



السويس للأسمنت  
**Suez Cement**

## 2006 Annual Report



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## Message from the Chairman and from the Managing Director

Driven by the sharp growth of the residential sector and the increase in GDP, cement demand in Egypt rose significantly in 2006. In this context, Suez Cement group of Companies (SCGC) closed the financial year of 2006 with higher revenues and investments than expected.

With more than 5,000 employees, SCGC produced 10.2 million tons of grey clinker and 0.4 million of white clinker, and achieved a production of 10.3 million of grey cement and 0.4 million of white cement in 2006. By the end of the financial year, SCGC's share of the Egyptian market for grey cement and white cement was at 30.9% and 51.3% respectively.

Due to a positive trend in the Egyptian market, a strong demand for cement and the enlargement of the scope of consolidation following the acquisition of ASEC Cement (now known as Helwan Cement Company (HCC) as integrated on 1st August 2005), SCGC experienced a cement sales volume increase of about 30%. In this scenario, with revenues from LE 2,350 million in 2005 to LE 3,543 million in 2006 (+ 50.8%), SCGC witnessed a 55.5% growth in its gross operating profit over the preceding year, reaching LE 1,665 million, and a 19.4% growth in its operating profit, reaching LE 1,000 million at the end of the financial year of 2006. It is to be noted that, over the past year, SCGC's leader, Suez Cement Company (SCC), realized a gross operating profit of LE 638 million and an operating profit of LE 983 million, representing a growth of 24.1% and 125% respectively over the preceding year. This higher operating profit was due to the super dividend distributed by its subsidiary Tourah Portland Cement Company (TPCC).

Over the course of the year, many actions were taken to strengthen the competitive position of the SCGC brands in the Egyptian market. In June 2006, TPCC received the API quality certification for producing oil well cement. Hence, TPCC is currently part of Italcementi International Oil Well Network. In addition, during the year, new products were introduced (CEM II/ A-L 32,5 N) and re-launched (hydrated lime) in the local market to broaden SCGC's products portfolio.

As a crucial area with high priority, equal attention was paid to SCGC's human resources projects. In fact, over the past year, four collective labor agreements, encompassing a new professional classification structure, were signed by SCGC's management and the representatives of the unions of SCC, TPCC, and HCC.

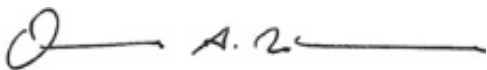
In an endeavor to improve health and safety at work and to ensure the dissemination of an inalienable corporate culture of safety across all SCGC activities, the group of companies launched a project on

occupational safety and health entitled "Zero Accidents". Started in January 2006, the program integrates safety as a core business strategy for SCGC. Implementing this project has contributed to reducing the rate of workplace accidents by approximately 70% compared to the previous year. The severity rate of accidents has experienced a similar decline. The recently introduced Health and Safety Management System has played a role in this improvement. In fact, two of our plants, namely Suez Bags and El Minya plants, have successfully achieved an accident-free year.

In compliance with the environmental policy of the Egyptian Environmental Affairs Agency (EEAA) and under the auspices of the Ministry of Environmental Affairs, SCGC invested LE 43.5 million in 2006 to support the Environmental Pollution Abatement Project (EPAP). Launched in 2005, this project is jointly financed by the World Bank for the purchase and installation of two new Electrostatic Precipitators with high technology in addition to two revamped Gas Conditioning Towers (CTG). This technology was added at the Kattameya plant to reduce dust emissions from 350 mg/m<sup>3</sup> in 2005 to 50 mg/m<sup>3</sup> in 2006. Within the same context, 63,000 m<sup>2</sup> of land at the Kattameya plant was designated as a "green area" in 2006. Other designated green areas include 47,000 m<sup>2</sup> at the Suez plant, 5,000 m<sup>2</sup> at the Tourah plant, 5,480 m<sup>2</sup> at the Helwan plant, and 138,600 m<sup>2</sup> in El-Minya.

With the aim of achieving vertical expansion and business integration in 2006, SCGC acquired 52% of Ready Mix Beton S.A.E., a leading ready-mix producer in Egypt with the actual production of 511,000 m<sup>3</sup> of ready-mixed concrete. This represents 20% of the Egyptian ready mix market.

We are confident that Suez Cement group of Companies is a group that is built to last and steam ahead. On behalf of our Board of Directors, we would like to thank our employees and shareholders for their dedication and commitment to the company's core values. We would also like to thank our many customers and partners for their continued confidence and support.



Omar A. Mohanna  
Chairman



Roberto Callieri  
Managing Director



## 1. FINANCIAL HIGHLIGHTS

	December 2006	December 2005	December 2004
Revenue	3,543	2,350	1,498
Gross Profit	1,665	1,071	598
EBITDA	1,441	1,888	634
Net Earnings	703	777	335
Return on Sales	20%	33%	22%
Gross Margin	47%	46%	40%
EBITDA Margin	41%	80%	42%
Capital Expenditures	3,977	3,901	1,575
Total Assets	8,246	9,156	2,873
Cash & Cash Equivalents	799	1,771	480
Working Capital	50	1,184	662
Total Debt	1,543	2,867	584
Minority Interest	261	524	295
Shareholders Equity	4,925	4,609	1,556
Net Fixed Assets Turnover	0.89	0.60	0.95
Total Assets Turnover	0.43	0.26	0.52
Return on Equity	14.20%	16.86%	21.53%
Current Ratio	1.03	1.74	2.08
Debt to Equity Ratio	0.31	0.62	0.38
Gearing Ratio	0.27	0.52	0.26



## 2. SHAREHOLDERS' INFORMATION

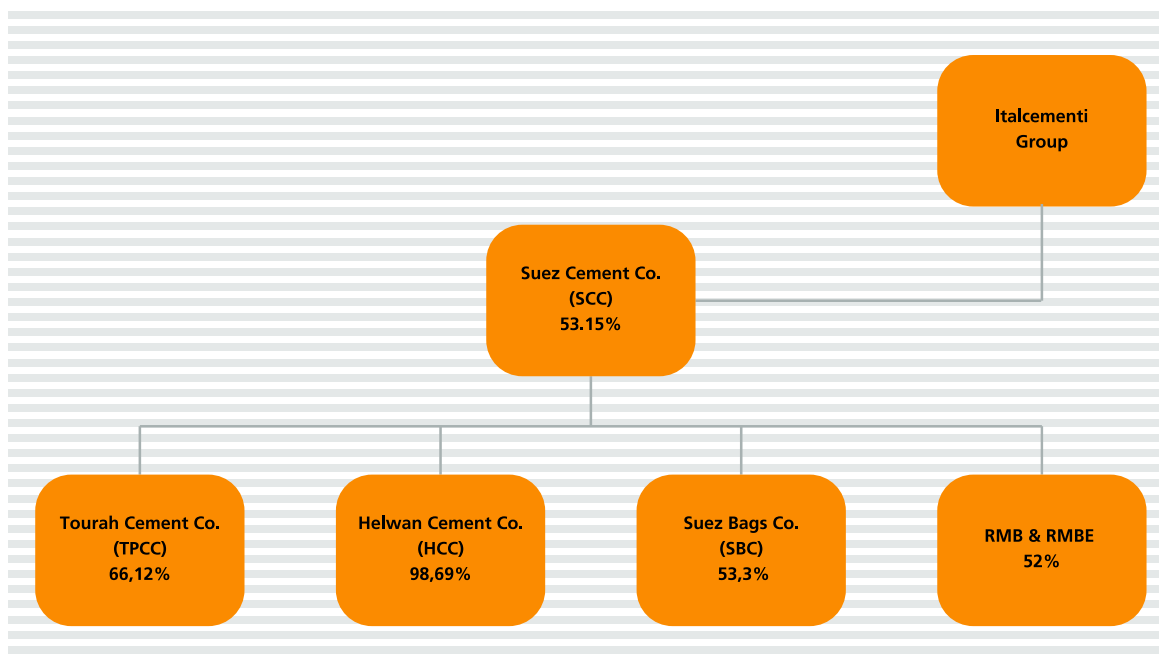
SCGC is the biggest Egyptian cement producer and controls Suez Cement Company, Tourah Portland Cement Company, Helwan Cement Company, Suez Bags Company, Ready Mix Beton and Ready Mix Beton Egypt.

Italcementi Group is the majority shareholder (51.91%) of Suez Cement S.A.E.

Suez Cement Company controls 66.12% of Tourah Portland Cement Company, 53% of Suez Bags and 98.69% of Helwan Cement Company.

These three companies, Suez Cement Company, Helwan Cement Company and Tourah Portland Cement Company, are listed on the Cairo and Alexandria Stock Exchange.

