | | By-laws, minutes of general meetings, statutory audit reports | By-laws, minutes of general meetings, statutory audit reports | By-laws, minutes of general meetings, statutory audit reports | By-laws, minutes of general meetings, statutory audit reports |
| Financial Year | | January 1st to December 31st | January 1st to December 31st | January 1st to December 31st | January 1st to December 31st |
| Shares | | HeidelbergCement Group 55.08%<br>Arab Investors Association 19.46%<br>Public sector and GDR 15.34%<br>Private sector and persons 10.12% | Suez Cement 66.12%<br>Metallurgical Industries Co. 18.64%<br>Private sector and persons 15.24% | Suez Cement 99.54% | Suez Cement 53%<br>Swiss Limited Dipeco 30%<br>Closed underwriting 12%<br>Tourah Portland Cement 5% |
| Voting Powers for Decision Making | | Majority | Majority | Majority | Majority |
| Capital | Authorized | LE 3,600 million | LE 800 million | LE 2000 million | LE 24 million |
| | Paid up | LE 909,282,535 | LE 357,621,000 | LE 583,368,820 | LE 21,870,000 |

# SUEZ CEMENT COMPANY (S.A.E)

## SEPARATE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED IN 31 DECEMBER 2016
## TOGETHER WITH AUDITORS' REPORT



## AUDITOR'S REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Suez Cement Company (S.A.E), represented in the separate financial position as of 31 December 2016, and the related separate statements of income (profit or loss), separate Comprehensive income, separate changes in equity and separate cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the separate financial position of Suez Cement Company (S.A.E), as of 31 December 2016, and of its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

As indicated in notes (1) and (14) of the notes to the separate financial statements, the company has investments in subsidiaries and prepared consolidated financial statements as of 31 December 2016 and for better understanding of the company's consolidated financial position as 31 December 2016 and its consolidated financial performance, and its consolidated cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements

Report on Other Legal and Regulatory Requirements

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

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

Cairo: 28 February 2017

**Auditors**

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

Allied for Accounting & Auditing (EY)







## SEPARATE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| **Assets** | | | (Restated) |
| **Non-current assets** | | | |
| Fixed assets | (12) | **791,032,429** | 825,746,310 |
| Fixed assets under construction | (13) | **191,150,317** | 161,452,239 |
| Investments in subsidiaries | (14-a) | **4,497,901,738** | 4,546,052,988 |
| Investments in an associate and share in joint ventures | (14-b) | **30,267,255** | 30,267,255 |
| Available-for-sales investments | (14-c) | **1,440,001** | 2,433,859 |
| Amounts paid under investments in subsidiaries and other companies | (14-d) | **1,000,000** | 1,186,791 |
| Loan to subsidiaries | (15) | **33,000,000** | 33,000,000 |
| **Total non-current assets** | | **5,545,791,740** | **5,600,139,442** |
| **Current assets** | | | |
| Inventory | (16) | **598,079,172** | 425,954,425 |
| Accounts and notes receivables | (17) | **6,059,297** | 334,904 |
| Due from related parties | (18) | **250,533,210** | 5,846,008 |
| Prepayments, other receivables and other debit balances | (19) | **161,902,828** | 111,971,276 |
| Cash at banks | (20) | **572,331,494** | 479,795,867 |
| **Total current assets** | | **1,588,906,001** | **1,023,902,480** |
| **Total assets** | | **7,134,697,741** | **6,624,041,922** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | (21) | **909,282,535** | 909,282,535 |
| Legal reserve | (22) | **454,641,267** | 454,641,267 |
| Other reserves | (22) | **2,214,245,360** | 2,214,173,360 |
| Reserve of unrealized gains on available-for-sales investments | | **327,001** | 1,320,859 |
| Reserves | | **2,101,952** | (507,802) |
| Retained earnings | | **1,998,766,980** | 1,842,008,674 |
| (Losses) /Profits for the year | | **(215,591,988)** | 361,893,092 |
| **Total equity** | | **5,363,773,107** | **5,782,811,985** |
| **Non-current liabilities** | | | |
| Other long term liabilities | (23) | **24,777,587** | 29,866,010 |
| Deferred tax liabilities | (11) | **40,698,247** | 46,080,368 |
| **Total non-current liabilities** | | **65,475,834** | **75,946,378** |
| **Current liabilities** | | | |
| Provisions | (24) | **241,029,275** | 167,863,788 |
| Bank overdraft | (25) | **36,616,846** | 24,265,314 |
| Trade payables, accrued expenses and other credit balances | (26) | **378,059,428** | 286,122,068 |
| Due to related parties | (27) | **818,758,612** | 154,795,392 |
| Taxes payable | (28) | **20,156,609** | 19,650,802 |
| Advances from customers | (29) | **141,960,776** | 84,583,880 |
| Retention payables | (30) | **6,821,515** | 5,120,155 |
| Income tax for the year | | **62,045,739** | 22,882,160 |
| **Total current liabilities** | | **1,705,448,800** | **765,283,559** |
| **Working capital** | | **1,770,924,634** | **841,229,937** |
| **Total investment** | | **7,134,697,741** | **6,624,041,922** |

| Auditors | | Accounting Manager | Chief Financial Officer | Managing Director | Chairman |
|---|---|---|---|---|---|
| Emad H. Ragheb | Nabil A. Istanbouli | Shereif El Masry | Ali Ihsan Kucukoglu | Jose Maria Magrina | Omar A. Mohanna |

- The accompanying notes from (1) to (36) are an integral part of these separate financial statements.
- Auditor's Report attached.

## SEPARATE STATEMENT OF INCOME (PROFIT OR LOSS) FOR THE YEAR ENDED 31 December 2016

| | Note | 31 DECEMBER 2016 | 31 DECEMBER 2015 |
|---|---|---|---|
| | | | (Restated) |
| **Sales** | (4) | **2,117,257,834** | 2,002,600,352 |
| Cost of sales | (5) | **(1,730,764,119)** | (1,764,463,204) |
| **GROSS PROFIT** | | **386,493,715** | 238,137,148 |
| General and administrative expenses | (6) | **(143,640,224)** | (163,984,045) |
| Finance income | (7) | **56,562,168** | 45,658,712 |
| Finance cost | (8) | **(7,964,618)** | (5,661,203) |
| Foreign exchange differences | | **(392,514,722)** | (6,926,427) |
| Gain from sale of fixed assets | (12) | **305,456** | 72,000 |
| Provisions | (24) | **(88,000,768)** | (37,071,974) |
| Provisions no longer required | | **3,010,656** | 21,169,418 |
| Reversal in decline of debit balances | | **-** | 423,613 |
| Board of directors' remuneration and allowance | | **(165,000)** | (141,000) |
| Dividends income | (9) | **29,418,619** | 269,814,555 |
| Liquidation investments losses | | **(13,091)** | - |
| Impairment in value of investments | | **(47,701,250)** | - |
| (Losses) of sale of obsolete inventory | | **(5,758,420)** | - |
| (Losses) Other income | (10) | **50,281,439** | 35,983,561 |
| **(LOSSES)/PROFITS FOR THE YEAR BEFORE INCOME TAX** | | **(159,686,040)** | 397,474,358 |
| Deferred income taxes for the Year | (11) | **6,139,791** | (12,699,106) |
| Income taxes for the Year | (11) | **(62,045,739)** | (22,882,160) |
| **(LOSSES)/PROFITS FOR THE YEAR** | | **(215,591,988)** | 361,893,092 |
| (LOSS) / Earnings Per Share - basic and diluted (LE) | (31) | **(1.19)** | 1.86 |

| Accounting Manager | Chief financial Officer | Managing Director | Chairman |
|---|---|---|---|
| Shereif El Masry | Ali Ihsan Kucukoglu | Jose Maria Magrina | Omar A. Mohanna |

-The accompanying notes from (1) to (36) are an integral part of these separate financial statements

## SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | | (Restated) |
| (LOSSES) / PROFITS FOR THE YEAR | | **(215,591,988)** | 361,893,092 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent year (net of tax): | | | |
| Net (loss)/gain on available-for-sales (AFS) financial assets | | **(993,858)** | (109,908) |
| Net other comprehensive income to be reclassified to profit or loss in subsequent years, net of tax | | **(993,858)** | (109,908) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent year (net of tax): | | | |
| Remeasurement gains/(losses) on defined benefit plans | (23) | **3,367,424** | (1,109,889) |
| Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent year, net of tax | | **(757,670)** | 249,725 |
| Other comprehensive income/(loss), net of tax | | **2,609,754** | (860,164) |
| Total comprehensive income, net of tax | | **(213,976,092)** | 360,923,020 |

| Accounting Manager | Chief financial Officer | Managing Director | Chairman |
|---|---|---|---|
| Shereif El Masry | Ali Ihsan Kucukoglu | Jose Maria Magrina | Omar A. Mohanna |

-The accompanying notes from (1) to (36) are an integral part of these separate financial statements

## SEPARTE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | Issued and paid up capital | Legal reserve | Other Reserves | Reserve of unrealized gains on available-for-sale investments | Accumulated actuarial gains/(losses) on defined benefit plans | Retained earnings | (Losses)/ Profits for the year | Total |
|---|---|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE | LE | LE |
| Balance as of 1 January 2016 as issued | 909,282,535 | 454,641,267 | 2,214,173,360 | 1,320,859 | - | 1,842,361,036 | 361,032,928 | 5,782,811,985 |
| Effects of change in accounting policies | - | - | - | - | (507,802) | (352,362) | 860,164 | |
| **Restated Balance** | **909,282,535** | **454,641,267** | **2,214,173,360** | **1,320,859** | **(507,802)** | **1,842,008,674** | **361,893,092** | **5,782,811,985** |
| Losses for the year | - | - | - | - | - | - | (215,591,988) | (215,591,988) |
| Reserve of unrealized gains on available-for-sales investments | - | - | - | (993,858) | | | | (993,858) |
| Other comprehensive income, net of tax | - | - | - | - | 2,609,754 | - | - | 2,609,754 |
| **Total comprehensive income, net of tax** | **-** | **-** | **-** | **(993,858)** | **2,609,754** | **-** | **(215,591,988)** | **(213,976,092)** |
| Transferred to retained earnings | - | - | - | - | - | 361,893,092 | (361,893,092) | - |
| Dividends and transferred to other reserves | - | - | 72,000 | - | - | (205,134,786) | - | (205,062,786) |
| **Balance as of 31 December 2016** | **909,282,535** | **454,641,267** | **2,214,245,360** | **327,001** | **2,101,952** | **1,998,766,980** | **(215,591,988)** | **5,363,773,107** |
| Balance as of 1 January 2015 as issued | 909,282,535 | 454,641,267 | 2,211,709,171 | 1,430,767 | - | 1,888,562,499 | 471,824,836 | 5,937,451,075 |
| Taxes adjustments | - | - | - | - | - | - | 7,157,634 | 7,157,634 |
| Effects of change in accounting policies | - | - | - | - | 352,362 | 895,406 | (1,247,768) | - |
| **Restated Balance** | **909,282,535** | **454,641,267** | **2,211,709,171** | **1,430,767** | **352,362** | **1,889,457,905** | **477,734,702** | **5,944,608,709** |
| Transferred to retained earnings | - | - | - | - | - | 477,734,702 | (477,734,702) | - |
| Dividends and transferred to other reserves | - | - | 2,464,189 | - | - | (525,183,933) | - | (522,719,744) |
| Reserve of unrealized gains on available-for-sales investments | - | - | - | (109,908) | - | - | - | (109,908) |
| Other comprehensive (loss), net of tax | - | - | | - | (860,164) | - | 860,164 | - |
| Profit for the year | - | - | - | - | - | - | 361,032,928 | 361,032,928 |
| **Restated Balance as of 31 December 2015** | **909,282,535** | **454,641,267** | **2,214,173,360** | **1,320,859** | **(507,802)** | **1,842,008,674** | **361,893,092** | **5,782,811,985** |

- The accompanying notes from (1) to (36) are an integral part of these separate financial statements.



## SEPARTE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Losses) / Profit before income tax | | **(159,686,040)** | 397,474,358 |
| Dividends income | (9) | **(29,418,619)** | (269,814,555) |
| Liquidation investments Losses | | **13,091** | - |
| Impairment in value of investments | | **47,701,250** | - |
| Depreciation of fixed assets | (12) | **135,774,179** | 137,182,463 |
| Provisions | (24) | **88,000,768** | 37,071,974 |
| Provisions no longer required | (24) | **(3,010,656)** | (21,169,418) |
| Decline in value of obsolete inventory | | **(5,024,965)** | (1,804,800) |
| Reversal of decline in value of obsolete inventory | | **-** | (423,613) |
| Reversal of decline in debit balances | | **5,416,268** | 16,534,710 |
| Liabilities against end of service plan | (23) | **7,964,618** | 5,661,203 |
| Finance costs | | **(56,562,168)** | (45,658,712) |
| Credit interests | (12) | **(305,456)** | (72,000) |
| Gain on disposal of fixed assets | (13) | **1,407,715** | - |
| Foreign exchange differences | | **392,514,722** | 6,926,427 |
| **Cash from operations before working capital changes:** | | **424,784,707** | 261,908,037 |
| **Cash flows from investing activities** | | | |
| Changes in accounts and notes receivables | (17) | **(5,724,393)** | 169,016 |
| Change in due from related parties | (18) | **(244,687,202)** | (2,353,655) |
| Changes in prepayments, other receivables and other debit balances | (19) | **(48,089,797)** | 52,634,208 |
| Changes in advances from customers | (29) | **57,376,896** | (118,830,013) |
| Changes in trade payables, accrued expenses and other credit balances | (26) | **91,937,360** | (78,992,313) |
| Change in taxes payable | (28) | **505,807** | 10,127,716 |
| Change in due to related parties | (27) | **663,963,220** | 91,701,017 |
| Changes in retentions payable | (30) | **1,701,360** | (466,747) |
| Finance expense paid | (8) | **(7,964,618)** | (5,661,203) |
| Income taxes paid | | **(22,882,160)** | (63,085,707) |
| Provisions used | (24) | **(11,824,625)** | (1,018,494) |
| Decline in debit balances from provisions used | | **(325,418)** | (694,074) |
| **Decline in accounts and notes receivables from provisions used** | | **-** | (337,295) |
| **Payments in respect of End of service plan** | **(23)** | **(7,137,267)** | (1,350,000) |
| **Net cash from operating activities** | | **724,534,088** | 161,716,387 |
| **Cash flows from investing activities** | | | |
| Finance income received | | **55,045,831** | 43,495,257 |
| Payments to acquire fixed assets | (12) | **(3,002)** | - |
| Proceeds from sale of fixed assets | (12) | **305,456** | 72,000 |
| Payments in fixed assets under construction | (13) | **(132,163,089)** | (117,287,570) |
| Dividends paid | | **29,418,619** | 269,814,555 |
| Proceeds from liquidation of investments | (14) | **623,700** | - |
| **Net cash from investing activities** | | **(46,772,485)** | 196,094,242 |
| **Cash flows from financing activities** | | | |
| Proceeds from loan to subsidiaries | | **-** | 10,000,000 |
| Dividends paid | | **(205,062,786)** | (522,719,744) |
| **NET CAH (USED IN) FINANCING ACTIVITIES** | | **(205,062,786)** | (512,719,744) |
| Net increase (decrease) in cash and cash equivalent during the year | | **472,698,817** | (154,909,115) |
| Cash and cash equivalent- beginning of the year | | **455,530,553** | 617,366,095 |
| Foreign exchange differences | | **(392,514,722)** | (6,926,427) |
| **Cash and cash equivalent- end of the year** | | **535,714,648** | 455,530,553 |
| **For the purpose of preparing the statement of cash flows; cash and cash equivalent comprise of the following:** | | | |
| Cash at banks Less: | **(20)** | 572,331,494 | 479,795,867 |
| Bank overdraft | (25) | **(36,616,846)** | (24,265,314) |
| **Cash and cash equivalent** | | **535,714,648** | 455,530,553 |

- The accompanying notes from (1) to (36) are an integral part of these separate financial statements.