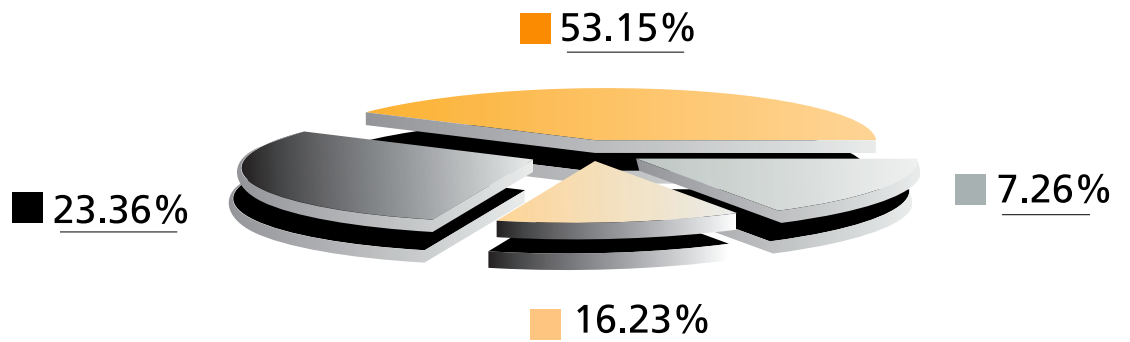
During 2006 the Group entered the concrete sector through the acquisition of 52% of RMB (Ready Mix Beton) and Ready Mix Beton Egypt (RMBE), a company that is the country-leader in the concrete sector in Egypt.





## 1. SHAREHOLDING STRUCTURE

Shareholding Structure	Percentage %
Italcementi Group	53.15
Arab & Egyptian Investors	23.36
Public Sector Entities	16.23
Private Sector Entities & Free Float	7.26



■ Italcementi Group

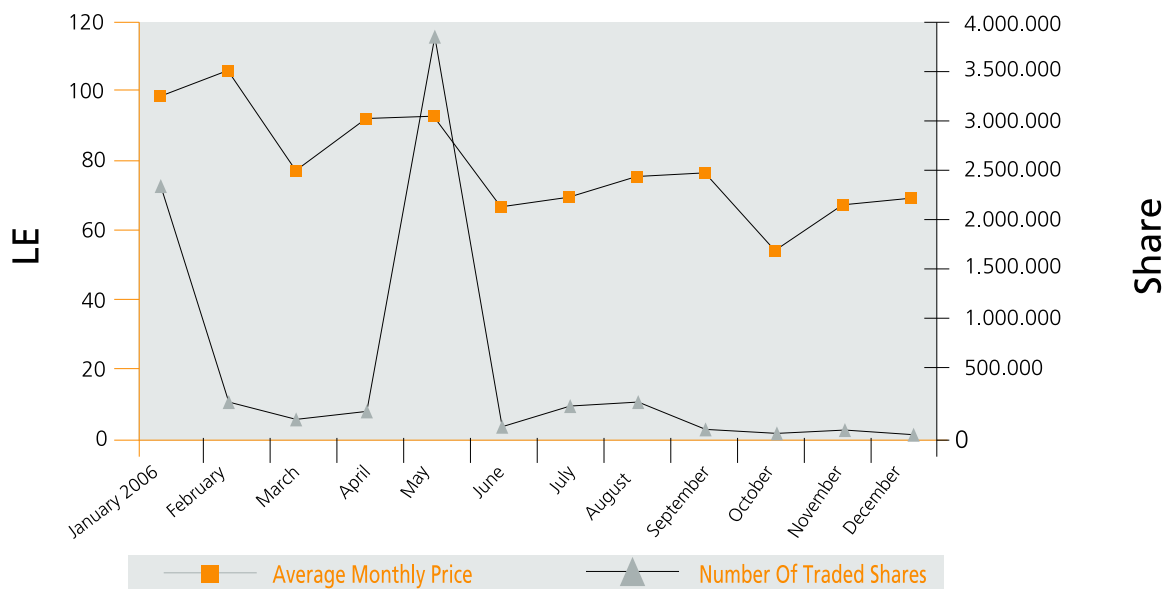
■ Public Sector Entities

■ Arab & Egyptian Investors

■ Private Sector Entities & Free Float

## 2. TRADING VOLUME ON THE EGYPTIAN STOCK MARKET 2006

Month	Number of Traded Shares	Average Monthly Price	L.E. Trade Value
January 2006	2,297,878	93.81	215,563,935.18
February	321,976	100.60	32,390,785.60
March	175,337	72.74	12,754,013.38
April	250,649	87.67	21,974,397.83
May	3,676,742	87.77	322,707,645.34
June	87,811	62.99	5,531,214.89
July	294,652	65.70	19,358,636.40
August	332,462	71.41	23,741,111.42
September	73,194	72.66	5,318,276.04
October	36,732	51.26	1,882,882.32
November	68,311	63.42	4,332,283.62
December	42,925	65.26	2,801,285.50
<b>Total</b>	<b>7,658,669</b>		<b>668,356,467.52</b>





### 3. BUSINESS OF SUEZ CEMENT GROUP

#### 3.1 Historical Summary: Italcementi Group in Egypt

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

Suez Cement's entrance in the Italcementi industrial network was an important development opportunity for the Egyptian company. New investments aimed at increasing its efficiency also strengthened the group's leadership in the Mediterranean.

In August 2005, Suez Cement Company purchased around 99% of Asec Cement Company (currently Helwan Cement Company), listed on the Cairo and Alexandria Stock Exchange. This acquisition was executed in collaboration with other local and international partners, for a global investment of around \$605 million. This transaction allowed Italcementi Group to strengthen its leadership in Egypt, the fourth most important market in terms of cement consumption in the Mediterranean.

The group's capacity in Egypt has resulted in the production of over 12 million tons of clinker per year. This amount is produced by five plants that employ almost 5,000 fixed employees and 2,700 subcontracted employees. This total results in a domestic market share of roughly 30% for grey cement and 50% for white cement.

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

SCGC's overall objective is to continue to invest and develop our activities in the country by respecting its Egyptian identity and increasing its efficiency by converting the company from a cement supplier to a services supplier for the building and construction industry. Serving as a testament to our will are our investments in the ready-mix concrete sector and aggregates, our studies to invest in the field of admixtures for cement and concrete, premix mortars products and hydraulic limes.



## 3.2 SUEZ CEMENT GROUP'S STRUCTURE

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

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

Suez Cement is home to more than 5,000 employees who participate in on-going training and advancement. The group has an active safety and environmental policy, which is imperative towards building a sustainable environment for employees and the communities in which it operates.

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

### Key Statistics

- Five production facilities
- Total production capacity of 12 million metric tons of clinker
- 30% of grey cement market share
- 50% of white cement market share
- More than 16 operating quarries
- Total of 22 kilns (16 in operation)
- Total of 37 cement mills (34 in operation)
- 21 bulk loading points
- 37 packing machines
- Four Jumbo bags loading points
- More than 5,000 employees
- All plants certified ISO 9001 and ISO 14001



### Suez Cement Company

Established in 1977, Suez Cement is the largest grey cement producer in Egypt with a production capacity of 4.1 million tons of clinker per year. The Company, owned 53.15% by Italcementi Group, started its activities by building its first plant in Suez followed by the Kattameya plant with total investments of about LE 1.7 billion. Both plants operate using the dry process and preheater. The Company serves the domestic market and exports its products to Arab, African and European markets as well.

### Tourah Portland Cement Company

The Tourah Portland Cement Company is Egypt's first cement company with 66.12% owned by Suez Cement Company. The Company, established in 1927, began with a production capacity of four million tons of clinker per year. Today the company produces nearly four million tons of cement per year and employs 1,000 persons. Tourah Cement owned the most ancient gypsum quarry where the stones of the pyramids originated. Tourah Cement was the first company in Egypt to use the dry method in the cement industry. It was also the first to modernize its lines to get rid of the by-pass dust through reusing wet kilns, which led to production increases in addition to the decrease of dust emissions.

In June 2006 Tourah Cement received the API quality certification for producing Oil Well Cement. In cooperation with other local and foreign cement companies, Tourah Cement has invested its long and rich experience in establishing advanced centers for administrative and technical training on an area of 10,000 m<sup>2</sup>. The programs were specially designated to cater to the needs of the cement industry. Additionally, the centers became an international meeting point for workers within this industry.

### Helwan Cement Company

Helwan Cement was established in 1929 and was the second cement producer to enter the market. Since August 2005, the Suez Cement Company has owned 98.69% of the company and has a production capacity of 4.5 million tons of clinker per year. Helwan Cement Company is home to nearly 2,000 employees and manufactures grey and white cement in Helwan and El Minya. The Helwan and El Minya plants have a combined capacity of 4.8 million tons per year and both plant facilities are ISO 9001 and ISO14001 certified.

### Suez Bags

Suez Bags Company was established in 1988 as an Egyptian joint stock company. Since October 2006, 53% of Suez Bags has been owned by Suez Cement Company. Suez Bags owns four lines with a production capacity of 240 million bags per year. Three of these lines are for the production of bags, gypsum and other building material, while the fourth line is for special orders.

Made with imported semi-Copake craft layer paper from Austria and Canada, Suez Bags are of the

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highest standards and quality. Because of their imported ink and specialized technology, the company is the only supplier able to print four colors on all bag types.

### Ready Mix Beton

Since 1985, RMB has been one of the leading ready-mixed concrete industries in Egypt. Since October 2006, 52% of the company has been owned by the Suez Cement Company. Ready Mix Beton produces 511,000 m<sup>3</sup> of ready-mix concrete representing 20% of the market share in the Egyptian market. RMB is supported by nine sites for central mixing plants, six of which are located in the "Great Cairo Area", where three of the Suez Cement group's five cement facilities are based. RMB also has a fleet of truck mixers and concrete pumps.

Having the RMB group as part of the company is a strategic partnership that serves our cement interests and our customers. It provides an excellent opportunity to expand and diversify through a dedicated presence in the ready-mixed concrete sector. This is due in part to an experienced management team lead by RMB where the Egyptian market offers excellent potential for growth in this sector.





#### 4. MARKET EVOLUTION: MAJOR EVENTS OF THE YEAR

The Egyptian cement market is offering positive long-term indications with an economy supported by the tourism sector, the gas and oil industry, fees from the Suez Canal and investment flows coming from the region.

In 2006, the dynamic state of the construction sector in the country, especially driven by the residential and tourism infrastructure sector, boosted the demand of cement. The consumption of grey cement reached 30.142 million tons growing by +20% in 2005 and +6.8% in 2006. Similarly the demand for white cement, led by the strong construction activity, was 0.386 million tons.

The production of grey cement totaled 36.2 million tons manufactured from 35.1 clinker million tons. In this context, Suez Cement group produced 11.6 million tons of clinker with a market share of 30.9%. In this context, Suez Cement group delivered 9,323 million tons of grey cement with a market share of approximately 31% and 0.197 million tons of white cement representing approximately 51.0% of the market.

Driven by escalating costs, the domestic price of cement increased by 18%. This increase was also the result of high domestic consumption combined with strong international demand in the Middle East and Mediterranean regions.

This year's price of electrical energy and fuel represented about 30% of the total production costs. For example, in June 2006 the price of electricity increased by 8%. In addition, the price of fuel has increased an average of 40%, which has a significant impact on raw materials costs, which have in turn increased by 23%. This price escalation has resulted in a 15% increase in the total cost of production. In addition, in August 2006 the Ministry of Trade and Industry recommended a domestic price ceiling for bagged cement at LE 300 per ton ex work. In this respect, SCGC complied with this request. In order to sustain internal growth and grant the domestic demand, SCGC progressively decreased the ex work price of Ordinary Portland Cement to LE 300 per ton (net of taxes). Additionally, the delivered sales price in all governorates was set at LE 330 per ton. Consequently, during the second part of the year the price of the cement produced by SCGC remained unchanged at this level.

Turning to exports, by the end of 2006, Egyptian exports of cement and clinker reached approximately 8.7 million tons and SCGC exported around 1.9 million tons of cement and clinker. This is around 16.5 % of the total sales.



## 5. QUALITY POLICY AND PRODUCTS RANGE

SCGC is committed to producing cement and building materials for the construction industry in Egypt and abroad. Today the group of companies offers seven types of cement with many classes of strength which comply with both Egyptian and international standards:

**Portland Cement: CEM I 42,5 N, CEM I 42,5 R, CEM I 42,5 R Super Fine, C150-TYPE I,II**

**Portland Limestone Cement: CEM II /A – L 32,5 N**

**Portland Slag Cement: CEM II/A – S 32,5 R**

**Blastfurnace Slag Cement: CEM III/A 32,5 N**

**Sulphate Resistant Cement: SRC 32,5 R, SRC 42,5 R**

**White Cement: White Cement CEM I 42,5 R, CEM I 52,5 N**

**Karnak Cement: Cement PF/silo**

**Oil Well Cement: Oil Well Cement, certified by API class G, HSR**

In addition to the cement range, Tourah Portland Cement Company produces and sells hydrated lime. This product is used in various applications of the construction industry such as plastering, mortars, lime brick manufacturing, painting purposes and decorative textures.

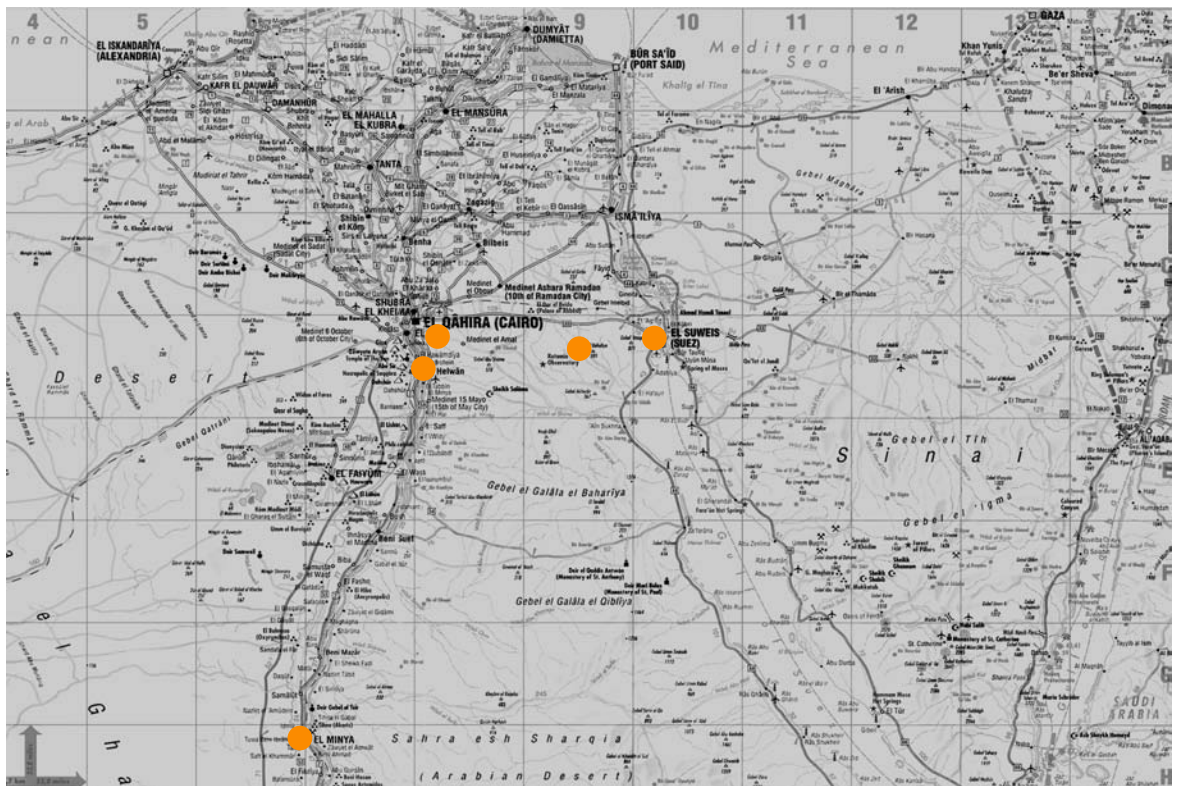
Hydrated lime is also used in other important industries such as marble and granite, steel, sugar, paper, petroleum, crystal and glass, fertilizers and rubber.

The group controls the quality of each cement type and each strength class through a well-established quality control system. The five plants are ISO 9001 quality management system certified, and EN 197-1 certified for evaluation of conformity and EN 197-2 certified for compositions, specifications and conformity criteria. Five existing labs are equipped with BAT (Best Available Technology) in the field of instrumentation analysis.

## 6. INDUSTRIAL FACILITIES

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

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





## 7. INVESTMENTS

The Company is currently implementing a three-year investment program that involves the modernization of all production facilities. During the year 2006, several major investment projects concerning pollution abatement measures and emissions control have been completed and successfully implemented. In full compliance with its environmental policy, and in cooperation with the Egyptian EEAA and the World Bank, Suez Cement Company has launched an "Environment Pollution

Abatement Project" (EPAP I) in 2005. Thus, in March 2006 two high-technology Electrostatic Precipitators and two revamped gas-conditioning towers were installed at the Kattameya plant to reduce dust emissions from 350 mg/m<sup>3</sup> in 2005 to 50 mg/m<sup>3</sup> in 2006 at a cost of LE 43.5 million. In order to carefully follow the performance of these dedusting devices, new continuous emission monitoring system (CEMS) have been installed at the main stack.

Additionally, a new water desalinization system for the Suez plant was installed in June 2006 and is under operation.

Based on the findings of a 2005 emission analysis, a thorough program of dust collectors retrofit was launched at the Tourah plant. This program covers both process and nuisance dust collectors. The remaining dust collectors will be implemented in 2007. In addition, plant access has been improved thanks to an investment in pavement mainly at Tourah Plant.