السويس للأسمنت
Suez Cement
HEIDELBERGCEMENT Group

# NOTES TO THE SEPERATE FINANCIAL STATEMENTS 31 DECEMBER 2016

## 1- BACKGROUND

Suez Cement Company S,A,E, was established in 1977 under Law 43 of 1974 which was superseded by Law 230 of 1989 which was replaced by the investments Guarantees and Incentives Law 8 of 1997, The Company was registered in the Commercial register on 11 April 1979 under no, 181134

HeidelbergCement, 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 the 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.

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

The financial statements of the Company for the year ended 31 December 2016 were authorized for issuance in accordance with the Board of Directors' resolution on 28 February 2017.

## 2- SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

Statement of compliance

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

### 2.2 CHANGES IN ACCOUNTING POLICIES

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

### 2.3 FOREIGN CURRENCY TRANSLATION

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

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

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

Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition,

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined,





### 2.4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses, Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met, Likewise, when a major inspection is performed, its cost is 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 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 to10 |

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 derecognition of the asset is included in the statement of income when the asset is derecognized,

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

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

A previously 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 income,

### 2.5 Projects under construction

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

### 2.6 INVESTMENTS

#### Investments in subsidiaries

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

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

#### Investments in associates

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

Investments in associates are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of income for each investment separately,

### Available for sale investments

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

Available for sales investments are initially recognized at cost inclusive direct attributable expenses,

After initial measurement, available for sales 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 income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income, 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 income, Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity,

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

### 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 separate financial statement using cost method; and in its consolidated financial statements using equity method,

### 2.7 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and Consumables, rolling and packing materials: at the lower of cost (using the moving average method) or net realizable value,

- Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value

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

- Work in process: at the lower of the cost of production (of the latest completed phase based on the costing sheets) or net realizable value,

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

Net 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 sales,

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in the statement of income in the period 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 income in the period in which the reversal occurs,

### 2.8 Accounts receivable and other debit balances

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

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred), The loss is recognized in the statement of income according to an authorized study takes into consideration all technical and market bases to estimate any write down, If a future write off is later recovered, the recovery is recognized in the statement of income,

### 2.9 Provisions

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

### 2.10 Legal reserve

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

### 2.11 Borrowings

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

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 income statement 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 income statement,

### 2.12 Employees' benefits
### End of service benefits
### 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 period of employment, The expected costs of these benefits are accrued over the period 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 periods,

Actuarial gains and losses on End of services benefits are recognised immediately in the statement of

income in the period in which they occur,

## 2.13 Income taxes

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

### Current income tax

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

### Deferred income tax

Deferred income tax is 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 income for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity,

## 2.14 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty, The following specific recognition criteria must also be met before revenue is recognized:

• Sales of goods

Revenue from the sales 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 income,

• 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,

## 2.15 Expenses

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

## 2.16 Borrowing costs

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

## 2.17 Related party transactions

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

## 2.18 Accounting estimates

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

## 2.19 Impairment

### Impairment of financial assets

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

### Impairment of non financial assets

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

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

## 2.20 Statement of cash flows

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

## 2.21 Cash and cash equivalent

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

## 3. SEGMENT INFORMATION

Currently the Company's main business segment is developing projects and selling the developed units, Revenues, profits and investments in other business segments are currently immaterial, Accordingly retail, commercial and hospitality business segments do not meet the criteria of reportablele segments under EAS 41, and as such, are not separately disclosed in the financial statements, All revenues of the Company in the year ended 31 December 2016 were reported under one segment in the financial statements.

## 4- SALES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Bulk Cement Sales (Domestic) | 384,397,040 | 269,125,321 |
| Bagged Cement Sales (Domestic) | 1,499,830,935 | 1,659,175,500 |
| Discount of Bagged Cement (Domestic) | (15,158,283) | (12,979,076) |
| Bagged Cement Sales (foreign) | 5,146,779 | 11,503,727 |
| Clinker Saless (Domestic) | 243,041,363 | 75,774,880 |
| | 2,117,257,834 | 2,002,600,352 |

## 5- COST OF SALES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Clinker Purchase | 227,563 | 22,993,516 |
| Fuels | 572,938,594 | 558,683,551 |
| Electricity | 252,302,824 | 214,089,215 |
| Raw Material and Rent of Limestone quarries | 189,515,440 | 157,913,770 |
| Clay Fees | 51,039,386 | 56,576,595 |
| Maintenance | 148,725,596 | 145,904,695 |
| Marketing | 71,878,469 | 59,125,176 |
| Salaries | 140,412,220 | 125,853,794 |
| Packages | 88,189,322 | 98,047,106 |
| Depreciation | 128,469,721 | 129,333,208 |
| Other | 87,064,984 | 195,942,578 |
| | 1,730,764,119 | 1,764,463,204 |

## 6- GENERAL AND ADMINSTRATIVE EXPENSES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Technical assistance fees | 22,857,569 | 20,938,897 |
| Salaries | 51,303,167 | 54,670,647 |
| End of service benefits plan- current and past service costs (Note 23) | 1,356,913 | 14,467,215 |
| Communication expenses | 20,392,034 | 21,810,018 |
| Other general and administrative expenses | 46,255,375 | 38,606,540 |
| Tax on dividends | 1,475,166 | 13,490,728 |
| | 143,640,224 | 163,984,045 |

## 7- FINANCE INCOME

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Interest from Loan to subsidiaries | 4,428,020 | 4,148,375 |
| Interest from time deposits | 52,134,148 | 41,510,337 |
| | 56,562,168 | 45,658,712 |

## 8- FINANCE COST

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Interest on benefit plan – (note 23) | 4,059,355 | 2,067,495 |
| Interest on credit facilities and loans | - | 519,080 |
| Other bank charges | 3,905,263 | 3,074,628 |
| | 7,964,618 | 5,661,203 |

## 9- DIVIDENDS INCOME

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Helwan Cement Company S,A,E | - | 261,380,365 |
| Ready Mix Concrete Al alamia (RMCA)- S,A,E | 15,210,000 | 4,160,000 |
| Suez Bags Company S,A,E | 11,661,410 | - |
| Suez for Transport and Trade – Egypt S,A,E | 1,225,000 | 2,100,000 |
| Lafarge Cement Company – Egypt S,A,E | 84,709 | 1,049,190 |
| Techno Gravel For Quarries-Egypt S,A,E | 1,237,500 | 1,125,000 |
| | 29,418,619 | 269,814,555 |

## 10- OTHER INCOME

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Management fees | 12,659,449 | 10,241,172 |
| Settlement value of clay development contribution fees | 16,802,973 | - |
| Other income | 20,819,017 | 25,742,389 |
| | 50,281,439 | 35,983,561 |

## 11- INCOME TAX
## RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Net (Losses )/profits before income taxes | (159,686,040) | 397,474,358 |
| Add: | | |
| Accounting depreciation | 135,774,179 | 137,182,463 |
| Donations | 2,764,172 | 14,713,951 |
| Board of directors' allowance | 2,014,551 | 1,689,864 |
| Provisions | 93,417,036 | 53,887,683 |
| Indemnities and fines | 2,325,980 | 941,211 |
| Previous year expenses- un-supported documents | 6,473,743 | 2,485,103 |
| Tax on dividends | 1,475,166 | 13,490,728 |
| Labors Club | 620,691 | 1,744,382 |
| Dividend costs | 110,666 | - |
| Losses from liquidation of investments | 13,091 | |
| Impairment in value of investments | 47,701,250 | - |
| Hilal Cement Company - Chairman Salary | - | 430,242 |
| Unrealized foreign exchange losses | 551,297,527 | 87,077,259 |
| Net profit as per tax law | 684,302,014 | 711,117,244 |
| less: | | |
| Tax depreciation | (151,879,701) | (224,317,835) |
| Suez Cement Company's share in the Board of directors' bonuses of Suez Bag Company and Tourah Cement Company | (450,000) | (450,000) |
| Donations | (272,000) | (11,627,907) |
| Capital Gains | (305,456) | (72,000) |
| Used provisions | (9,839,114) | (3,062,568) |
| Provisions no longer required | (11,403,045) | (24,016,126) |
| Unrealized foreign exchange gains | (204,975,239) | (76,057,765) |
| Dividends received | (29,418,619) | (269,814,555) |
| Taxable income | 275,758,838 | 101,698,488 |
| Income tax at the effective tax rate 22,50% | 62,045,739 | 22,882,160 |

**DEFERRED INCOME TAX LIABILITIES**

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Depreciation of fixed assets | (78,720,573) | (75,028,102) |
| Provisions | 38,632,569 | 28,800,307 |
| Net deferred income tax (liability) | (40,088,004) | (46,227,795) |





## 11- INCOME TAX (continued)
## The company's tax position is as follows:

### a) Corporate taxes
**- Period until Year 2007:**
The tax authority has assessed the company for this period, It was agreed at the Internal Committee and the due value was paid within the limits of the provision

**- Years 2008 & 2011:**

The tax authority has assessed the company for this period, The Company objected against the inspection results,

**- 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.

**- From 1 January 2015 till 31 December 2016**

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)

**- 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 & 2011:**
The tax authority has assessed the company for this period, The Company objected against the inspection results,

**- Years 2012 & 2013:**
The tax authority has assessed the company for this period, The Company objected against the inspection results,
The company prepares tax return monthly and pays due taxes during the legal period.

**- From 1 January 2014 till 31 December 2016**
No inspections took place for such period.

### 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,

**- Years from 1999 to 2013 :**
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,

**- Years 2014 & 2016:**
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.

**- From 1 January 2015 till 31 December 2016**
No inspections took place for such period.

## 12- FIXED ASSETS

| | Lands | Buildings, constructions, infrastructure and roads | Machinery, equipment and Tools | Motor Vehicles | Furniture and office equipment | Total |
|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE |
| **Cost** | | | | | | |
| As of 1 January 2016 | 398,503 | 535,131,298 | 1,889,801,695 | 43,837,947 | 86,910,658 | 2,556,080,101 |
| Additions | - | - | - | - | 3,002 | 3,002 |
| Transfer from fixed assets under construction (Note 13) | - | 12,735,651 | 82,562,437 | 818,071 | 4,941,136 | 101,057,295 |
| **Disposals** | **-** | **-** | **(14,707)** | **(1,542,800)** | **-** | **(1,557,507)** |
| **As of 31 December 2016** | **398,503** | **547,866,949** | **1,972,349,425** | **43,113,218** | **91,854,796** | **2,655,582,891** |
| **Accumulated depreciation** | | | | | | |
| As of 1 January 2016 | - | (409,243,739) | (1,217,191,774) | (35,586,576) | (68,311,702) | (1,730,333,791) |
| Depreciation for the year | - | (19,845,971) | (107,598,570) | (1,534,028) | (6,795,609) | (135,774,179) |
| Disposals | - | - | 14,707 | 1,542,800 | - | 1,557,507 |
| **As of 31 December 2016** | **-** | **(429,089,710)** | **(1,324,775,638)** | **(35,577,804)** | **(75,107,311)** | **(1,864,550,463)** |
| **Net book value as of 31 December 2016** | **398,503** | **118,777,239** | **647,573,787** | **7,535,414** | **16,747,486** | **791,032,429** |
| **Net book value as of 31 December 2015** | **398,503** | **125,887,559** | **672,609,921** | **8,251,371** | **18,598,956** | **825,746,310** |

**First:**

| | |
|---|---|
| **Proceeds from sale of fixed assets (A)** | **305,456** |
| Cost of fixed assets sold | 1,557,507 |
| Accumulated depreciation of fixed assets sold | (1,557,507) |
| **Net book value (B)** | **-** |
| **Gain from sale of fixed assets (A) - (B)** | **305,456** |

**Second:**

• Fixed Assets as of 31 December 2016 include assets that are fully depreciated and still in use, The acquisition cost for these assets are as follows:

| Assets | Cost |
|---|---|
| Building, construction, infrastructure and roads | 182,723,542 |
| Machinery, equipment and tools | 720,059,335 |
| Motor vehicles | 32,675,785 |
| Furniture and office equipment | 52,769,124 |
| **Total** | **988,227,786** |

• No imposed restrictions on the ownership of fixed assets against credit facilities offered to the company,
• No temporarily idle assets, and the fair value of assets are not materially different from its carrying amoun

## 13- ASSETS UNDER CONSTRUCTION

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Raw mill filter kiln 2 | **41,026,579** | - |
| Coal project for Suez plant | **-** | 10,374,998 |
| Spare parts for coal project | **10,565,232** | 4,363,980 |
| Civil works project | **-** | 2,127,004 |
| Environmental measuring stations to dust | **5,880,934** | - |
| 2Gear box for cement mill 1 | **4,548,920** | 4,548,920 |
| 2Gear box for cement mill 2 | **3,186,118** | 3,186,118 |
| Renew filter Bypass for kiln 2 | **3,452,696** | 3,452,696 |
| Other | **122,489,838** | 133,398,523 |
| | **191,150,317** | 161,452,239 |