In 2006, the company agreed to revamp the process filters for the entire production line of Tourah Plant 2.

This project, with a total budget of LE 98 million and a time limit of three years, will be part of EPAP 2, which is expected to begin in 2007.

The Company has also invested in converting the main burner of kiln 2 at Helwan Plant 2, from using fuel oil to natural gas in order to reduce carbon dioxide emissions.





## 8. HUMAN RESOURCES

Suez Cement group is home to 5,146 employees who participate in on-going training and advancement. company's growth depends decisively on the quality and performance of its employees. This recognition is revealed through the companies' policies and procedures. The Human Resources Department constantly executes and develops inventive management schemes such as recruitment procedures, employee orientation, a performance appraisal system, standards of ethical conduct,

insurance and medical benefit schemes, and last but not least, industrial hygiene systems. The companies' equal opportunity policy is for all qualified persons and does not discriminate against any employee or applicant based on race, color, religion, sex, age, national origin, veteran status, disability or any other protected status. This policy applies to recruitment and placement, promotion, training, transfer, retention, rate of pay and all other details and conditions of employment.

Stressing the need to give Suez Cement personnel the opportunity to grow, the company has offered its employees appropriate opportunities for improvement and career progression at national and international levels. In this past year, the company provided its employees 5,056 hours of training on technical issues, 10,712 hours on safety rules and procedures, 4,522 hours on languages, 3,783 hours on environment and quality control, 444 hours on sales and marketing, 3,570 hours on office automation and 1,754 hours on management.

Additionally, a number of young engineers and specialists were enrolled in a wide range of training programs to enhance the intermediate level within the group. Furthermore, with the aim to upgrade their professional skills, the company offered a one-year training program in Italy to all young recruited engineers.

## Zero Accidents

السلامة أولاً ودائماً

### 9. SAFETY AND HEALTH AT WORK

Understanding the relationship between a good working environment and good company performance, Suez Cement group has placed safety and health at work as a key and essential component of the company's performance.

improve health and safety at work, as well as ensure the dissemination of a corporate culture of safety across all Suez Cement's activities, Suez Cement group launched a project on occupational safety and health named "Zero Accidents".

Launched in 2006, the project integrates safety as a core business strategy for the group.

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

In 2006, the "Zero Accident" project contributed to reducing the frequency of workplace accidents by approximately 70% when compared to the previous year. The severity rate of accidents experienced a similar decline. The recently introduced Safety and Health Management System has played a large role in this improvement. In fact, two of our plants, namely Suez Bags and El Minya plants, have successfully achieved an accident-free year.

In 2006, more than 9,000 safety orientation and training hours on the group safety policy and the safety management handbook were provided for all plant managers. First line and safety animators now assume a more effective role in improving working conditions at the plants by having daily safety talks with workers and daily safety inspections. These measures are coupled with corrective action plans and proper follow-up. Additionally, with the aim to prevent accidents and monitor day-to-day safety performance, the project has established a corporate database of accidents, illnesses, injuries, and lost workdays which track, collect and analyze safety performance indicators.

To improve the health policy in 2006, the Company has completely refurnished clinics in five plants with renewed buildings, medical furniture and equipment including new ambulances at several plants.





## 10. ENVIRONMENT

The company believes in being environmentally conscious and protecting its surroundings. It has been continuously investing towards a better Egypt

and a cleaner environment and has made a long-time commitment towards being environmentally responsible. Suez Cement dedicates a substantial part of its industrial investments to implementing a comprehensive environmental policy.

In fact, all plants are ISO 14001 and ISO 9001 certified. In addition, all plants have adopted and strictly complied with the environmental laws of Egypt and work in close cooperation with the Ministry of Environmental Affairs to ensure the environmental standards of each plant are on target.

As part of the company's ongoing effort to reduce adverse environmental impacts, regular consultation and information sessions are held with local stakeholders. Each plant is thoroughly reviewed by the Egyptian Environmental Affairs Agency (EEAA) for full compliance with local standards.

Each plant has met all restrictions on dust emissions; in fact the measured average emissions are below the environmental regulations threshold. The Company has also taken progressive actions to reduce carbon dioxide emissions by using natural gas for its lines. As evidence of this trend, since May 2006, kiln 2 of the Helwan plant has operated on 100% natural gas instead of heavy fuel in its main burner. In compliance with its environmental policy, during 2006 the Company has increased the number of green areas at all plants, built new waste treatment facilities and increased paved areas in and around the plants. In fact, in 2006, 63,000 m<sup>2</sup> have been designated as green areas at the Kattameya plant, 47,000m<sup>2</sup> at the Suez plant, 5,000 m<sup>2</sup> at the Tourah plant, 5,480 m<sup>2</sup> at the Helwan plant and 138,600 m<sup>2</sup> at the El-Minya plant.





## 11. SUSTAINABLE DEVELOPMENT FOR LOCAL COMMUNITIES

SCGC is devoted to establishing a sustainable dialogue with the local communities especially those surrounding the plants. Building partnerships for sustainable development is part of our company's corporate policy.

In 2006, this attitude was reflected by initiating projects in the field of education and health. In this respect, several initiatives have been put in place to promote education. Based on the Egyptian reform of the Technical and Vocational Education and Training (TVET), a project named *"Supporting the Expansion of the Activities of Don Bosco Technical Institute in Cairo"*, expresses Suez Cement's commitment to supporting and promoting technical and vocational education.

This three-year project is linked to the national program for educational development and to the literacy policy recently launched by the Egyptian government. The project is mainly focused on upgrading infrastructure through constructing and renovating laboratories and classrooms. These efforts consist of constructing a new floor with seven classrooms and three laboratories. In addition, the new classrooms and laboratories will be equipped with the necessary educational equipment and furniture. As a result of the abovementioned project, the Suez Cement group provided 24, 17 year-old students in the Don Bosco Institute with two-month training session on the cement industry from July to August 2006.

The 51-day training program was divided into theoretical and on-the-job practical training. The theoretical part focused mainly on implementing two concepts that were new to students: the safety and environmental policies of the Suez Cement group and technical issues related to cement manufacturing. Additionally, aimed at providing basic social infrastructures to the local communities surrounding its plants, SCGC has undertaken the construction of the new Suzanne Mubarak Library in the Suez governorate in 2006.

Each year, approximately one million Egyptian youth leave schools in an attempt to enter the labor market without necessary qualifications. As a result, SCGC has supported a project named *"Programme for the Introduction of a Cooperative (dual) Technical Education and Vocational Training System in Egypt (Mubarak-Kohl-Initiative)"*. This project provides practical training courses for 21 students enrolled in secondary school.

In 2006, the Company also began a cooperative effort with the Association of Production Competency Enhancement of the Ministry of Trade and Industry in implementing a three-year project that aims to allow 290 young graduates to be trained on different industrial subjects and receive a certificate legally recognized by Egyptian authorities.

To encourage post-graduate education, the Company has rewarded the highest-ranking students, by paying university fees for four years. These graduates are the sons of Suez Cement group employees. Recently, SCGC donated 10,000 to the Euro-Arab School of Oncology (EASO). EASO is a joint initiative of the European School of Oncology and the Egyptian Ministry of Health and Population. This project



aims to conduct research and training activities in the field of cancer prevention and cure by involving the scientific and medical communities of the European and Arab countries.

In a growing partnership with the New Valley governorate, the company has also decided to sponsor the first Italian-Arabic travel guide for the New Valley governorate. By publishing this valuable and useful guide, the Company intends to promote responsible tourism and encourage the sustainable socio-economic development of the New Valley governorate, one of the poorest but most charming Egyptian governorates.

Among the charitable initiatives supported by the company, is the donation of LE 1,500,000 for the families of the victims of the El-Salaam Boccaccio 98 ferry accident that occurred in the Red Sea on February 3<sup>rd</sup>, 2006 in which 1,018 passengers died.

To prove SCGC's commitment to sports activities, Suez Cement Company sponsors a Suez Cement soccer team which currently plays in the first division of the National Football Tournament.

Suez Cement Company (S.A.E.)

**12. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006  
TOGETHER WITH AUDITORS' REPORT**



## Suez Cement Company (S.A.E.)

### 12.1 FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006 TOGETHER WITH AUDITORS' REPORT

Auditors' report to the shareholders of Suez Cement Company (S.A.E.)

We have audited the accompanying financial statements of Suez Cement Company (S.A.E.) represented in the Balance Sheet as of 31 December 2005, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above and the related notes from (1) to (21), present fairly, in all material respects, the financial position of The Company as of 31 December 2006, and the results of its operations and its cash flows for the year ended 31 December 2006 in conformity with the Egyptian Accounting Standards and the related applicable laws and regulations.

The company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the company's records. The company also maintains costing system that meets the purpose. 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 159 of 1998 and its executive regulations, is in agreement with the Company's records insofar as such information is recorded therein.