The fixed assets under construction during the year ended in 31 of December 2016

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Balance as of beginning of the year | **161,452,239** | 336,940,011 |
| Additions during the year | **132,163,089** | 117,287,570 |
| Transferred to fixed assets during the year | **(101,057,295)** | (292,775,342) |
| Disposals | **(1,407,715)** | - |
| Balance as of end of the year | **191,150,317** | 161,452,239 |

## 14- INVESTMENTS

### A) Investments in subsidiaries

| | %of Ownership | Par value | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|
| | | LE | LE | LE |
| **Subsidiary companies** | | | | |
| Helwan Cement Company S,A,E | 99,55 | 5 | **2,832,496,952** | 2,832,496,952 |
| Tourah Portland Cement Company S,A,E | 66,12 | 5 | **1,287,617,992** | 1,287,617,992 |
| EL Helal Cement Company- Kuwait ( Kuwaiti Joint Stock Company) | 51 | 15,29 | **270,415,816** | 270,415,816 |
| Ready Mix Concrete Al alamia (RMC)" S,A,E | 52 | 100 | **81,432,859** | 81,432,859 |
| Suez Bags Company S,A,E | 53,32 | 10 | **22,438,108** | 22,438,108 |
| Development for Industries Company S,A,E | 98,28 | 100 | **-** | 225,000 |
| Axim Egypt Company S,A,E | 98,28 | 100 | **-** | 225,000 |
| International City Company for Ready Mix (LLC) - KSA | 50 | | **47,701,250** | 47,701,250 |
| Impairment in value of investments | | | **(47,701,250)** | - |
| **Subsidiary companies through indirect investments *** | | | | - |
| Suez For Transport and Trade S,A,E | 96,37 | 100 | **3,500,000** | 3,500,000 |
| Development and Construction Materials Company (DECOM) S,A,E | 52 | 10 | **11** | 11 |
| Suez for import and export (S,A,E) | 96,37 | | - | - |
| | | | **4,497,901,738** | 4,546,052,988 |

* In addition to the company's share in the subsidiary companies, The company owns indirect shares through its subsidiaries, Hence, these companies are qualified to be subsidiary companies; consequently it has been included in investments in subsidiaries item, These indirect shares comprise the following:
- Suez cement company indirect share (through Helwan Cement S,A,E – subsidiary company by 99,55% and Tourah Portland Cement Company S,A,E – subsidiary company by 66,12%) in Suez for Transport and Trade (S,A,E) by 96,37%.

- Suez cement company indirect share (through Ready Mix Concrete Al alamia (RMC)" S,A,E – subsidiary company by 52%) in Development and Construction Materials Co (DECOM) (S,A,E) by 52%.

- Suez cement company indirect share (through Development for Industries Company S,A,E – subsidiary company by 98,28% and Axim Egypt Company S,A,E – subsidiary company by 98,28% and Suez For Transport and Trade S,A,E – subsidiary company by 96,37%) in Suez for import and export (S,A,E) by 96,37 %.

### B) Investments in an associate and joint ventures

| | %of Ownership | Par value | **31 December 2016** | 31 December 2015 |
|---|---|---|---|---|
| | | LE | **LE** | LE |
| Investment in an associate | | | | |
| Techno Gravel For Quarries-Egypt S,A,E | 45 | 10 | **28,334,257** | 28,334,257 |
| Total investment in an associate | | | **28,334,257** | 28,334,257 |
| Share in joint ventures | | | | |
| Suez Lime Company S,A,E * | 49,66 | 100 | **3,621,100** | 3,621,100 |
| Impairment loss | | | **(1,688,102)** | (1,688,102) |
| Total share in joint ventures | | | **1,932,998** | 1,932,998 |
| **Total investments in an associate and share in joint ventures** | | | **30,267,255** | 30,267,255 |

* Suez Cement Company S,A,E has a 49,66 % interest in Suez Lime Company S,A,E ; a jointly controlled entity, The entity;p;; is jointly managed along with Unicalce company (an Italian company that holds 50 % interest) and Tourah Portland Cement Company S,A,E ( that holds 1%)

The venturers have a contractual arrangement that e tablishes 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 recognizes its share in the joint venture in the separate financial statements at cost and consolidated financial statements using the equity method,

### C) Available-for-sales investments

| | %of Ownership | Par value | **31 December 2016** | 31 December 2015 |
|---|---|---|---|---|
| | | LE | **LE** | LE |
| Lafarge Cement Company – Egypt S,A,E | 0,137 | 10 | **1,113,000** | 1,113,000 |
| Reserve of unrealized gains on available-for-sales investments | | | **327,001** | 1,320,859 |
| | | | **1,440,001** | 2,433,859 |

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

| | %of Ownership | Par value | **31 December 2016** | 31 December 2015 |
|---|---|---|---|---|
| | | LE | **LE** | LE |
| Suez Bosphorus Cimento Sanayi Ve Ti | 99,9 | 3,64 | **-** | 186,791 |
| Italgin Egypt For Energy S,A,E | 1 | 100 | **650,000** | 650,000 |
| Italgin Gulf el Zeit S,A,E | 1 | 100 | **350,000** | 350,000 |
| | | | **1,000,000** | 1,186,791 |

### 15- LOAN TO SUBSIDIARIES

On 20 October 2006, Suez Cement Company's Board of Directors approved to lend Ready Mix Concrete Al alamia (RMC)" S,A,E and its subsidiaries an amount of EGP 300 Million at annual interest rate 10,54%,

The balance of the loan as of 31 December 2016 amounted to EGP 33 Million as follows:

- EGP 15 Million; due from Ready Mix Concrete Al alamia (RMC)" S,A,E (subsidiary company by 52%).

- EGP 18 Million; due from Development and Construction Materials Company (DECOM) S,A,E (subsidiary company by 52%).

### 16- INVENTORY

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| | **LE** | LE |
| Raw materials | **12,232,048** | 12,160,501 |
| Spare parts and supplies | **170,287,364** | 153,101,366 |
| Fuel | **103,930,495** | 114,661,395 |
| Packing materials | **3,068,621** | 4,647,860 |
| Work in progress | **134,868,813** | 106,192,958 |
| Finished goods | **42,887,399** | 49,852,790 |
| Goods in transit | **174,960,083** | 34,518,171 |
| | **642,234,823** | 475,135,041 |
| less: | | |
| Decline in value of obsolete (spare parts) inventory | | |
| Decline in value of obsolete (packing -bags) inventory | **(43,874,563)** | (48,810,528) |
| | **(281,088)** | (370,088) |
| | **(44,155,651)** | (49,180,616) |
| | **598,079,172** | 425,954,425 |

***Decline in the value of inventory**

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| | **LE** | LE |
| **Beginning balance** | **49,180,616** | 50,985,416 |
| **Reverse the decline in the value of inventory during the year** | **(5,024,965)** | (1,804,800) |
| **Ending balance** | **44,155,651** | 49,180,616 |

## 17- Accounts and notes receivables

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Accounts receivable | 6,059,297 | 334,904 |
| | 6,059,297 | 334,904 |
| | 31 December 2016 | 31 December 2015 |
| | LE | LE |
| Amounts receivable within 12 months | 6,059,297 | 334,904 |
| | 6,059,297 | 334,904 |

* There are no impairment on accounts and notes receivables on 31 December 2016 and 31 December 2015.

## 18 DUE FROM RELATED PARTIES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Tourah Portland Cement Company S.A.E | 57,001,601 | 2,177,389 |
| Helwan Cement Company S.A.E | 187,458,983 | - |
| Suez For Bags S.A.E | 367,921 | - |
| Ready Mix Concrete Al alamia (RMC)" S.A.E | 1,953,937 | 2,418,788 |
| Suez For Import and Export S,A,E | - | 3,915 |
| Inter bulk S.A.E Company ( Related Party ) | 389,131 | 312,153 |
| Asia Cement ( Related Party ) | 915,151 | 491,512 |
| EL Helal Cement Company-Kuwait ( Kuwaiti Joint Stock Company) | 1,185,119 | 14,396 |
| Suez For Lime S.A.E | 10,900 | - |
| Development and Construction Materials Company (DECOM) S.A.E | 1,250,467 | 427,855 |
| | 250,533,210 | 5,846,008 |

## 19- PREPAYMENTS, OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Prepaid expenses | 10,222,231 | 12,491,842 |
| Advances to suppliers | 39,332,159 | 16,828,128 |
| Deposits with others | 51,989,833 | 45,112,699 |
| Tax authority | 6,588,945 | 7,534,752 |
| Refunded tax | 13.813.030 | 10,184,371 |
| Blocked current account at QNB AL AHLI in favor of Tax authority | 255,255 | 255,255 |
| Other debit balances | 33.215.798 | 14,920,407 |
| | 155,417,251 | 107,327,454 |
| Accrued interest | 6,983,341 | 5,467,004 |
| Less: Impairment in value of other debit balances | (497,764) | (823,182) |
| | 161,902,828 | 111,971,276 |

## 20- CASH AT BANKS

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| **a- Egyptian Pound** | | |
| Current accounts * | 74,515,550 | 54,814,662 |
| Treasury bills (mature in three months) | 495,934,974 | 332,573,828 |
| | | |
| **b- Foreign currencies** | | |
| Current accounts * | 1,316,361 | 3,893,314 |
| Time deposits (mature in three months) | 564,609 | 88,514,063 |
| | 572,331,494 | 479,795,867 |

*Banks current accounts include a hold amounts as of 31 December 2016, to purchase foreign goods by foreign currencies amounted EGP 30,395,304

## 21- SHARE CAPITAL

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Authorised capital | 3,600,000,000 | 3,600,000,000 |
| | | |
| Issued and fully paid-up | 909,282,535 | 909,282,535 |
| | | |
| Number of shares | 181856507 | 181856507 |

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

On 30 June 2005, Minister of investment's decree was issued to approve the extra ordinary 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 EGP 5 each,

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

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

## 22- RESERVES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | 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 | 14,454,110 |
| Total other reserves | 2,214,245,360 | 2,214,173,360 |
| **Total reserve** | 2,668,886,627 | 2,668,814,627 |

### 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 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

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

## 23- OTHER LONG TERM LIABILITIES

### Liabilities – Defined benefit plan

The company pays 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 is 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:

| | 2016 | |
|---|---|---|
| Discount rate | 17.5 % | |
| Average salary increase | 12 % | |

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

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Present value of the defined benefit liability | 24,777,587 | 29,866,010 |
| **Actuarial Present value of the defined benefit liability at the balance sheet** | **24,777,587** | **29,866,010** |

### The movement of liability as per the balance sheet

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Liability - beginning of the year | **29,866,010** | 13,571,411 |
| Past service cost * (Note 6) | **-** | 13,543,309 |
| Current service cost (Note 6) | **1,356,913** | 923,906 |
| Interest cost | **4,059,355** | 2,067,495 |
| Payments from the plan | **(7,137,267)** | (1,350,000) |
| Actuarial losses / (gains) (Note 20) | **(3,367,424)** | 1,109,889 |
| **Liability – end of the year** | **24,777,587** | **29,866,010** |

### Defined benefit plan cost as per income statement

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Previous service cost - (note 6) | **-** | 13,543,309 |
| Current Accrued service cost - (note 6) | **1,356,913** | 923,906 |
| Interest cost | **4,059,355** | 2,067,495 |

The analysis of defined benefit plan cost as per income statement

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| General and administrative expense | **1,356,913** | 14,467,215 |
| Finance expense | **4,059,355** | 2,067,495 |
| | **5,416,268** | 16,534,710 |

## 24- PROVISIONS

| | Balance as of 1 January 2016 | Charged during the year | Utilized during the year | Provisions no longer required | Balance as of 31 December 2016 |
|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE |
| Tax claims | 126,639,910 | 35,760,768 | (10,832,333) | (2,710,656) | **148,857,689** |
| Judicial disputes | 13,066,237 | 50,000 | - | (300,000) | **12,816,237** |
| Earlier retirement | - | 52,190,000 | | | **52,190,000** |
| Training support fund | 27,165,349 | - | - | - | **27,165,349** |
| Other claims | 992,292 | - | (992,292) | - | - |
| | **167,863,788** | **88,000,768** | **(11,824,625)** | **(3,010,656)** | **241,029,275** |

| | Balance as of 1 January 2015 | Charged during the year | Utilized during the year | Provisions no longer required | Balance as of 31 December 2015 |
|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE |
| Tax claims | 93,826,404 | 33,487,000 | (673,493) | - | **126,639,910** |
| Judicial disputes | 12,821,837 | 1,314,400 | (345,000) | (725,000) | **13,066,237** |
| Training support fund | 46,331,485 | 1,278,282 | - | (20,444,418) | **27,165,349** |
| Other | - | 992,292 | | | **992,292** |
| | **152,979,726** | **37,071,974** | **(1,018,494)** | **(21,169,418)** | **167,863,788** |

No other material contingent liabilities other than what was provided for in the provisions above or what was disclosed in note 11 in respect of tax position.

## 25- Bank Overdraft

Suez Cement Company S.A.E obtained lines of credit from banks capped at EGP 634 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 with average interest rate 17.9% for Egyptian currency and 4.82% for equivalent foreign currencies.