Cairo, February 2007

Emad Ragheb  
FESAA – FEST  
(RAA. 3678)

Nabil Istanbouli  
FESAA – FEST  
(RAA. 5947)

Allied for Accounting & Auditing

## Suez Cement Company (S.A.E.)

### BALANCE SHEET AS OF 31 DECEMBER 2006

	Note	31.12.2006 LE	31.12.2005 LE
<b>Long Term Assets</b>			
Fixed asset, net	2-3 & 3	677,704,482	606,892,553
Projects under construction	2-4 & 4	86,886,184	111,103,325
Long term investments	2-5 & 5a	4,802,331,012	4,723,311,362
<b>Total long term assets</b>		<b>5,566,921,678</b>	<b>5,441,307,240</b>
<b>Current assets</b>			
Inventories, net	2-8 & 6	242,967,032	320,694,284
Accounts receivables	2-7	13,018,769	7,710,646
Due from holding & affiliated companies	2-11 & 12a	13,468,415	71,824,038
Short Term Investments	2-6 & 5b	1,113,000	1,113,000
Prepayments and other debit balances, net	7	57,613,913	46,787,889
Cash on hand and at banks	8	318,693,940	669,466,006
<b>Total current assets</b>		<b>646,875,069</b>	<b>1,117,595,863</b>
<b>Current liabilities</b>			
Provisions	2-10 & 9	291,627,270	138,930,000
Banks overdraft	10	95,848	496,543,126
Current portion of long term loans	2-19 & 11	257,834,229	34,480,983
Accounts Payable		30,046,973	26,126,790
Due to holding & affiliated companies	2-11 & 12b	17,527,071	33,903,459
Accrued expenses and other credit balances	13	146,605,852	148,766,230
<b>Total current liabilities</b>		<b>743,737,243</b>	<b>878,750,588</b>
Working capital		(96,862,174)	238,845,275
<b>Total investment</b>		<b>5,470,059,504</b>	<b>5,680,152,515</b>
Financed as follows:			
<b>Shareholders' equity</b>			
Paid up capital	14	909,282,535	855,728,330
Collection under capital increase	-	-	471,972,915
Legal reserve	2-17	454,641,267	427,864,165
Other reserves	2-17	2,200,303,514	1,804,385,086
Retained earnings		294,084,317	301,716,000
Net Profit for the period		931,874,984	329,726,482
<b>Total shareholders' equity</b>		<b>4,790,186,617</b>	<b>4,191,392,978</b>
<b>Long term liabilities</b>			
<b>Long term loans</b>	<b>2-19 &amp; 15</b>	<b>688,581,109</b>	<b>1,463,172,180</b>
Deferred tax	2-16 & 16	(8,708,222)	25,529,619
Other Long term liabilities		-	57,738
<b>Total finance of working capital and long term assets</b>		<b>5,470,059,504</b>	<b>5,680,152,515</b>

Auditors	Financial Director	Chief financial officer	Managing director	Chairman
Emad Ragheb Nabil Istanbouli	Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar Abd El Aziz Mohanna

- The accompanying accounting policies & notes from (1) to (21) are an integral part of these financial statements.  
- Auditors' report attached.

## Suez Cement Company (S.A.E.)

**STATEMENT OF INCOME FOR THE PERIOD  
FROM 1 JANUARY 2006 TO 31 DECEMBER 2006**

	Note	31.12.2006 LE	31.12.2005 LE
<b>Long term assets</b>			
Net sales	2-9	1,276,721,413	1,057,393,049
Cost of sales		(638,391,409)	(543,069,901)
<b>Gross profit</b>		<b>638,330,004</b>	<b>514,323,148</b>
General and administrative expenses	2-20	(60,971,157)	(51,225,225)
Financing expenses	2-15	(143,646,370)	(115,016,192)
Provisions	2-10 & 9	(175,473,270)	(21,525,694)
Board of directors' remuneration and allowances		(129,000)	(194,884)
Other income		5,376,785	7,675,888
Investments income		686,023,607	408,409
Gain from sale of financial investments		-	96,883,825
Interest income		33,786,110	5,768,698
<b>Operating income</b>		<b>983,296,709</b>	<b>437,097,973</b>
Gain from sale of fixed assets	2,500	15,000	
(Loss) from foreign exchange differences		(2,167,241)	(9,284,973)
<b>Net profit before income taxes</b>		<b>981,131,968</b>	<b>427,828,000</b>
Deferred income tax	2-16	32,398,649	(25,529,619)
Income tax		(81,655,633)	(72,571,899)
<b>Net profit for the period</b>		<b>931,874,984</b>	<b>329,726,482</b>
<b>Earning per share</b>	<b>20</b>	<b>5.12</b>	<b>2.58</b>

- The accompanying accounting policies & notes from (1) to (21) are an integral part of these financial statements.

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar Abd El Aziz Mohanna

**Suez Cement Company (S.A.E.)**
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006**

	Paid up Capital	Collection from capital increase	Legal Reserve	Other reserves	Retained earnings	Total
	LE	LE	LE	LE	LE	LE
<b>Balance as of 1 January 2005</b>	<b>640,000,000</b>	<b>-</b>	<b>320,000,000</b>	<b>186,371,051</b>	<b>609,251,384</b>	<b>1,755,622,435</b>
Increase of share capital & Reserves	215,728,330	-	107,864,165	1,617,962,475	-	1,941,554,970
Amounts paid in respect of capital increase	-	471,972,915	-	-	-	471,972,915
Net income for the period	-	-	-	-	329,726,482	329,726,482
Transfer to legal reserve	-	-	-	-	-	-
Dividends paid 2004	-	-	-	51,560	(307,535,384)	(307,483,824)
<b>Balance as of 31 December 2005</b>	<b>855,728,330</b>	<b>471,972,915</b>	<b>427,864,165</b>	<b>1,804,385,086</b>	<b>631,442,482</b>	<b>4,191,392,978</b>
<b>Balance as of 1 January 2006</b>	<b>855,728,330</b>	<b>471,972,915</b>	<b>427,864,165</b>	<b>1,804,385,086</b>	<b>631,442,482</b>	<b>4,191,392,978</b>
Increase of share capital & reserves	53,554,205	(471,972,915)	26,777,102	395,903,428	-	4,261,820
Net income for the period	-	-	-	-	931,874,984	931,874,984
Dividends paid 2005	-	-	-	15,000	(337,358,165)	(337,343,165)
<b>Balance as of 31 December 2006</b>	<b>909,282,535</b>	<b>-</b>	<b>454,641,267</b>	<b>2,200,303,514</b>	<b>1,225,959,301</b>	<b>4,790,186,617</b>



## Suez Cement Company (S.A.E.)

## CASH FLOWS FROM OPERATING ACTIVITIES

	31/12/2006 LE	31/12/2005 LE
<b>Net profit for the period</b>	<b>931,874,984</b>	<b>329,726,482</b>
Adjustments to reconcile net income		
To cash flows from operating activities		
Credit interest	(33,786,110)	(5,768,698)
Dividends received	(686,023,607)	(408,309)
Depreciation	86,218,481	72,994,911
Gain from sale of fixed assets	(2,500)	(15,000)
Provisions	175,473,270	12,152,463
Loss from foreign exchange differences	2,167,241	9,284,973
Gain from sale of financial investment	-	(96,883,825)
Deferred tax	(34,237,841)	25,529,619
<b>Operating profit before changes in working capital</b>	<b>441,683,918</b>	<b>346,612,616</b>
Decrease in inventories	56,151,252	17,285,378
(Increase) decrease in accounts receivables	(5,308,123)	928,905
Decrease (increase) in due from related parties	58,355,623	(68,280,141)
(Increase) decrease in prepayment and other debit balance	(12,340,055)	79,384,035
Increase (decrease) in suppliers	3,920,183	(2,943,127)
(Decrease) increase in due to related parties	(16,376,388)	31,039,074
(Decrease) increase in accrued expenses and other credit balances	(2,160,378)	68,238,021
<b>Net cash flows provided by operating activities</b>	<b>523,926,032</b>	<b>472,264,761</b>
Cash flows from investing activities		
Purchase of fixed assets	(157,030,409)	(44,824,146)
Proceeds from sale of fixed assets	316,530	15,000
Decrease (increase) in project under construction	24,217,141	(84,571,222)
Purchases of investments\	(79,019,650)	(3,413,255,262)
Proceeds from sale of investments	-	105,582,825
Credit interest	33,786,110	5,768,698
Dividend received	686,023,607	408,309
<b>Net cash flows provided by (used in) investing activities</b>	<b>508,293,329</b>	<b>(3,430,875,798)</b>
Cash flows from financing activities		
Increase in shareholder's equity and reserves – net	4,261,820	2,413,527,885
(Decrease) increase in banks overdraft	(496,447,278)	420,120,485
Proceeds (payment) of long term loan "current portion"	223,353,246	(49,098,101)
(Payment) proceeds from long term loan\	(774,591,071)	1,058,998,065
(Payment) for other long term liabilities	(57,738)	(2,084,394)
Dividends paid	(337,343,165)	(307,483,824)
<b>Net cash flows (used in) provided by financing activities</b>	<b>(1,380,824,186)</b>	<b>3,533,980,116</b>
Net (decrease) increase in cash on hand and at banks during the year	(348,604,825)	575,369,079
Loss from foreign exchange differences	(2,167,241)	(9,284,973)
Cash on hand and at banks - beginning of the period	669,466,006	103,381,900
<b>Cash on hand and at banks - end of the period</b>	<b>318,693,940</b>	<b>669,466,006</b>

- The accompanying accounting policies & notes from (1) to (21) are an integral part of these financial statements.

## Suez Cement Company (S.A.E.)

### NOTE TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006

#### 1. BACK GROUND

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

The Company was registered in the Commercial register at 11 April 1979 by number 181134. The main objective of the Company is to manufacture all types of cement.

As shown in note number (12) the company have affiliated companies and according to Egyptian accounting standard number (17) "Consolidated & Stand alone Financial Statements" & article number (188) of Corporation Law number (159) for year 1981- the company prepare consolidated financial statement for the group that can be recourses to for more clear image about the financial position, results of operation, cash flow for the group as a whole.

Italcementi Group (through Ciments Français) acquired with consortium of other investors 80.8% fro company shares starting from 24 March 2005.

#### 2. Significant accounting policies

##### 2-1 Basis of preparation

The financial statements are prepared in accordance with the Egyptian Accounting Standards (EAS) and applicable laws and regulations. Below is a summary of the Company's significant accounting policies applied:

##### 2-2 Foreign currency translation

The Company's functional and reporting currency is the Egyptian pound. Transactions in foreign currencies during the year are translated into Egyptian pound using the prevailing exchange rates at the date of the transaction. At the Balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the average exchange rates declared by the banks that the company deals with at that date. Translation differences are charged to the statement of income.

##### 2-3 Fixed assets and depreciation

Fixed Assets are stated at historical cost net of accumulated depreciation.

Depreciation is computed using the straight-line method according to the estimated useful lives of the assets as follows:

## Suez Cement Company (S.A.E.)

	Year
Buildings, constructions, infrastructure and roads	6 – 20
Machinery, equipment and Tools	5 – 20
Motor Vehicles	5
Furniture and office equipment	5 – 10

### 2-4 Projects under construction

Projects under construction represent the amounts that are paid for establishing or purchasing fixed assets in order to be ready to be used into operations. These amounts are then transferred to fixed assets. Projects under construction are valued at cost and they can not be depreciated until they are transferred to fixed assets

### 2-5 Long term investments

Investments are recognized on acquisition at cost. Strategic investments and investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as long- term investments and are included in long-term assets. Long term investments are carried at cost less any decline in value other than temporary decline, determined on individual basis.

### 2-6 Other Investments

Investments in other companies are carried as investment available for sale at original cost, investments available for sale are stated as the following:

-Investments available for sale and public traded are stated at the end of each financial period at the lower of cost or fair value (Market value)

-Investments available for sale and closely held are stated at the end of each financial period at the lower of cost or calculated value – based on study for the last audited financial statements for the company who issued these stocks – at the lower with charging the income statement directly with the amount of decline in the market value or the calculated value

### 2-7 Accounts receivables, notes receivables, accounts payable and other debit balances

Accounts receivables, notes receivables, accounts payable and other debit balances are carried at original invoice amount less allowance made for their impairment.

## Suez Cement Company (S.A.E.)

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### 2-8 Inventories

Inventory elements are valued according to the following basis:

-Raw materials, fuel, spare parts, packaging and packing materials: include all costs incurred till they reach the warehouse. The cost is determined using the weighted average method.

-Work in progress: is stated based on the actual manufacturing cost including raw material, direct labour other direct costs and related indirect manufacturing overhead up to the last productive process reached.

-Finished goods: are stated at lower of the manufacturing cost or net realizable value.

Provisions are made for obsolete and slow moving items, also a provision is made for the decrease in the value of inventory for items with lower cost values than market values.

### 2-9 Revenue recognition

Revenue is recognized as follows:

-Revenue from the sale of goods is recognized when significant risks and awards of ownership of the goods are transferred to the buyer when the goods are delivered and an invoice is issued.

-Interest earned on Investment in Governmental bonds, is calculated on the accrual basis using the appropriate interest rate for each bond issue.

-Interest income is recognized on an accrual basis

### 2-10 Provisions

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

### 2-11 Related party transactions

Related party transactions are determined based on normal business transactions as declared from the board on directors.

## Suez Cement Company (S.A.E.)

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### *2.12 Impairment of assets*

The Company's assets, other than inventories, are reviewed for impairment losses at balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the statement of income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is higher of the asset's net selling price and value in use. The annual depreciation for the fixed assets calculated later is calculated based on the reviewed amounts.

The Company's management periodically at the balance sheet date review any indicators for any decrease in the impairment losses recognized in prior years. Reversal of impairment

Losses recognized in prior years are recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment is reversed to the extent; the value of the asset does not exceed its carrying value before impairment.

### *2-13 Employees' retirement benefits*

The Company contributes to the social insurance plan under Social Insurance Authority law No. 75 for 1975 and its amendments. The Company's obligations are recognised as an expense in the statement of income as incurred

### *2-14 Accounting estimates*

The preparation of financial statements in conformity with EAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### *2-15 Borrowing costs*

The borrowing costs are included in the statement of income in the financing costs.

### *2-16 Deferred tax*

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

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

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

## Suez Cement Company (S.A.E.)

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### *2-17 Reserves*

According to the Companies law and the Company's articles of association, 10% of the annual net income is to be transferred to the legal reserve until this reserve reaches 50% of the issued capital and should be reformed to keep the threshold of 50% of issued capital. The legal reserve can be made use of based on a decree of the General Assemble meeting.

### *2-18 Statement of cash flows*

The company prepares a statement of cash flows based on the indirect method. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts, cheques under collection, time deposits with maturity not exceeding three month and bank overdraft.

### *2-19 Borrowing*

Borrowings are recognized initially at the amount of proceeds received, net of transaction costs incurred. Amounts due within one year are classified as current liabilities. Amounts due after 12 months from the date of the balance sheet are classified as long term liabilities.

### *2-20 Expenses*

All operating expenses are accounted for including general and administrative costs, and are all included in the statement of income for the period in which they are incurred.

## Suez Cement Company (S.A.E.)

## 3. FIXED ASSETS, NET

	Land	Building Construction, infrastructure and Roads	Machinery, equipment and tools	Motor vehicles	Furniture and office equipment	Total Fixed assets
Cost	LE	LE	LE	LE	LE	LE
1 January 2006	398,502	405,425,153	884,144,755	55,016,077	34,253,249	1,379,237,736
Additions		47,017,186	98,584,956	7,373,093	4,369,204	157,344,439
Disposals	-	-	-	(635,600)	-	(635,600)
31 December 2006	398,502	452,442,339	982,729,711	61,753,570	38,622,453	1,535,946,575
<b>Depreciation</b>						
As of 1 January 2006	-	(224,949,159)	(484,446,906)	(44,159,554)	(18,789,563)	(772,345,182)
Depreciation charge for the year	-	(22,457,962)	(55,440,795)	(3,902,811)	(4,416,913)	(86,218,481)
Relating to Disposals	-	-	-	321,570	-	321,570
31 December 2006	-	(247,407,121)	(539,887,701)	(47,740,795)	(23,206,476)	(858,242,093)
Net Book Value						
As of 31 December 2006	398,502	205,035,218	442,842,010	14,012,775	15,415,977	677,704,482
As of 31 December 2005	398,502	180,475,993	399,697,849	10,856,523	15,463,686	606,892,553

Fixed Assets as of 31-12-2006 includes assets that are fully depreciated as follows:

Assets	Cost
Building Construction, infrastructure and Roads	43,172,527
Machinery, equipment and tools	135,073,552
Motor vehicles	38,894,698
Furniture and office equipment	9,522,946
<b>Total</b>	<b>226,663,723</b>



## Suez Cement Company (S.A.E.)

### 4. PROJECTS UNDER CONSTRUCTION

	2006 LE	2005 LE
Filters upgrading project	-	15,935,656
Capitalized Maintenance	14,760,386	26,870,990
Infrastructure project	-	16,778,279
Other project under construction	11,217,603	11,708,511
Down payment under purchase of fixed asset	80,258	39,809,889
New Offices in Cairo	163,413	-
Capitalized spare parts	60,664,524	-
	<b>86,886,184</b>	<b>111,103,325</b>

### 5. INVESTMENTS

#### A) INVESTMENTS IN SUBSIDIARY COMPANIES

	% of Ownership	Stock Face Value	2006 LE	2005 LE
Tourah Portland Cement Company S.A.E	66.12%	10	1,287,617,992	1,287,617,992
Suez Bags Company S.A.E	53.3%	10	22,438,108	22,438,108
Helwan Cement	98.69%	10	3,413,255,262	3,413,255,262
Suez Bosphorus Cimento Sanayi Ve Ti	99.9%	3.64	186,791	-
Ready Mix Beton (RMB)	52%	10	26,277,866	-
Ready Mix Beton Egypt (RMBE)	52%	10	52,554,993	-
			<b>4,802,331,012</b>	<b>4,723,311,362</b>

#### B) Short term investments

Short term investments represent the amount invested in available for sale securities amounted to LE 1,113,000 as of 31 December 2006, which represents the contribution in Egyptian Cement Company S.A.E.