Total usage of these lines of credit as of 31 December 2016 amounted to EGP 36,616,846

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| a- Egyptian Currency | 20,759,299 | - |
| b- Foreign Currencies | 15,857,547 | 24,265,314 |

## 26- TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Trade payables | 290,863,275 | 224,635,362 |
| Accrued expenses | 44,708,980 | 40,064,104 |
| Social and medical security | 1,250,597 | 1,140,938 |
| Other payables | 41,236,576 | 20,281,664 |
| | 378,059,428 | 286,122,068 |

## 27- DUE TO RELATED PARTIES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Ciments Francais (major shareholder) | 60,339,987 | 15,321,688 |
| Italcementi S,P,A | 38,138,202 | 2,728,483 |
| Helwan Cement Company S,A,E | - | 2,037,341 |
| Suez Bags Company S,A,E, | - | 4,969,642 |
| Suez For Transport and Trade S,A,E | 14,176,598 | 8,983,950 |
| Ciments Calcia(Related party) | 3,636,988 | - |
| Heidelberg Cement Trading Malta Limited | 130,666,430 | - |
| Heidelberg Cement AG | 81,603 | - |
| Inter bulk Logano (Related party) | 571,718,804 | 120,754,288 |
| | 818,758,612 | 154,795,392 |

## 28- TAXES PAYABLES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Tax authority – salary tax | 1,953,512 | 1,807,047 |
| Tax authority – withholding taxes | 2,214,891 | 2,559,152 |
| Tax authority- Value Added Tax (VAT) | 12,230,895 | 10,482,218 |
| Tax authority-Clay fees | 3,757,311 | 4,802,385 |
| | 20,156,609 | 19,650,802 |

## 29- ADVANCES FROM CUSTOMERS

The movement of advances from customers during the year ended 2016 and 2015 is as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Balance at the beginning of the year | 84,583,880 | 203,413,893 |
| Add: amounts collected during the year | 2,174,634,730 | 1,883,770,339 |
| Less: delivered units during the year | (2,117,257,834) | (2,002,600,352) |
| Balance at the end of the year | 141,960,776 | 84,583,880 |

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| **List advances by customers:** | | |
| Reliance Logistics | 4,646,337 | 2,289,273 |
| Safa company for trade and investment | 420,731 | 1,733,454 |
| El Motahada for trade and transportation | 3,129,844 | 5,487,777 |
| Ashraf Mohamed Sayed Ali | 645,675 | 892,279 |
| El Asala for trade and commercial agencies | 1,630,315 | 2,149,950 |
| El Negma for Trade | 658,621 | 2,051,118 |
| Other | 130,829,253 | 69,980,029 |
| | 141,960,776 | 84,583,880 |

## 30- RETENTIONS PAYABLE (Deposits form others)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Retentions payable within 12 months | 6,821,515 | 5,120,155 |
| | 6,821,515 | 5,120,155 |

## 31- (LOSS) EARNING PER SHARE

Basic earnings per share amounts are calculated by dividing net (loss) profit for the year attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the year, The company has no dilutive shares,

The information necessary to calculate basic and diluted earnings per share is as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Net (Loss) / profit for the year | (215,591,988) | 361,893,092 |
| Employees & Board of director share (estimated ) | - | (23,706,279) |
| Net profit attributable to the ordinary equity holders | (215,591,988) | 338,186,813 |
| Weighted average number of ordinary shares for basic and diluted earnings | 181856507 | 181856507 |
| (LOSS)/ EPS – basic and diluted | (1.19) | 1.86 |

* Estimation only / subject to the BOD decision until the approval of the General Assembly.

## 32- CONTINGENT LIABILITIES

The letters of guarantee issued at the Company's request are as follows:

| | Amount in issued currency | Equivalent in | Cash margin |
|---|---|---|---|
| | | LE | LE |
| QNB AL AHLI | 10,000 | 10,000 | 10,000 |
| Bank of Alexandria | 8,863,068 | 8,863,068 | 19,763 |
| | **8,873,068** | **8,873,068** | **29,763** |

The outstanding balance of issued letters of credit in favor of Suez Cement Company by Al Mashreq Bank, HSBC – Egypt, Alex Bank, and National Bank of Egypt as of 31 December 2016 amounted to EGP 3,576,866 EGP 1,267,538, EGP 14,849,159 and EGP 4,110,736 respectively.

## 33- RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control, Related parties may be individuals or other entities,

### Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:





## RELATED PARTY DISCLOSURES (continued)

31 December 2016

| Company | Nature | Technical assistances fees | Expatriates fees | Purchases commission | Purchase Fuels | Purchase bags | Portion from Corporate redistribution | Purchase cement / clinker | Sold cement / clinker | Sold Trans-portation service | Purchase Transporta-tion service | Purchase Raw Material |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE |
| Ciments Francais | Major shareholder | 10,285 | 22,858 | | | - | - | - | - | | - | - |
| Suez Bags | Subsidiary | - | - | | | 78,762 | 5,432 | - | - | | - | - |
| Italcementi | Major shareholder for Ciments Francais | 12,573 | - | 10,522 | - | - | - | - | - | - | - | - |
| Tourah Cement | Subsidiary | 6,874 | - | - | - | - | 31,281 | - | 54,552 | 11,422 | - | 249 |
| Helwan Cement | Subsidiary | - | - | - | - | - | 55,981 | 188 | 87,664 | 21,129 | - | 197 |
| Ready Mix Concrete Al alamia (RMC) | Subsidiary | - | - | - | - | - | - | - | 12,792 | - | - | - |
| Decom | Subsidiary | - | - | - | - | - | - | - | 34,314 | - | - | - |
| Suez For Transport | Subsidiary | - | - | - | - | - | - | - | 33,722 | - | 80,668 | - |
| Interbulk Lugano | Related party | - | - | - | 193,935 | - | - | - | - | - | - | - |
| Ciment Calcia | Related party | - | 3,659 | - | - | - | - | - | - | - | - | - |
| Interbulk Egypt | Related party | - | - | - | - | - | - | - | 14,040 | | | |
| Heidelberg Cement Trading Malta Limited | Related party | - | - | - | 129,917 | - | - | - | 5,147 | - | - | - |
| Heidelberg Cement AG | Related party | - | 82 | - | - | - | - | - | - | - | - | - |

## RELATED PARTY DISCLOSURES (continued)

**31 December 2015**

| Company | Nature | Technical assistances fees | Expatriates fees | Purchases commission | Purchase Fuels | Purchase bags | Portion from Corporate redistribution | Purchase cement / clinker | Sold cement / clinker | Sold Transportation service | Purchase Transportation service | Purchase Raw Material |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE | K LE |
| Ciments Francais | Major shareholder | 20,939 | 24,446 | - | - | - | - | - | - | - | - | - |
| Suez Bags | Subsidiary | - | - | - | - | 91,108 | 5,422 | - | - | - | - | - |
| Italcementi | Major shareholder for Ciments Francais | - | - | 8,186 | - | - | - | - | - | - | - | - |
| Tourah Cement | Subsidiary | 6,379 | - | - | 17,848 | - | 27,265 | - | 82 | - | - | 186 |
| Helwan Cement | Subsidiary | - | - | - | - | - | 61,181 | 19,950 | - | - | - | - |
| Ready Mix Concrete Al alamia (RMC) | Subsidiary | - | - | - | - | - | - | - | 4,707 | - | - | - |
| Decom | Subsidiary | - | - | - | - | - | - | - | 8,881 | - | - | - |
| Suez For Transport | Related party | - | - | - | - | - | - | - | 3,842 | - | 57,140 | - |
| Interbulk Lugano | Related party | - | - | - | 266,104 | - | - | - | - | - | - | - |
| Interbulk Egypt | Related party | - | - | - | - | - | - | - | 11,613 | - | - | - |







## RELATED PARTY DISCLOSURES (continued)

The related parties' transactions described above resulted in the following balances:

### a) Related party balances

Significant related party balances are as follows:

**31 December 2016**

| | Due from related parties | Due to related parties | Trade payables and accrued exp | Advance payment / debit balances | Credit balances/ advanced customers | Receivables |
|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE |
| Tourah Portland Cement Company S,A,E | 57,001,601 | - | - | 22,901,997 | (3,882,861) | 37,982,465 |
| Ready Mix Concrete Al alamia (RMC)" S,A,E | 187,458,983 | - | - | 41,189,352 | - | 146,269,631 |
| Suez For Import and Export S,A,E | 1,953,937 | - | | - | (773,214) | 2,727,151 |
| EL Helal Cement Company-Kuwait ( Kuwaiti Joint Stock Company) | 1,185,119 | - | - | - | - | 1,185,119 |
| Development and Construction Materials Company (DECOM) S,A,E | 1,250,467 | - | - | - | (2,533,437) | 3,783,904 |
| Suez For Lime S,A,E | 10,900 | - | - | 10,900 | - | - |
| Inter bulk ( Related party) | 389,131 | - | - | - | (700) | 389,831 |
| Asia Cement ( Related party) | 915,151 | - | - | - | - | 915,151 |
| Ciments Francais (major shareholder) | - | (60,339,987) | (60,339,987) | - | - | - |
| Suez Bags Company S,A,E, | 367,921 | - | - | 367,921 | - | - |
| Italcementi (Major for Ciments Francais) | - | (38,138,202) | (38,138,202) | - | - | - |
| Suez For Transport and Trade S,A,E | - | (14,176,598) | (14,600,108) | 423,510 | - | - |
| Heidelberg Cement Trading Malta Limited | - | (130,666,430) | (130,666,430) | - | - | - |
| Heidelberg Cement AG | - | (81,603) | (81,603) | | | |
| Inter bulk ( Related party) | - | (571,718,804) | (571,718,804) | - | - | - |
| Ciments Calcia ( Related party) | - | (3,636,988) | (3,636,988) | - | - | - |
| | 250,533,210 | (818,758,612) | (819,182,122) | 64,893,680 | (7,190,212) | 193,253,252 |

## RELATED PARTY DISCLOSURES (continued)

31 December 2015

| | Due from related parties | Due to related parties | Trade payables and accrued exp | Advance payment / debit balances | Credit balances/ advanced customers | Receivables |
|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE |
| Tourah Portland Cement Company S,A,E | 2,177,389 | - | (1,379,463) | 3,556,852 | - | - |
| Ready Mix Concrete Al alamia (RMC)" S,A,E | 2,418,788 | - | - | 2,728,915 | (310,127) | - |
| Suez For Import and Export S,A,E | 3,915 | - | - | 3,915 | - | - |
| EL Helal Cement Company- Kuwait ( Kuwaiti Joint Stock Company) | 14,396 | - | - | - | - | 14,396 |
| Development and Construction Materials Company (DECOM) S,A,E | 427,855 | - | - | 1,863,350 | (1,435,495) | - |
| Ciments Francais (major shareholder) | - | (15,321,688) | (15,700,605) | 378,917 | - | - |
| Italicemnti (major for Ciments Francais ) | - | (2,728,483) | (2,728,483) | - | - | - |
| Helwan Cement Company S,A,E | - | (2,037,341) | (2,037,341) | - | - | - |
| Suez Bags Company S,A,E, | | (4,969,642) | (4,969,642) | - | - | - |
| Suez For Transport and Trade S,A,E | - | (8,983,950) | (8,008,912) | - | (1,056,398) | 81,360 |
| Inter bulk Egypt ( Related party) | 312,153 | - | - | 312,153 | - | - |
| Inter bulk Logano ( Related party) | - | (120,754,288) | (120,754,288) | - | - | - |
| Asia Cement ( Related party) | 491,512 | - | - | - | - | 491,512 |
| | 5,846,008 | (154,795,392) | (155,578,734) | 8,844,102 | (2,802,020) | 587,268 |

### b) Loan to Subsidiaries

On 20 October 2006, Suez Cement Company's Board of Directors approved to lend Ready Mix Concrete Al alamia (RMC)" S,A,E and its subsidiaries an amount of EGP 300 Million at annual interest rate 10,54%,

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Loan to Ready Mix Concrete Al alamia (RMC)" S,A,E | 15,000,000 | 15,000,000 |
| Development and Construction Materials Company (DECOM) S,A,E | 18,000,000 | 18,000,000 |
| | 33,000,000 | 33,000,000 |

### Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Salaries and benefits | 6,372,204 | 4,117,712 |







## 34- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 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,

### Trade and notes receivables

The Company has entered into contracts for the sale of residential and commercial units on an instalment basis, The instalments are specified in the contracts, The Company is exposed to credit risk in respect of instalments due, However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered, In addition, instalment dues are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant,

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk, The Company earns its revenues from a large number of customers,

### 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 47,852,928 whereas; the financial liabilities denominated in foreign currencies amounted to LE 866,641,671.

### 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 | Total |
|---|---|---|---|
| **As at 31 December 2016** | | | |
| Advances from Customers | 141,960,776 | - | 141,960,776 |
| Banks overdraft | 13,625,482 | - | 13,625,482 |
| Retentions payable | 2,325,990 | 4,495,525 | 6,821,515 |
| Trade and other payables | 378,059,428 | - | 378,059,428 |
| Due to tax authority | 20,156,609 | - | 20,156,609 |
| Income tax payable | - | 62,045,739 | 62,045,739 |
| Due to related parties | 818,758,612 | - | 818,758,612 |
| **Total undiscounted financial liabilities** | **1,374,886,897** | **66,541,264** | **1,441,428,161** |

### Financial liabilities (continued)

| | Less than 3 Months | 3 to 12 Months | Total |
|---|---|---|---|
| **As at 31 December 2015** | | | |
| Advances from Customers | 84,583,880 | - | 84,583,880 |
| Banks overdraft | 24,265,314 | - | 24,265,314 |
| Retentions payable | 2,556,363 | 2,563,792 | 5,120,155 |
| Trade and other payables | 286,122,068 | - | 286,122,068 |
| Due to tax authority | 19,650,802 | - | 19,650,802 |
| Income tax payable | - | 22,882,160 | 22,882,160 |
| Due to related parties | 154,795,392 | - | 154,795,392 |
| **Total undiscounted financial liabilities** | **571,973,819** | **25,445,952** | **597,419,771** |

## 35- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities,

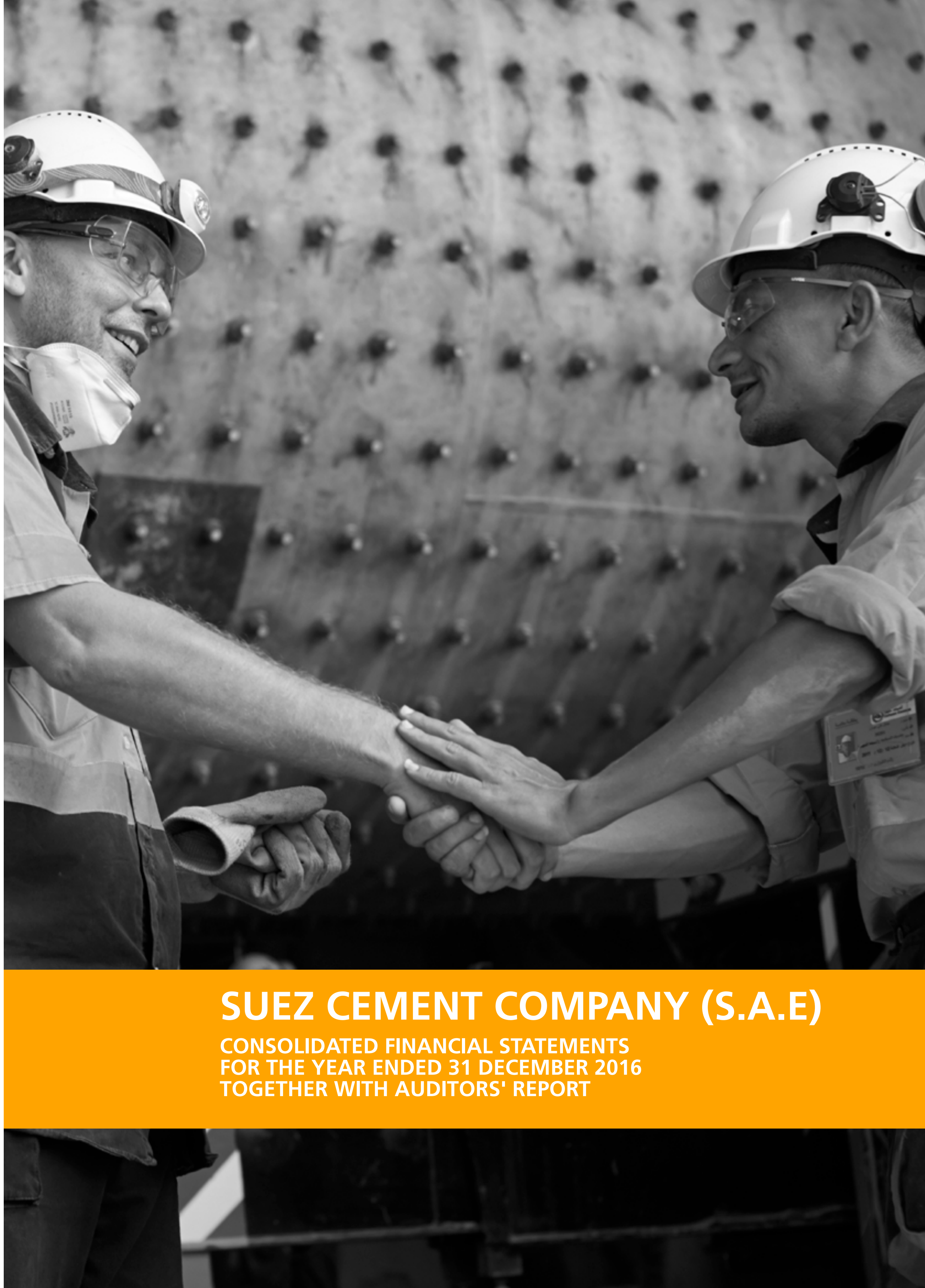
Financial assets of the company include bank balances and cash, accounts and notes receivables, other receivables, held to maturity investments and due from related parties, Financial liabilities of the company include interest-bearing loans and borrowings, trade and other payables, land purchase liabilities,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

## 36- COMPARATIVE FIGURES

Certain comparative figures for the year 2015 have been reclassified to conform to the presentation of these separate financial statements,

Suez Cement
HEIDELBERGCEMENT Group



# SUEZ CEMENT COMPANY (S.A.E)

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 TOGETHER WITH AUDITORS' REPORT

## AUDITORS' REPORT TO THE SHAREHOLDERS OF SUEZ CEMENT COMPANY (S.A.E):

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Suez Cement Company (S.A.E), represented in the consolidated financial position as of 31 December 2016, the related consolidated interim statements of profit or loss, consolidated interim Comprehensive income, consolidated interim changes in equity and consolidated interim cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of Suez Cement Company (S.A.E), as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (26) in the financial statement which indicates that, Globe Corporation against Helwan Cement Company (S.A.E.) (99.55% subsidiary) before the Court of Cairo claims payment of about US $ 17 million, plus interest as per the alleged contract since the year 2002. According to the opinion of the legal advisor of the company , the company has several legal, strong pleadings in merits, which might change the outcome of the case to be in favor of the company.

**Cairo: 28 February 2017**

**Nabil A. Istanbouli**
FESAA – FEST
(RAA. 5947)
(EFSAR .71)

**Emad H. Ragheb**
FESAA – FEST
(RAA. 3678)
(EFSAR .42)

Allied for Accounting & Auditing (EY)





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| Assets | | | Restated |
| Non current assets | | | |
| Fixed assets | (13) | **4,058,308,170** | 3,908,950,340 |
| Fixed assets under construction | (14) | **641,414,175** | 413,353,590 |
| Goodwill | | **2,740,344,085** | 2,740,344,085 |
| Investment in an associate and shares in joint ventures | (15-a) | **35,963,691** | 32,521,782 |
| Available-for-sale investments | (15-b) | **1,460,562** | 2,454,420 |
| 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** | 2,186,795 |
| Total non-current assets | | **7,487,919,962** | 7,108,240,291 |
| Current assets | | | |
| Inventory | (16) | **1,341,974,560** | 1,250,512,405 |
| Accounts and notes receivable | (17) | **428,321,116** | 233,457,762 |
| Prepayment, other receivables and other debit balances | (18) | **638,273,989** | 370,387,899 |
| Cash on hand and at banks | (19) | **1,351,084,980** | 1,060,315,580 |
| Total current assets | | **3,759,654,645** | 2,914,673,646 |
| Total assets | | **11,247,574,607** | 10,022,913,937 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | (20-a) | **909,282,535** | 909,282,535 |
| Reserves | (20-b) | **2,668,886,627** | 2,668,814,627 |
| Reserve of unrealized gain on available-for-sale investments | | **327,001** | 1,320,859 |
| Cumulative foreign currencies translation differences | | **311,800,980** | 41,450,934 |
| Accumulated actuarial (losses) on defined benefit plans | | **9,532,497** | (1,711,573) |
| Retained earnings | | **2,749,397,226** | 3,018,795,287 |
| (Losses) for the Period /year | | **(527,595,248)** | (57,294,218) |
| Equity attributable to equity holders of the parent | | **6,121,631,618** | 6,580,658,451 |
| Non-controlling interest | (21) | **801,112,262** | 641,034,121 |
| Total Equity | | **6,922,743,880** | 7,221,692,572 |
| current liabilities Non | | | |
| Medium term loans | (23) | **314,034,175** | 146,584,528 |
| Other long term liabilities | (24) | **124,307,944** | 54,115,451 |
| End of service benefits liabilities | (25) | **99,600,463** | 97,552,942 |
| Deferred tax End of services benefits | | **2,767,499** | - |
| Deferred tax liabilities | (12) | **161,364,107** | 207,274,650 |
| Total non-current liabilities | | **702,074,188** | 505,527,571 |
| Current liabilities | | | |
| Provisions | (26) | **709,836,940** | 487,529,233 |
| Bank overdraft | (22) | **412,573,647** | 251,696,271 |
| Trade payables, accrued expenses and other credit balances | (27) | **2,042,237,266** | 1,057,964,600 |
| Due to tax authority | (28) | **61,692,002** | 42,910,424 |
| Advances from customers | (29) | **282,569,689** | 389,405,037 |
| Retention Payable | (30) | **22,799,229** | 16,106,295 |
| Income tax payable | | **-** | 50,081,934 |
| Income taxes for the year | (12) | **91,047,766** | - |
| Total current liabilities | | **3,622,756,539** | 2,295,693,794 |
| Total liabilities | | **4,324,830,727** | 2,801,221,365 |
| Total Equity and liabilities | | **11,247,574,607** | 10,022,913,937 |

| Auditors | Accounting Manager | Chief Financial Officer | Managing Director | Chairman |
|---|---|---|---|---|
| **Emad H. Ragheb**<br>**Nabil A. Istanbouli** | **Shereif El Masry** | **Ali Ihsan Kucukoglu** | **Jose Maria Magrina** | **Omar A. Mohanna** |

- The accompanying notes from (1) to (35) are an integral part of these consolidated interim financial statements.
- Auditor's Report attached.

# CONSOLIDATED STATEMENT OF INCOME (PROFIT AND LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| Sales | (6) | **6,145,751,113** | 5,642,108,499 |
| Cost of sales | (7) | **(5,484,175,307)** | (5,219,402,801) |
| GROSS PROFIT | | **661,575,806** | 422,705,698 |
| General and administrative expenses | (8) | **(562,078,273)** | (543,751,006) |
| Investment income in an associate company | | **4,802,859** | 2,729,789 |
| Investment income | | **5,313,177** | 3,934,998 |
| Gain on sale of investment | | **6,205** | 1,005,336 |
| Impairment in value of investment | | **(47,701,250)** | - |
| Finance expenses | (9) | **(73,538,509)** | (35,430,257) |
| Finance income | | **62,559,473** | 67,465,406 |
| Other income | (10) | **104,665,880** | 51,436,773 |
| Other expenses | (11) | **(26,824,176)** | (36,560,079) |
| Foreign exchange differences | | **(271,646,506)** | 14,265,331 |
| Provisions | | **(272,482,463)** | (61,439,505) |
| Provisions no longer required | | **11,571,675** | 51,366,774 |
| Impairment of the value of fixed assets under construction | | **(6,000,000)** | (3,024,269) |
| Impairment of accounts and notes receivable | | **(142,530,279)** | (9,650,443) |
| Reversal of impairment of accounts and notes receivable | | **-** | 1,652,164 |
| Other expenses-loss for the sale of obsolete inventory | | **(31,214,226)** | (3,390,572) |
| Board of directors' remuneration and allowances | | **(645,375)** | (507,221) |
| LOSSES BEFORE INCOME TAXES | | **(584,165,982)** | (77,191,083) |
| Deferred income taxes for the period | | **45,910,543** | 26,511,495 |
| Income taxes for the period | (12) | **(91,047,766)** | (50,081,934) |
| PROFITS FOR THE PERIOD BEFORE NON- CONTROLLING INTEREST | | **(629,303,205)** | (100,761,522) |
| Attributable to: | | | |
| Equity holders of the parent | | **(527,595,248)** | (57,294,218) |
| Non-controlling interests | | **(101,707,957)** | (43,467,304) |

| Accounting Manager | Chief financial Officer | Managing Director | Chairman |
|---|---|---|---|
| Shereif El Masry | Ali Ihsan Kucukoglu | Jose Maria Magrina | Omar A. Mohanna |

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.





# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| (LOSSES) FOR THE YEAR | | **(629,303,206)** | (100,761,522) |
| 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 | | **(993,858)** | (109,908) |
| Exchange differences on translation of foreign operations | | **531,859,625** | 22,881,191 |
| Net other comprehensive income to be reclassified to profit or loss in subsequent Years, net of tax | | **530,865,767** | 22,771,283 |
| 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 | | **11,244,070** | (2,849,666) |
| Net other comprehensive income/(loss) not being reclassified to loss in subsequent years, net of tax | | **542,109,837** | 19,921,617 |
| Other comprehensive income/(loss), net of tax | | | |
| Total comprehensive income, net of tax | | **(87,193,369)** | (80,839,905) |
| Attributable to: | | | |
| Equity holders of the parent | | **(246,994,992)** | (48,449,085) |
| Non-controlling interests | | **159,801,623** | (32,390,820) |

| Accounting Manager | Chief financial Officer | Managing Director | Chairman |
|---|---|---|---|
| Shereif El Masry | Ali Ihsan Kucukoglu | Jose Maria Magrina | Omar A. Mohanna |

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | 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 1 January 2016 as issued | 909,282,535 | 2,668,814,627 | 1,320,859 | 41,450,934 | - | 3,019,933,380 | (60,143,884) | 6,580,658,451 | 641,034,121 | 7,221,692,572 |
| Effects of change in accounting policies | - | - | - | - | (1,711,573) | (1,138,093) | 2,849,666 | - | - | - |
| Restated Balance | 909,282,535 | 2,668,814,627 | 1,320,859 | 41,450,934 | (1,711,573) | 3,018,795,287 | (57,294,218) | 6,580,658,451 | 641,034,121 | 7,221,692,572 |
| Adjustments on retained earnings and NCI | - | - | - | - | - | (2,891,646) | - | (2,891,646) | (6,893,542) | (9,785,188) |
| Adjustments on non-controlling interest - share of NCI in the equity of Hilal Cement Group - Kuwait | - | - | - | - | - | - | - | - | 35,571,495 | 35,571,495 |
| Adjusted Balance as of 1 January 2016 | 909,282,535 | 2,668,814,627 | 1,320,859 | 41,450,934 | (1,711,573) | 3,015,903,641 | (57,294,218) | 6,577,766,805 | 669,712,074 | 7,247,478,879 |
| (Losses) for the Year | - | - | - | - | - | - | (527,595,248) | (527,595,248) | (101,707,957) | (629,303,205) |
| Other comprehensive income, net of tax | - | - | (993,858) | 270,350,046 | 11,244,070 | - | | 280,600,258 | 261,509,579 | 542,109,837 |
| Total comprehensive income, net of tax | - | - | (993,858) | 270,350,046 | 11,244,070 | - | (527,595,248) | (246,994,990) | 159,801,622 | (87,193,368) |
| Transferred to retained earnings | - | - | - | - | - | (57,294,218) | 57,294,218 | | | |
| Dividends and transferred to reserves | - | 72,000 | - | - | - | (209,212,197) | | (209,140,197) | (28,401,434) | (237,541,631) |
| Balance as of 31 December 2016 | 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 |

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

| | 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 | LE | LE |
| Balance as of 1 January 2015 as issued | 909,282,535 | 2,666,350,438 | 1,430,767 | 32,624,516 | - | 3,083,307,850 | 492,590,051 | 7,185,586,157 | 679,064,786 | 7,864,650,943 |
| Income tax adjustment | - | - | - | - | - | - | 7,207,958 | 7,207,958 | | 7,207,958 |
| Other comprehensive income, net of tax | - | - | - | (2,978,289) | - | - | - | (2,978,289) | (2,861,267) | (5,839,556) |
| Effects of change in accounting policies | - | - | - | - | 1,138,093 | 2,049,054 | (3,187,147) | - | - | - |
| Restated Balance | 909,282,535 | 2,666,350,438 | 1,430,767 | 29,646,227 | 1,138,093 | 3,085,356,904 | 496,610,862 | 7,189,815,826 | 676,203,519 | 7,866,019,345 |
| Adjustments on retained earnings and NCI | - | - | - | - | - | (4,721,788) | - | (4,721,788) | (1,960,932) | (6,682,720) |
| Adjustments on non-controlling interest - share of NCI in the equity of Hilal Cement Group - Kuwait | - | - | - | - | - | - | - | - | 6,815,296 | 6,815,296 |
| Adjusted Balance as of 1 January 2015 | 909,282,535 | 2,666,350,438 | 1,430,767 | 29,646,227 | 1,138,093 | 3,080,635,116 | 496,610,862 | 7,185,094,038 | 681,057,883 | 7,866,151,921 |
| (Losses) for the Year | - | - | - | - | - | - | (60,143,884) | (60,143,884) | (43,467,304) | (103,611,188) |
| Other comprehensive income, net of tax | - | - | (109,908) | 11,804,707 | (2,849,666) | - | 2,849,666 | 11,694,799 | 11,076,484 | 22,771,283 |
| Total comprehensive income, net of tax | - | - | (109,908) | 11,804,707 | (2,849,666) | - | (57,294,218) | (48,449,085) | (32,390,820) | (80,839,905) |
| Transferred to retained earnings | - | - | - | - | - | 496,610,862 | (496,610,862) | | | |
| Dividends and transferred to reserves | - | 2,464,189 | - | - | - | (558,450,691) | - | (555,986,502) | (7,632,942) | (563,619,444) |
| Balance as of 31 December 2015 | 909,282,535 | 2,668,814,627 | 1,320,859 | 41,450,934 | (1,711,573) | 3,018,795,287 | (57,294,218 | 6,580,658,451 | 641,034,121 | 7,221,692,572 |