### 6. INVENTORIES, NET

	2006 LE	2005 LE
Raw materials	5,590,459	2,524,824
Fuel, Spare parts and Consumables	227,139,981	285,352,225
Rolling and packing Material	6,294,997	8,646,527
Work in progress	15,787,983	13,701,539
Finished Products	12,564,636	13,535,893
Letters of credit	2,164,976	1,933,276
	<b>269,543,032</b>	<b>325,694,284</b>
Less:		
Provision for slow moving items	(26,576,000)	(5,000,000)
	<b>242,967,032</b>	<b>320,694,284</b>

## Suez Cement Company (S.A.E.)

**7. PREPAYMENTS AND OTHER DEBIT BALANCES - NET**

	2006 LE	2005 LE
Prepaid expenses	1,143,793	663,574
Advance payment to Suppliers	11,416,269	5,095,365
Accrued income – interests	5,179,781	142,317
Deposit with others	14,821,540	14,808,273
Other debit balances	26,852,530	26,678,360
	<b>59,413,913</b>	<b>47,387,889</b>
Less:		
Provision for slow moving items	(1,800,000)	(600,000)
	<b>57,613,913</b>	<b>46,787,889</b>

**8. CASH ON HAND AND AT BANKS**

	2006 LE	2005 LE
<b>A- Egyptian Pound</b>		
Cash on hand	73,973	156,571
Current accounts	7,233,063	475,852,012
<b>B. Foreign currencies</b>		
Current accounts	(1,680,930)	140,771,018
*Time deposits	62,471,174	52,686,405
Certificate of deposits Central Bank of Egypt	250,596,660	-
	<b>318,693,940</b>	<b>66,466,006</b>

\*The balance of Time deposit amounted to LE 62,471,174 includes pledged time deposit amounted to LE 42,040,019 in favour Alexandria Bank and NSGB Bank, against long term loans and letter of credits.

## Suez Cement Company (S.A.E.)

### 9. PROVISIONS

	Balance as of 1 January 2006 LE	Charged during the year LE	Utilized during the year LE	Balance as of 31 December 2006 LE
Tax Claims	124,200,000	4,150,000	-	128,350,000
Other Disputes	9,300,000	147,472,270	-	156,772,270
Judicial Disputes	5,430,000	1,075,000	-	6,505,000
	<b>138,930,000</b>	<b>152,697,270</b>	<b>-</b>	<b>291,627,270</b>

### 10. BANK OVERDRAFT

The balance amounted to LE 95,848 (LE 496,543,126 as of 31 December 2005) represents the amount used from the credit facilities – Bank overdraft – granted from banks dealing with the Company, with an average interest rate of 11% yearly for Egyptian pounds facilities.

### 11. CURRENT PORTION OF LONG TERM LOANS

	2006 LE	2005 LE
Alexandria Bank	28,559,233	28,571,429
NSGB Bank	4,274,996	5,909,554
CIB Bank	225,000,000	-
	<b>257,834,229</b>	<b>34,480,983</b>

### 12. RELATED PARTY TRANSACTION

#### A – Ciments Français (Strategic partnership).

\*The amount of the technical assistance fees offered during the period amounting to LE 21,267 Million which represents 1 % of sales revenues of the group of Cement products excluding intra – SCC. group transactions (the maximum fees are 1% according to the agreement). The period expenses including portion of the claims for these fees which amounted to 8,507 Million pounds.

\*The company has exported Clinker & Cement amounted to L.E 128,492 Million through Interbulck Co. which is one of the subsidiaries of Italcementi Group (the holding company of Ciments Français Company) “Major shareholder”.

#### B – Suez Bags Company.

\*The value of the supplied bags amounted to LE 80,483 million as of 31 December 2006.

\*The Suez Bags portion from the fees of Suez Cement group amounted to 1,084 Million as of 31 December 2006.

## Suez Cement Company (S.A.E.)

### C – Tourah Portland Cement Company.

- \*The value of the supplied Clinker amounted to LE 1,399 million as of 31 December 2006.
- \*The value of the sold Clinker amounted to LE 1.067 million as of 31 December 2006.
- \*The Tourah Cement portion from the technical assistance fees of Ciments Français amounted to 12,760 Million as of 31 December 2006.
- \*The Tourah Cement portion from the fees of Suez Cement group amounted to 6,290 Million as of 31 December 2006.

### D – Helwan Cement Company

- \*The value of the supplied clinker amounted to LE 39,656 million as of 31 December 2006.
- \*The value of the sold clinker amounted to LE 0.243 million as of 31 December 2006.
- \*The value of the sold bulk cement amounted to LE 3.201 million as of 31 December 2006.
- \*Helwan Cement portion from the fees of Suez Cement group amounted to 10,252 Million as of 31 December 2006.

### E – Ready Mix Beton (RMB)

- \*The value of the sold cement amounted to LE 0.294 million during the period started from 1 October 2006 to 31 December 2006.

### F – Ready Mix Beton Egypt (RMBE)

- \*The value of the sold cement amounted to LE 0.067 million during the period started from 1 October to 31 December 2006.

	2006 LE	2005 LE
Tourah Portland Cement Company	7,208,369	-
Suez Bags	1,098,460	-
Helwan Cement	5,161,586	71,824,038
	<b>13,468,415</b>	<b>71,824,038</b>

A) Due from holding and affiliated companies:

B) Due to holding and affiliated companies:

	2006 LE	2005 LE
Ciments Français	17,522,466	23,911,072
Suez Bags Company	-7,437,872	-
Tourah Portland Cement Company	-	2,554,515
Ready Mix Beton Egypt (RMBE)	4,605	-
	<b>17,527,071</b>	<b>33,903,459</b>

## Suez Cement Company (S.A.E.)

### 13. ACCRUALS AND OTHER CREDIT BALANCE

Advance From Customers	26,611,787	18,693,521
Accrued Salaries	7,236,813	11,115,580
Estimated income tax for the period	81,655,633	72,571,899
Accrued Interest	1,195,022	879,942
Deposits from others	1,713,546	3,730,450
Other Creditors – Shareholders	-	15,696,171
Other creditors	28,193,051	26,078,667
	<b>146,605,852</b>	<b>148,766,230</b>

### 14. CAPITAL

The company's authorized capital amounted to LE 1,3 million and the Company's issued and paid up capital amounted to LE 909,282,535 divided over 181,856,507 shares of LE 5 par value each. Misr for clearing, settlement and central depositing had agreed by session held on 16/04/2006 to register the capital increase in stock exchange. Circulation of shares of capital increase started with effect from 02/05/2006.

### 15. LONG TERM LOANS

	2006 LE	2005 LE
Alexandria Bank	-	28,547,038
NSGB Bank	13,581,109	19,022,655
CIB Bank	675,000,000	1,415,602,487
<b>Total</b>	<b>688,581,109</b>	<b>1,463, 172,180</b>

#### Alexandria Bank Loan

On 10 November 1997 a long term loan contract of LE 150 million was signed between the company and Bank of Alexandria to finance the civil construction related to the expansion project, in addition to LE 50 million for upgrading production capacity project for the Suez plant, with an interest rate of 10,25 %, for 10 years and will be paid on Fourteen equal semi-annual instalments after a grace period of Three years.

The long term portion of the loan had finished and the balance of the loan will finish after paying the accrued Instalments during year 2007 amounting to LE 28,559,233 (Note 11).

#### National Societe General Bank Loan

On 4 April 2005 a long term loan contract was signed between the company and NSGB Bank to finance the improvement of the electrostatic filtering project and the cooling tower for Kattameya and Suez

## Suez Cement Company (S.A.E.)

plants, this is within the scope of the pollution control program administrated by The Institution Of Environmental Affairs to utilize the funds provided from the World Bank granted for environmental purposes. The loan granted amounted to LE 12 million and US \$ 3 million at a variable interest rate for the loan granted in Egyptian pound (Average deposit cost + 1.5% / 86%) and for the loan granted in US \$ is 1.25% above a six month libor.

The company is committed to pay 80% of the loan according to the World Bank conditions for providing loans. The remaining 20% will be funded by the World Bank after one year from the project inception after the approval of the Ministry of Environment.