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

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Suez Cement
HEIDELBERGCEMENT Group



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Losses) for the year before income taxes | | **(584,165,982)** | (80,040,749) |
| Liquidation investments (Gains) | | **(6,205)** | |
| Impairment in value of investments | | **47,701,250** | |
| Depreciation of fixed assets | (13) | **562,927,841** | 464,148,123 |
| Decline in value of inventory | (16) | **29,860** | (789,978) |
| Reversal of decline in value of obsolete inventory | | **(9,925,694)** | |
| Provisions | (26) | **272,482,463** | 61,439,505 |
| Provisions no longer required | (26) | **(11,571,675)** | (51,366,774) |
| Impairment of accounts and notes receivable | (17) | **142,530,279** | (1,937,744) |
| Reversal of Impairment of accounts and notes receivable | | **-** | (1,652,164) |
| Liabilities against end of service plan | (25) | **28,962,404** | 67,824,700 |
| Investment income in an associate company | | **(4,802,859)** | (2,729,789) |
| Impairment in the value of projects under construction | (14) | **6,000,000** | 3,024,269 |
| Disposal of projects under construction | | **3,691,691** | - |
| (Gain) from sale of fixed assets | (13) | **(1,279,052)** | (1,005,336) |
| Finance costs | | **73,538,509** | 35,430,257 |
| Credit interests | | **(62,559,473)** | (67,465,406) |
| Operating profits before changes in working capital | | **463,553,357** | 424,878,914 |
| Change in inventory | (16) | **(81,566,321)** | (55,875,884) |
| Changes in accounts receivable, prepayments, other receivables and other debit balances | (17-18) | **(550,408,486)** | 66,216,239 |
| Change in accounts payable, advances from customers, accrued expenses and other payables | (27-29-30) | **877,437,318** | (113,764,059) |
| Changes in retentions payable | | **6,692,934** | - |
| Finance costs paid | | **(73,538,509)** | (35,430,257) |
| Income taxes paid | | **(225,325,808)** | (224,483,536) |
| Tax differences paid | | **(2,891,646)** | (4,671,464) |
| Payment in respect of end of service plan | (25) | **(12,903,314)** | (3,150,000) |
| Provisions used | (26) | **(38,603,081)** | (8,633,464) |
| Decline in accounts and notes receivables from provisions used | | **(10,243,681)** | |
| Decline in debit balances from provisions used | | **(325,418)** | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | **351,877,345** | 45,086,489 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | (13) | **(63,301,004)** | (42,067,448) |
| Change in Debtors-Sale of fixed assets | | **-** | 1,293,499 |
| Proceeds from sale of fixed assets | (13) | **1,279,052** | 1,346,915 |
| Payments in fixed assets under construction | (14) | **(495,152,365)** | (269,353,540) |
| Proceeds from investment in an associate company | | **1,360,950** | 1,379,435 |
| Credit interests received | | **62,559,473** | 67,465,406 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | **(493,253,894)** | (239,935,733) |

| | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in medium term loans and other long term liabilities | | **237,642,140** | 5,286,663 |
| Dividends paid | | **(209,212,197)** | (555,986,502) |
| Dividends paid to non-controlling interest | | **(28,401,434)** | (7,632,942) |
| Changes in non-controlling interest | | **188,479,575** | 15,931,074 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | **188,508,084** | (542,401,707) |
| Net increase /(decrease) in cash and cash equivalent during the PERIOD | | **47,131,535** | (737,250,951) |
| Foreign currencies translation differences related to fixed assets | | **(439,285,828)** | (25,338,824) |
| Change in cumulative foreign currencies translation differences | | **270,350,046** | 11,804,707 |
| Cash and cash equivalent - beginning of the Year | | **1,060,315,580** | 1,626,454,394 |
| CASH AND CASH EQUIVALENT – END OF THE PERIOD | | **938,511,333** | 875,669,326 |

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

| | | | |
|---|---|---|---|
| Cash on hand and at banks | (19) | **1,351,084,980** | 1,060,315,580 |
| Less: | | | |
| Bank overdraft | | **(412,573,647)** | (184,646,254) |
| CASH AND CASH EQUIVALENT | | **938,511,333** | 875,669,326 |

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## 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 Year ended 31 December 2016 were authorized for issuance in accordance with the Board of Directors' resolution on 28 February 2017.

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

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | % | % |
| Egyptian Tourah Portland Cement Company S.A.E. | **66.12** | 66.12 |
| Suez Bags Company S.A.E. | **56.31** | 56.31 |
| Helwan Cement Company S.A.E. | **99.55** | 99.55 |
| Ready Mix Concrete El - Alamya (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 |
| Development for Industries Company S.A.E | **-** | 98.28 |
| Axim for industries Company S.A.E | **-** | 98.28 |
| Suez For import and Export S.A.E | **96.37** | 97.90 |
| Company for Concrete International City | **50** | 50 |

### Egyptian Tourah Portland Cement Company S.A.E.

Egyptian Tourah Portland Cement Company S.A.E. was established on 23 June 1927.The legal structure of the Company changed from being a public sector entity to a public enterprise entity according to Law 203 of 1991. On 26 January 2000 the Holding Company for Mining and Refractory sold 81.4% of its shares in the company. Accordingly, the company became subject to the Law 159 of 1981 rather than Law 203 of 1991 and its executive regulation.On 12 March 2000 the company's General Assembly meeting decided to amend its status to comply with Law 159 of 1981 and its executive regulation. The main objective of the company is to manufacture all kinds of cement, lime, construction materials and related products. Suez Cement Company S.A.E. ownership in Egyptian Tourah Portland Cement Company's share capital amounted to 66.12% as of 26 January 2000, the date at which Egyptian Tourah Portland Cement Company S.A.E. became a subsidiary.

The cost of acquisition amounted to LE 1,287 billion which resulted in goodwill amounting to LE 746,008,413, the goodwill treated as Suez Cement Company's share in the fair value of the Egyptian Tourah Portland Cement Company S.A.E. assets. In accordance to that Egyptian Tourah Cement Company S.A.E., fixed assets are stated at the historical cost in addition to the share of Suez Cement Company S.A.E. in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful life using the straight-line method (note 4-3). The total accumulated depreciation as of 31 December 2016 amounting to LE 454,713,715 in addition to writes down the value of certain productions lines of Egyptian Tourah Portland Cement Company S.A.E. that are currently out of operation amounted to LE 21,082,486.The net fair value as of 31 December 2016 amounting to LE 270,212,212.

### Suez Bags Company S.A.E.

Suez Bags Company S.A.E. was established on 6 December 1988 under investment Law 43 of 1974 and its amendments, which was superseded by Law 230 of 1989 which were replaced by the investments Guarantees and Incentives Law 8 of 1997. The main objective of the company is to manufacture all kinds of bags used in packing cement, gypsum, milk, Juices, food products, chemicals and other paper products. Suez Cement Company S.A.E. ownership in Suez Bags Company's share capital amounted to 51% starting from 1999, resulted in goodwill amounted to LE 12,445 Million and which was amortized over five years started in from 1 January 1999.

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

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

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

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

**Helwan Cement Company S.A.E**

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

Based on a decree from the Extraordinary General Assembly Meeting dated 14 September 2000, the Company's name was changed to ASEC Cement Company S.A.E. The Extraordinary General Assembly Meeting

On 29 November 2001 approved the merger with Helwan Portland Cement Company S.A.E. effective on 1 October 2001. The Extraordinary General Assembly Meeting on 17 March 2003 approved the evaluation of assets and liabilities according to the Capital Market Authority Committee decision No. 540 formed in 2002 and the Ministry decree No. 1699 which stated that ASEC Cement Company will own all assets and liabilities of Helwan Portland Cement Company S.A.E.

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

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

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

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

The goodwill was recorded as 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,

**Universal Ready Mix Concrete S.A.E "El – Alamya" (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 – Alamya (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 265,374,945 as of 31 December 2016 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 254,968,085 as of 31 December 2016 have been presented as a part of non-controlling interests in the consolidated statement of financial position (Note 21).

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

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

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

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

On 19 August 2007, Suez Cement Company S.A.E. contributes in capital of Axim industries Company S.A.E by 90% (direct Share). Tourah Portland Cement Company S.A.E contributes in the capital by 5%; Helwan Cement Company S.A.E contributes in the capital by 5%. Accordingly, the total direct and indirect share of Suez Cement Company S.A.E is 98.28%.

On 20 April 2016 the company was liquidated and commercial register was erased.

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

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

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

On 19 August 2007, Suez Cement Company S.A.E. contributes in capital of Development for Industries Company S.A.E by 90% (direct Share). Tourah Portland Cement Company S.A.E contributes in the capital by 5%; Helwan Cement Company S.A.E contributes in the capital by 5%. Accordingly, the total direct and indirect share of Suez Cement Company S.A.E is 98.28%.

On 20 April 2016 the company was liquidated and commercial register was erased.

**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.

Axim industries Company S.A.E contributes in the capital of Suez for import and Export S.A.E by 40% (Direct Share), Development for Industries Company S.A.E contributes in the capital by 40% (Direct share), Suez Transport and Trade Company S.A.E contributes in the capital by 20% (Direct Share), accordingly, The total indirect share of Suez Cement Company S.A.E is 97.89%.

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%.

**International City for Ready Mix (LLC) - K.S.A**

International City for Ready Mix Company is a limited liability company in Saudi Arabia; It was established on 11 January 2009 for the purpose of producing ready mix concrete.

On 21 January 2014; Suez Cement Company S.A.E. acquired 50% of the total 1,000,000 shares of International City for Ready Mix Company (K.S.A) with a par value of SR 100, with a total cost amounted to LE 47,701,250.

On 31 March 2014; Italcementi S,P,A which owns the other 50% of the total shares of International City for Ready Mix Company (K.S.A) agreed with Suez Cement Company S.A.E in relation to their powers over International City for Ready Mix Company, hence Suez Cement Company will have effective control over International City for Ready Mix Company (K.S.A).

On 18 December 2014; Italcementi SpA and Suez Cement Company S.A.E decided to increase their share Capital of International City Company for Concrete LLC – K.S.A by an amount of 50 million SAR; out of which Suez Cement Company shall subscribe 25 million SAR in cash.

The cumulative foreign currencies translation differences resulted from the translation which belong to the non-controlling interest amounted to LE 46,426,035 as of 31 December 2016 have been presented as a part of non-controlling interests (Note 21).

## 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;

**(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:

**(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 interest s 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 periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period 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 periodically reviews estimated useful lives and the depreciation method to ensure that the method and period 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.

#### 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 period 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 period 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 period 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.

**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 period, except to the extent that the tax arises from a transaction or event, which is recognized, in the same, or a different period, 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 to10** |

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.

**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 period of employment.

The expected costs of these benefits are accrued over the period 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 periods.

Actuarial gains and losses on End of services benefits are recognized immediately in the statement of Profit or loss in the period 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 period 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.

**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:

- 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 period.

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 period 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 period 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 periods 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 period 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).

It also requires an additional statement to The Statement of Financial position disclose balances as of the beginning of the first presented comparative period 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 period.

**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 period (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 2016 were reported under one segment in the financial statements.

**6. SALES**

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Cement and Clincker Sales | 4,748,380,674 | 4,900,959,303 |
| Concrete Ready Mix Sales | 1,254,838,051 | 610,149,753 |
| Bags Sales | 142,532,388 | 130,999,443 |
| | 6,145,751,113 | 5,642,108,499 |

**7. COST OF SALES**

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Fuels | 1,459,596,803 | 1,536,922,730 |
| Electricity | 505,966,932 | 479,414,819 |
| Raw Material and Quarries rents | 1,297,398,696 | 1,321,922,590 |
| Packaging Materials | 271,409,816 | 202,473,377 |
| Fixed Assets Depreciation | 441,565,527 | 362,529,921 |
| Wages and Salaries | 518,471,135 | 408,325,016 |
| Marketing | 88,321,570 | 76,906,363 |
| Maintenances | 396,562,564 | 371,603,087 |
| Other | 504,882,264 | 459,304,898 |
| | 5,484,175,307 | 5,219,402,801 |

**8. GENERAL AND ADMINSTRATIVE EXPENSES**

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Technical assistance fees | 86,328,542 | 74,963,465 |
| Salaries | 195,039,303 | 187,451,493 |
| End of service benefits plan- current and past service costs (Note 25) | 14,057,618 | 59,916,753 |
| Communication and public relation expenses | 30,636,712 | 28,496,153 |
| Coupons Tax | 46,805,213 | 13,490,728 |
| Other general and administrative expenses | 189,210,885 | 179,432,414 |
| | 562,078,273 | 543,751,006 |

## 9. FINANCE COST

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Interest on bank credit facilities and loans | 50,173,811 | 26,456,947 |
| Interest on End of service benefits plan (Note 25) | 14,904,786 | 5,058,281 |
| Other bank charges | 8,459,912 | 3,915,029 |
| | 73,538,509 | 35,430,257 |

## 10. OTHER INCOME

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Gain from Salvage Sales | 7,309,457 | 4,810,171 |
| Amortization of Loan Grant* | 2,445,464 | 2,148,664 |
| Gain from sale of fixed assets | 1,279,052 | |
| Settlement of Clay Fees | 24,765,380 | - |
| Other income | 68,866,527 | 44,477,938 |
| | 104,665,880 | 51,436,773 |

* 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 periods that represent the estimated useful life and recognised as other income.

## 11. OTHER EXPENSES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Rents against unused quarries | 18,033,415 | 13,815,287 |
| Other expenses | 8,790,761 | 22,744,792 |
| | 26,824,176 | 36,560,079 |

## 12. INCOME TAX

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Net profits before income taxes | (584,165,982) | (80,040,749) |
| Add: | | |
| Provisions | 415,012,742 | 70,629,257 |
| Provisions – Defined benefits plans | 14,057,618 | 57,833,842 |
| Board of directors' allowance | 2,218,551 | 1,824,864 |
| Donations | 5,493,943 | 18,211,469 |
| Accounting depreciation | 562,927,841 | 464,148,123 |





| | | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | | LE | LE |
| Other expenses | | 757,362,553 | 2,668,534 |
| Less: | | | |
| Tax depreciation | | (334,200,046) | (417,663,760) |
| Used provisions | | (12,903,314) | (64,802,402) |
| Investment income | | (5,313,177) | (3,934,998) |
| Approved Donations | | (272,000) | (15,054,125) |
| Others | | (415,561,991) | (256,406,428) |
| Taxable income | | 404,656,738 | (222,586,373) |
| Income tax at the effective tax rate (25 % and 5 % additional tax during the period ) | | | |
| Income tax at the effective tax rate | 22.50% | 91,047,766 | (50,081,934) |

### Deferred income tax

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Depreciation of fixed assets | (319,297,533) | (324,494,661) |
| Provisions and accruals | 157,933,426 | 117,220,011 |
| Net deferred income tax (Liability) | (161,364,107) | (207,274,650) |

### TAX POSITION

The company's tax position is as follows:

**A) Corporate taxes**

- Period until Year 2007:

  The tax authority has assessed the company for this period, It was agreed at the Internal Committee and the due value was paid within the limits of the provision

- Years From 2008 to 2011 :

  The tax authority has assessed the company for this period, The Company objected against the inspection results,

- 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.

- From 1 January 2015 till 31 December 2016

  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)**

- 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 & 2011 :

  The tax authority has assessed the company for this period, The Company objected against the inspection results,

- Years 2012 & 2013 :

  The tax authority has assessed the company for this period, The Company objected against the inspection results,

The company prepares tax return monthly and pays due taxes during the legal period.

- From 1 January 2014 till 31 December 2016

  No inspections took place for such period.

**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,

- Years from 1999 to 2013 :

  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,

- Years 2014 & 2016:

  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.

- From 1 January 2015 till 31 December 2016

  No inspections took place for such period.





## 13. FIXED ASSETS

| | Lands | Buildings, constructions, infrastructure and roads | Machinery, equipment and Tools | Motor Vehicles | Furniture and office equipment | Total |
|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE |
| **Cost** | | | | | | |
| As of 1 January 2016 | 592,313,869 | 1,688,962,279 | 6,857,547,255 | 364,165,388 | 183,288,303 | 9,686,277,094 |
| Foreign currencies translation differences | 9,063,312 | 369,775,368 | 418,535,292 | 312,480,855 | 18,253,486 | 1,128,108,313 |
| Adjusted balance as of 1 January 2016 | 601,377,181 | 2,058,737,647 | 7,276,082,547 | 676,646,243 | 201,541,789 | 10,814,385,407 |
| Additions | 2,501,399 | 2,523,175 | 49,988,379 | 5,202,868 | 3,085,183 | 63,301,004 |
| Transferred from projects (under construction (note 14 | | 45,244,395 | 247,308, 188 | 7,865,838 | 6,341,066 | 306,759,487 |
| Disposals | - | - | (851,446) | (54,028,555) | - | (54,880,001) |
| Impairment | - | - | (47,701,250) | - | - | (47,701,250) |
| As of 31 December 2016 | 603,878,580 | 2,106,505,217 | 7,572,527,668 | 635,686,394 | 210,968,038 | 11,081,864,647 |
| Accumulated depreciation | | | | | | |
| As of 1 January 2016 | - | (1,107,794,505) | (4,255,401,862) | (270,495,442) | (143,634,945) | (5,777,326,754) |
| Foreign currencies translation differences | - | (238,288,066) | (276,714,697) | (209,018,540) | (14,160,580) | (738,181,883) |
| Adjusted balance as of 1 January 2016 | - | (1,346,082,571) | (4,532,116,559) | (479,513,982) | (157,795,525) | (6,515,508,637) |
| Depreciation for the Year | - | (108,937,703) | (389,916,472) | (46,869,477) | (17,204,189) | (562,927,841) |
| Disposals | - | - | 851,446 | 54,028,555 | - | 54,880,001 |
| As of 31 December 2016 | - | (1,455,020,274) | (4,921,181,585) | (472,354,904) | (174,999,714) | (7,023,556,477) |
| Net book value as of 31 December 2016 | 603,878,580 | 651,484,943 | 2,651,346,083 | 163,331,490 | 35,968,324 | 4,058,308,170 |
| Net book value as of 31 December 2015 | 592,313,869 | 581,167,774 | 2,602,145,393 | 93,669,946 | 39,653,358 | 3,908,950,340 |

## 13. FIXED ASSETS CONT'D

**First:**

| | LE |
|---|---|
| (A) Proceeds from sale of fixed assets | 538,898 |
| Cost of fixed assets sold | 897,705 |
| Accumulated depreciation of fixed assets sold | (897,705) |
| (Net book value (B | - |
| Gain from of sale fixed assets (A) – (B) | 538,898 |

**Second:**

Fixed Assets as of 31 December 2016 includes assets that are fully depreciated and still in use. The acquisition cost for these assets are as follows:

| Asset | Cost |
|---|---|
| | LE |
| Building, constructions, infrastructure and roads | 286,905,828 |
| Machinery, equipment and tools | 1,638,569,507 |
| Motor vehicles | 85,869,761 |
| Furniture and office equipment | 100,569,377 |
| Total | 2,111,914,473 |

**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 Feddans, 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

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Coke project | - | 10,374,998 |
| Spare parts for Coke project | 229,005,007 | 4,363,980 |
| Mechanical work-complete revamping for cooler | 7,735,038 | - |
| Civil works project | 8,087,279 | 23,534,107 |
| Spare parts for raw and cement mills | 57,204,498 | 25,353,958 |
| Improving safety and bypass filters | 9,333,630 | 10,167,407 |
| Others | 330,048,723 | 339,559,140 |
| | 641,414,175 | 413,353,590 |






The movement of fixed assets under construction during the year ended 31 December 2016 is as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Beginning balance | 413,353,590 | 567,320,241 |
| Translation foreign currency differences during the period | 49,359,398 | 1,766,892 |
| Additions during the period | 495,152,365 | 269,353,540 |
| Transferred to fixed assets during the period | (306,759,487) | (422,062,814) |
| Disposals | (2,283,976) | - |
| Impairment of fixed assets under construction during the period | (7,407,715) | (3,024,269) |
| Ending balance | 641,414,175 | 413,353,590 |

## 15. INVESTMENTS

**A) Investment in an associate and shares in joint ventures**

| | % of Ownership | Par Value | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|
| | | LE | LE | LE |
| Investment in an associate | | | | |
| Techno Gravel For Quarries-Egypt S.A.E | 45 | 10 | | |
| | | | | |
| Investment cost– Beginning of the year | | | 30,590,901 | 29,246,048 |
| Plus: | | | | |
| The Company's share in profit for the year | | | 3,351,882 | 2,724,288 |
| Less: | | | | |
| Dividends | | | (1,360,950) | (1,379,435) |
| Investment in an associate - End of the period | | | 32,581,833 | 30,590,901 |
| | | | | |
| Shares in joint ventures | | | | |
| Suez Lime Company S.A.E * | 49.66 | 100 | | |
| | | | | |
| Investment cost– Beginning of the year | | | 1,930,881 | 1,925,380 |
| Plus / (Less): | | | | |
| The Company's share in profit for the year | | | 1,450,977 | 5,501 |
| | | | | |
| Shares in joint ventures - End of the year | | | 3,381,858 | 1,930,881 |
| Total investment in an associate companies and share joint ventures | | | 35,963,691 | 32,521,782 |

* 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 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.

### B) Available-for-sale investments

| | % of Ownership | Par value LE | 31 December 2016 LE | 31 December 2015 LE |
|---|---|---|---|---|
| Available-for-sale Investment – Measured at fair value | | | | |
| Lafarge Cement Company – Egypt S.A.E (Listed - Inactive market) | 0.137 | 1000 | **1,113,000** | 1,113,000 |
| unrealized gains on available-for-sale investments | | | **327,001** | 1,320,859 |
| | | | **1,440,001** | 2,433,859 |
| 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 |
| | | | **20,561** | 20,561 |
| | | | **1,460,562** | 2,454,420 |

### C) Held to maturity investments

| | 31 December 2016 LE | 31 December 2015 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 |
| | **8,429,279** | 8,429,279 |

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

| | % of ownership | Par Value LE | 31 December 2016 LE | 31 December 2015 LE |
|---|---|---|---|---|
| Suez Bosphorus Cimento Sanayi Ve Ti | 99,9% | 3.64 | - | 186,795 |
| Italgen Egypt for Energy Company S.A.E * | 1 | 100 | **1,300,000** | 1,300,000 |
| Italgen Gulf El-Zeit for Energy Company S.A.E * | 1 | 100 | **700,000** | 700,000 |
| | | | **2,000,000** | 2,186,795 |

* In addition to, Suez Cement Company's S.A.E 1 % direct share in Italgen Egypt for Energy Company S.A.E, and Italgen Gulf El-Zeit for Energy Company S.A.E each; it owns a 1 % indirect share (through Helwan Cement Company S.A.E – subsidiary company)



### 16. INVENTORY

| | 31 December 2016 LE | 31 December 2015 LE |
|---|---|---|
| Raw materials | **98,633,702** | 131,852,755 |
| Fuel, Spare parts and Consumables | **704,214,268** | 714,216,808 |
| Rolling and packing Material | **23,136,625** | 21,317,480 |
| Work in progress | **265,358,840** | 366,770,654 |
| Finished goods | **176,889,596** | 117,987,748 |
| Goods in transit | **198,189,752** | 34,518,171 |
| Letters of credit | **34,229,698** | 32,422,544 |
| | **1,500,652,481** | 1,419,086,160 |
| Less: | | |
| Decline in value of obsolete spare part inventory | **(158,677,921)** | (168,573,755) |
| | **1,341,974,560** | 1,250,512,405 |

### 17. ACCOUNTS RECEIVABLE

| | 31 December2016 LE | 31 December 2015 LE |
|---|---|---|
| Amounts receivable within 12 months | **653,729,605** | 294,321,156 |
| Amounts receivable after 12 months | **-** | 32,534,118 |
| | **653,729,605** | 326,855,274 |
| Decline in the value of Accounts and notes receivable | **(225,408,489)** | (93,397,512) |
| | **428,321,116** | 233,457,762 |

### 18. PREPAYMENTS, OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

| | 31 December 2016 LE | 31 December 2015 LE |
|---|---|---|
| Tax Authority | **61,365,719** | 44,302,138 |
| Deposits held by others | **222,031,659** | 175,921,413 |
| Prepayments | **26,848,817** | 23,452,099 |
| Accrued Income | **9,223,379** | 7,648,829 |
| Cheques under collection | **22,873,059** | 13,712,004 |
| Advances to suppliers | **145,870,865** | 54,540,669 |
| Letters of guarantee margin | **647,611** | 675,264 |
| Blocked current account in favour of Tax, and Social security authorities | **804,262** | 804,262 |
| Other receivables | **150,155,752** | 50,928,152 |
| | **639,821,123** | 371,984,830 |
| Less: | | |
| Impairment in value of other debit balances her receivables | **(1,547,134)** | (1,596,931) |
| | **638,273,989** | 370,387,899 |

## 19. CASH ON HAND AND AT BANKS

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| a- Egyptian Pound | | |
| Cash on hand | **2,472,742** | 1,274,376 |
| Current accounts* | **213,624,169** | 213,715,977 |
| Time deposits and treasury bills (mature in 3 months) | **576,103,446** | 389,657,300 |
| | | |
| b. Foreign currencies | | |
| Cash on hand | **1,537,690** | 454,306 |
| Current accounts* | **92,901,988** | 91,516,752 |
| Time deposits (mature in 3 months) | **464,444,945** | 363,696,869 |
| | **1,351,084,980** | 1,060,315,580 |

* Banks current accounts include a hold amounts as of 31December 2016, to purchase foreign goods by foreign Currencies amounted EGP 113,193,623.

## 20. CAPITAL AND RESERVES

### 20/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 June 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.

### 20/b – RESERVES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | 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** | 14,454,110 |
| Total other reserves | **2,214,245,360** | 2,214,173,360 |
| Legal reserve | **2,668,886,627** | 2,668,814,627 |

### 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 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

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

## 21. NON-CONTROLLING INTEREST

### Changes in non-controlling interest

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Beginning balance for the year | **641,034,121** | 676,203,293 |
| Non-controlling interest share in net profits / (losses) for the period / year | **(101,707,957)** | (43,467,304) |
| Change in non-controlling interest share in the equity of Hilal Cement Group Kuwait | **35,571,495** | 11,979,536 |
| Non-controlling interest share in foreign currencies translation differences | **261,509,579** | 39,884,541 |
| Adjustments on retained earnings | **(6,893,542)** | (35,933,003) |
| Dividends paid | **(28,401,434)** | (7,632,942) |
| Ending balance for the Period | **801,112,262** | 641,034,121 |

### The balance of non-controlling interest in subsidiaries

| | Ownership | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | % | LE | LE |
| Egyptian Tourah Portland Cement Company S.A.E. | 33.88 | **110,009,925** | 160,024,487 |
| Suez Bags Company S.A.E. | 43.69 | **41,435,110** | 56,575,092 |
| Helwan Cement Company S.A.E. | 0.45 | **7,084,288** | 7,455,337 |
| Ready Mix Concrete El - Alamya (RMCA) S.A.E | 48 | **144,120,418** | 139,718,069 |
| Hilal Cement Group (K.S.C.C.) – Kuwait | 49 | **155,204,610** | 171,911,732 |
| Cumulative foreign currencies translation differences | | **254,968,085** | 38,376,675 |
| Development and Construction Material Company– (DECOM) –S.A.E. | 48 | **41,057,360** | 23,344,880 |
| Suez for Transport and Trade Company S.A.E. | 3.63 | **687,309** | 623,951 |
| Industries Development Company S.A.E | - | **-** | 5,085 |
| Axim for industries Company S.A.E Formerly, Upper Egypt For Industries Company S.A.E | - | **-** | 6,821 |
| Suez For import and Export Company S.A.E | 3.63 | **4,041** | 5,097 |
| Company for Concrete International City | 50 | **115,081** | 41,479,029 |
| Cumulative foreign currencies translation differences | | **46,426,035** | 1,507,866 |
| | | **801,112,262** | 641,034,121 |

## 22. Bank Overdraft

**A)** Suez Cement Company S.A.E obtained a line of credit from Several Banks capped at LE 634 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 31 December 2016 amounted to LE 36,616,846.

**B)** Egyptian Tourah Portland Cement Company S.A.E (subsidiary) obtained lines of credit capped at LE 355 million

Total usage of these lines of credit as of 31 December 2016 amounted to LE 88,211,154.

**C)** Suez Bags Company S.A.E (subsidiary) obtained lines of credit capped at LE 159.4 million in the form of overdraft facility to finance the company's working capital requirements as follows:

Total usage of these lines of credit as of 31 December 2016 amounted to LE 36,738,841.

**D)** Hilal Cement Company - Egypt (S.A.E) - obtained a line of credit against deposits from Several Banks in Kuwait capped KD 3,151,645.

Total usage of this line of credit as of 31 December 2016 amounted to KD 155,500 equivalent to LE 9,256,728.

**D)** Development and Construction Materials Company - Egypt (S.A.E) - (DECOM) obtained a line of credit against deposits from Bank Audi to finance the company's working capital requirements.

Total usage of this line of credit as of 31 December 2016 amounted to LE 334,145.

**E)** Helwan Cement Company S.A.E obtained lines of credit from different banks capped at LE 569 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 31 December 2016 amounted to EGP 241,415,933.

## 23. MEDIUM TERM LOANS

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| MEDIUM TERM LOANS | | |
| Hilal Cement Company (K.S.C.C.) – Kuwait | | |
| Unsecured borrowings from local banks and Kuwaiti shareholder | **64,463,738** | 34,203,849 |
| International City Company for Concrete – (LLC) KSA – Saudi Arabia | | |
| Loan from Italcementi S.P.A (The parent company of Ciments Francais - major shareholder of Suez Cement Company S.A.E ) | **249,570,437** | 112,380,679 |
| TOTAL MEDIUM TERM LOANS | **314,034,175** | 146,584,528 |

### 23/1 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.

### 23/2 International City Company for Ready Mix (LLC) KSA – Saudi Arabia

Term loans represent Loan from Italcementi S.P.A (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S.A.E) amounted to 53,941,000 SAR with Interest rate equal to Euribor for a One month period plus 250 bps margin.

## 24. OTHER LONG TERM LIABILITIES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| OTHER LONG TERM LIABILITIES | | |
| Long term creditors – Land purchasing | **149,608** | 491,137 |
| Company for Ready Mix Long term creditors – International City (LLC) KSA | **75,988,571** | 32,582,728 |
| Company for Long term employee benefits – International City Ready Mix (LLC) KSA | **6,440,731** | 1,999,245 |
| Long term employee benefits – Hilal Cement Company (K.S.C.C.) – Kuwait | **41,729,034** | 19,042,341 |
| TOTAL OTHER LONG TERM LIABILITIES | **124,307,944** | 54,115,451 |

## 25. 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:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Discount rate | **14.60 %** | 14.60 % |
| Average salary increase | **8 %** | 8% |
| Annuity schedule | **60** | 60 |

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

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Present value of the defined benefit liability | **99,600,463** | 97,552,942 |
| Actuarial Present value of the defined benefit liability at the balance sheet | **99,600,463** | 97,552,942 |

### The movement of liabilities as per the balance sheet

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Liability at the beginning of the period | 97,552,942 | 32,878,242 |
| Past service cost * | 9,353,916 | 57,833,842 |
| Current service cost | 4,703,702 | 2,082,911 |
| Interest cost | 14,904,786 | 5,058,281 |
| Payments from plans | (12,903,314) | (3,150,000) |
| Actuarial losses / (gain) | (14,011,569) | 2,849,666 |
| Liability at the end of the year | 99,600,463 | 97,552,942 |

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

### The cost as per income statement

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Past and current service costs (Note 8) | 14,057,618 | 59,916,753 |
| Interest cost (Note 9) | 14,904,786 | 5,058,281 |
| Actuarial Losses\ (gain) | (14,011,569) | 2,849,666 |

## 26. PROVISIONS

| | Balance as of 1 January 2016 | Charged during the period | Utilized during the period | No longer required | Reclassification | Balance as of 31 Dec 2016 |
|---|---|---|---|---|---|---|
| | LE | LE | LE | LE | LE | LE |
| Tax claims | 269,166,158 | 60,293,875 | (27,847,867) | (5,797,897) | - | 295,814,269 |
| Sites restoration | 46,261,257 | - | - | (2,387,908) | - | 43,873,349 |
| Judicial disputes | 32,441,138 | 745,829 | (420,450) | ((3,385,870) | (220,442) | 29,160,205 |
| Training support Fund | 87,268,675 | - | - | - | 95,442 | 87,364,117 |
| Restructure Social Cost | - | 200,942,759 | (8,942,759) | - | - | 192,000,000 |
| Other claims | 1,392,005 | 10,500,000 | (1,392,005) | | 125,000 | 10,625,000 |
| Gas claims for Tourah Portland cement company | 51,000,000 | - | - | - | - | 51,000,000 |
| | 487,529,233 | 272,482,463 | (38,603,081) | (11,571,675) | - | 709,836,940 |

## 27. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Shareholder – credit balance | 183,648,972 | 40,809,867 |
| Trade payables | 794,257,394 | 793,009,440 |
| Accrued Salaries | 4,833,482 | 2,580,067 |
| Accrued expenses | 186,224,793 | 99,142,077 |
| Social insurance authority | 4,048,256 | 15,969,186 |
| Other payables | 869,224,369 | 106,453,963 |
| | 2,042,237,266 | 1,057,964,600 |





## 28. TAXES PAYABLES

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Tax authority- withholding tax | 23,607,906 | 7,641,299 |
| Tax authority- salary tax | 5,154,978 | 7,722,663 |
| Tax authority- value added tax | 22,642,594 | 27,546,462 |
| Tax authority- other tax | 10,286,524 | - |
| | 61,692,002 | 42,910,424 |

## 29. ADVANCES FROM CUSTOMERS

The movement of advances from customers during the year ended 31 December 2016 and 2015 as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Balance at the beginning of the period | 389,405,037 | 454,216,609 |
| Add: amounts collected during the period | 5,117,144,882 | 3,819,169,873 |
| Less: Realized revenue | (5,223,980,230) | (4,662,791,519) |
| Balance at the end of the period | 282,569,689 | 389,405,037 |

## 30. RETENTIONS PAYABLE (DEPOSITS FROM OTHERS)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | LE | LE |
| Retentions payable within 12 months | 21,236,996 | 15,440,837 |
| Retentions payable after 12 months | 1,562,233 | 665,458 |
| | 22,799,229 | 16,106,295 |

## 31. CONTINGENT LIABILITIES

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

| | Contingent Liabilities |
|---|---|
| | LE |
| Suez Cement Company S,A,E, | 8,873,068 |
| Egyptian Tourah Portland Cement Company S,A,E, | 25,376,758 |
| Suez Bags Company S,A,E, | 67,013,795 |
| Hilal Cement Company (K.S.C.C) Kuwait | 18,215,813 |
| Helwan Cement Company SA.E, | 52,027,131 |
| | 171,506,565 |

**B-** The outstanding balance of issued letters of credit in favor of Suez Cement Company by Al Mashreq Bank, HSBC – Egypt, Alex Bank, and National Bank of Egypt as of 31 December 2016 amounted to EGP 1,604,407, EGP 3,576,866, EGP 54,382,604 and EGP 14,849,159 respectively,

**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.

## 32. RELATED PARTY TRANSACTIONS

The transactions with related parties for the year ended 31 December 2016 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 year ended 31 December 2016 as follows:**

| | Sales/ service revenue | Purchases/ service cost |
|---|---|---|
| | LE | LE |
| Suez Cement Company S,A,E, | 223,042,886 | 160,063,628 |
| Egyptian Tourah Portland Cement Company S,A,E, | 60,865,828 | 145,632,637 |
| Helwan Cement Company S,A,E, | 288,589,291 | 115,227,640 |
| Ready Mix Concrete El - Alamya (RMCA) S,A,E | - | 89,532,381 |
| Development and Construction Material Company (DECOM) S,A,E, | | 98,954,868 |
| Suez Bags Company S,A,E, | 123,286,314 | 364,243 |
| Suez for Transport and Trade Company S,A,E, | 115,097,753 | 201,106,675 |
| | **810,882,072** | **810,882,072** |

**B- The technical assistance from Suez Cement Company S,A,E, to Suez Cement Group Companies For the year ended 31 December 2016 as follows:**

| | Technical assistance –revenues | Technical assistance –expenses |
|---|---|---|
| | LE | LE |
| Suez Cement Company S,A,E, | 92,693,302 | |
| Egyptian Tourah Portland Cement Company S,A,E, | | 31,280,564 |
| Helwan Cement Company S,A,E, | | 55,981,139 |
| Suez Bags Company S,A,E, | | 5,431,599 |
| | **92,693,302** | **92,693,302** |





**C- The Management Fees from Suez Cement Company S,A,E, to Suez Cement Group and Related Parties Company for the period ended 31 December 2016 as follows:**

| | Management Fees –revenues | Management Fees –expenses |
|---|---|---|
| | LE | LE |
| Suez Cement Company S.A.E | 10,981,507 | |
| Ready Mix Concrete El - Alamya (RMCA) S.A.E – (subsidiary) | | 4,882,866 |
| Development and Construction Material Company (DECOM) S.A.E – (subsidiary) | - | 6,098,641 |
| | **10,981,507** | **10,981,507** |

**D- Loans and its interest transactions between Suez Cement Group Companies for the period ended 31 December 2016 as follows:**

| | Lender | Borrower | Debit / (Credit) Interest |
|---|---|---|---|
| | LE | LE | LE |
| Suez Cement Company S,A,E, | 33,000,000 | - | (3,969,687) |
| Ready Mix Concrete El - Alamya (RMCA) S,A,E | - | 15,000,000 | 1,804,403 |
| Development and Construction Material Company (DECOM) S,A,E, | - | 18,000,000 | 2,165,284 |
| Suez Transport and Trade Company S.A.E | 8,000,000 | | (101,111) |
| Helwan Cement Company S.A.E | - | 8,000,000 | 101,111 |
| | **41,000,000** | **41,000,000** | **-** |

**E - Italcementi S.P.A (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S.A.E):**

The value of the commission and other services provided by Italcementi S.P.A for the period ended **31 December** 2016 as follows as follows:

| | Amount |
|---|---|
| | KEGP |
| Suez Cement Company S,A,E, | 8,186 |
| Egyptian Tourah Portland Cement Company S,A,E, | 1,034 |
| Helwan Cement Company S,A,E, | 1,564 |
| Suez Bags Company S,A,E, | 2,364 |
| | **13,148** |

**F - Italcementi S.P.A (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S.A.E):**

The amount of the technical assessment fees offered by Italcementi S.P.A (The parent company of Ciments Francais (major shareholder of Suez Cement Company (S.A.E) for the year ended 31 December 2016 which represents a percentage of sales revenues of the group of cement products exclude intra – Suez Cement Group transactions as follows:

| | % | Amount |
|---|---|---|
| | | KEGP |
| Suez Cement Company S,A,E, | 1 | 17,027 |
| Egyptian Tourah Portland Cement Company S,A,E, | 1 | 4,940 |
| Helwan Cement Company S,A,E, | 3 | 37,200 |
| | | **59,167** |

**G- Ciments Francais (major shareholder of Suez Cement Company (S.A.E):**
The amount of the technical assessment fees offered by Ciments Francais the major shareholder of Suez Cement Company S,A,E, for the Year ended 31 December 2016 which represents a percentage of sales revenues of the group of cement products exclude intra – Suez Cement Group transactions as follows:

| | % | Amount |
|---|---|---|
| | | KEGP |
| Suez Cement Company S,A,E, | 1 | 5,831 |
| Egyptian Tourah Portland Cement Company S,A,E, | 1 | 1,934 |
| Helwan Cement Company S,A,E, | 3 | 14,215 |
| | | **21,980** |

The value of the expatriate fees offered by Ciments Francais the major shareholder of Suez Cement Company S,A,E, for the year ended 31 December 2016 as follows:

| | Amount |
|---|---|
| | KEGP |
| Suez Cement Company S,A,E, | 24,446 |
| Egyptian Tourah Portland Cement Company S,A,E, | 7,297 |
| | **31,743** |

Dues Benefits of board members and top managers

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| | **LE** | LE |
| Salaries & Benefits | **15,447,766** | 9,982,332 |
| | **15,447,766** | 9,982,332 |

**33. 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.

**Trade and notes receivables**

The Company limits its credit risk exposure related to its customers by collecting from its customers in advance and before the delivery of its products to its customers.

**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 959,252,815 whereas; the financial liabilities denominated in foreign currencies amounted to LE 1,371,194,768.

### 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 31 December 2016 | | | | | |
| Advances From Customers | 270,487,268 | - | - | - | 270,487,268 |
| Bank Over Draft | 379,991,410 | - | - | - | 379,991,410 |
| Retentions payable | 7,541,266 | 13,671,512 | - | - | 21,212,778 |
| Trade and other payables | 812,020,570 | - | - | - | 812,020,570 |
| Due to tax authority | 49,463,052 | - | - | - | 49,463,052 |
| Income tax payable | - | 62,045,739 | - | - | 62,045,739 |
| Due to related parties | 1,180,412,691 | - | - | - | 1,180,412,691 |
| **Total undiscounted financial liabilities** | **2,699,916,257** | **75,717,251** | **-** | **-** | **2,775,633,508** |

| | Less than 3 Months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| As at 31 December 2015 | | | | | |
| Advances From Customers | 374,845,595 | | | | 374,845,595 |
| Bank Over Draft | 251,279,167 | - | - | - | 251,279,167 |
| Retentions payable | 6,233,193 | 7,505,787 | - | - | 13,738,980 |
| Trade and other payables | 670,404,616 | 17,071,547 | - | - | 687,476,163 |
| Due to tax authority | 49,560,062 | 8,674,515 | - | - | 58,234,577 |
| Income tax payable | - | 22,882,160 | - | - | 22,882,160 |
| Due to related parties | 229,346,743 | | | | 229,346,743 |
| **Total undiscounted financial liabilities** | **1,581,669,376** | **56,134,009** | **-** | **-** | **1,637,803,385** |






### 34. 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.

### 35. COMPARATIVE FIGURES

Certain comparative figures for the year 2015 have been reclassified to conform to the presentation of these consolidated financial statements.