The loan in US \$ will be paid on 7 semi-annual instalments, the first will be due on 15 July 2006 and the last will be due on 15 July 2009, the amount of each instalment is US \$ 342,857 in addition to interest and commissions, The loan in LE will be paid on 5 semi-annual instalments, the first will be due on 1 April 2005 and the last will be due on 1 April 2007, the amount of each instalment is LE 1,9 Million in addition to interest and commissions.

The balance of the loan amounted to LE 13,581,109 on 31 December 2006, after reclassification the current portion of long term loan during year 2006 amounted to LE 4,274,996 (Note 11).

### CIB Bank Loan

On 25 July 2005 a long term loan contract was signed between the company and group of Banks as a part of the finance for purchasing all shares of Helwan Cement amounted to LE 1,200 million. On 13 September 2006 a participation medium term loan was signed in two tranch amounted to LE 900 million will be paid on four equal annual installments starting on 31 December 2007 and LE 300 million (annual bank facilities) instead of the bridge loan, this contract executed on 09 /10/ 2006. The medium term loan had reduced with the amount of accrued installment due on 31 December 2007 amounted to LE 225 million (Note 11).

## 16. DEFERRED INCOME TAXES

	Assets LE	Liabilities LE
Deferred tax Liability (Depreciation of fixed assets)	-	(27,155,632)
Deferred tax Asset (Provisions)	35,863,854	-
Net deferred tax Asset (Liability)	8,708,222	

## Suez Cement Company (S.A.E.)

### 17. CONTINGENT LIABILITIES

The uncovered portion of letters of guarantee and letters of credit issued to the Company by banks at the end of December 2006 LE 29,398,146.

	2006 LE	2005 LE
Letter of Guaranties	351,262	336,262
Letter of Credit	28,974,802	12,197,742
	<b>29,326,064</b>	<b>12,534,004</b>

### 18 TAX SITUATION

#### a) Corporate tax

- The Company's records were inspected and all the taxes due were settled and paid till year 1998.
- The Company's records were inspected till year 2001 and the Company objected on the assessment and the issue is currently in the internal committee.
- No tax inspection took place for the years from 2002 till now.
- The tax assessment for the period ended 31 December 2006 amounted to L.E 81,655,633

#### b) Sales tax

- The Company's records were inspected till year 2002 and all the taxes due were paid.
- No tax inspection took place for the years from 2003 till now.

#### c) Salary tax

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

#### d) Stamp duty tax

- The Company's records were inspected till year 2000 and all the taxes due were paid.
- For years from 2001 till 2005, inspection had been finished and the company had objected on the claim received for the above mentioned years. The conflict will be reviewed by the internal committee.



## Suez Cement Company (S.A.E.)

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### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks, accounts receivable and other debit balances. The financial liabilities include banks overdraft, short term loan, accounts payable, due to affiliates and other credit balances.

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

b) Interest rate risk

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

c) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to LE 68,087,887, whereas, the total financial liabilities denominated in foreign currencies amount to LE 26,809,310.

d) Fair Value

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

### 20. EARNING PER SHARE

Earning per share was calculated based on the weighted average method for outstanding shares during the year. Earning per Share during the period from 1 January 2006 to 31 December 2006 amounted to LE 5.12 per Share.

### 21. COMPARATIVE FIGURES

Certain comparative figures for year 2005 have been reclassified to conform to the current year presentation.

Suez Cement Company (S.A.E.)

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**12.2 CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006  
TOGETHER WITH AUDITORS' REPORT**



## Suez Cement Company (S.A.E.)

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

We have audited the accompanying consolidated financial statements of Suez Cement Company (S.A.E.) represented in the consolidated balance sheet as of 31 December 2006, and the related consolidated statements of income, consolidated changes in shareholders' equity and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

The financial statements of Helwan Cement Company (S.A.E) (Subsidiary) as of 31 December 2005 were audited by two other auditors. Both auditors issued two separate reports dated 13 March 2006. The first report expressed an unqualified opinion and the second expressed a qualified opinion for the other long term liabilities amounting to LE 99,941,971 that was rescheduled without interest and appears in the books with its book value. This liability had to be recognised with its present value amounting to LE 66,885,948 using the future cash flows' present value on rescheduling date using the company's available borrowing interest rate in accordance with the International Financial Reporting Standard No.39 (Financial Instruments Recognition and Measurement), however, the company continued recording the long term liabilities with its book value according to the Capital Market Authority's letter dated 19 March 2006. The financial statements of Helwan Cement Company (S.A.E.) - ASEC Cement Company (S.A.E.) (formerly) (Subsidiary) as of 31 December 2005 had reflected assets, liabilities and net profit amounting to LE 2,613,695,168, LE 1,550,709,048 and LE 91,935,325 respectively, of the related consolidated totals.

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

## Suez Cement Company (S.A.E.)

The financial statements of Ready Mix Beton Company (S.A.E) (Subsidiary) and Ready Mix Beton – Egypt Company (S.A.E) (Subsidiary) as of 31 December 2006 were audited by another auditor. The other auditor' report dated 25 January 2007 expressed an unqualified opinion. The financial statements of both Companies as of 31 December 2006 had reflected assets, liabilities and net profit amounting to LE 74,843,029, LE 49,241,555 and LE 2,165,403 respectively, of the related consolidated totals. In our opinion except for effect of such adjustment if any that might have been required had the outcome of the matter discussed in the fourth paragraph, the consolidated financial statements referred to above and the related notes from (1) to (23), present fairly, in all material respects, the consolidated financial position of the company as of 31 December 2005, and the results of its consolidated operations and its consolidated cash flows for the year then ended in conformity with the Egyptian Accounting Standards and the related Egyptian applicable laws and regulations.

Cairo, 12 March 2007

### Auditors

Emad Ragheb  
FESAA – FEST  
(RAA. 3678)

E&Y Allied for Accounting & Auditing

Nabil Istabouli  
FESAA – FEST  
(RAA. 5947)

Translation of Auditors' report originally issued in Arabic.

## Suez Cement Company (S.A.E.)

### CONSOLIDATED BALANCE SHEET

As of 31 December 2006

	Note	2006 LE	2005 LE
<b>Long term assets</b>			
Fixed assets, net	(3-3 , 4)	3,761,391,933	3,772,469,519
Projects under construction	(3-4 , 5)	215,704,905	128,171,681
Goodwill	(2d)	2,524,374,640	2,454,952,337
Long term investments	(3-5 , 6a)	6,966,365	7,616,252
<b>Total long term assets</b>		<b>6,508,437,843</b>	<b>6,363,209,789</b>
<b>Current assets</b>			
Inventories, net	(3-8 , 7)	743,773,348	879,499,301
Accounts and notes receivables, net	(3-7 , 8)	61,586,255	17,346,827
Investments available for sale	(3-6 , 6b)	1,113,000	1,113,000
Prepayments and other debit balances, net	(3-7 , 9)	132,581,954	124,513,135
Cash on hand and at banks	(3-17 , 10)	798,368,367	1,769,986,922
<b>Total current assets</b>		<b>1,737,422,924</b>	<b>2,792,459,185</b>
<b>Current liabilities</b>			
Provisions	(3-10 , 13)	607,866,434	348,257,518
Banks overdraft	(3-17 , 10)	1,958,055	499,410,862
Current portion of long term loans	(3-18 , 11)	404,061,874	209,955,258
Accounts payable		211,004,255	210,042,612
Dividends payable		218,233	252,309
Accrued expenses and other credit balances	(12)	461,845,279	340,395,349
<b>Total current liabilities</b>		<b>1,686,954,130</b>	<b>1,608,313,908</b>
<b>Working capital</b>		<b>50,468,794</b>	<b>1,184,145,277</b>
<b>Total investment</b>		<b>6,558,906,637</b>	<b>7,547,355,066</b>
<b>Financed as follows:</b>			
<b>Shareholders' equity</b>			
Issued and Paid up capital	(14)	909,282,535	855,728,330
<b>Collection under capital increase</b>	-	471,972,915	
Reserves		2,654,944,781	2,230,915,659
Retained earnings		684,584,843	1,050,216,344
Net profit for the period		702,959,321	-
<b>Total shareholders' equity</b>		<b>4,951,771,480</b>	<b>4,608,833,248</b>
Minority interest	(2f, 15)	260,594,384	523,597,794
<b>Long term liabilities</b>			
Long term loans	(3-18 , 16)	1,137,301,194	2,157,328,243
Other long term liabilities	(17)	209,239,579	257,595,781
<b>Total finance of working capital and long term assets</b>		<b>6,558,906,637</b>	<b>7,547,355,066</b>

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar Abd El Aziz Mohanna

## Suez Cement Company (S.A.E.)

## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 LE	2005 LE
Net sales	(3-9)	3,542,776,477	2,350,353,634
Cost of sales	(3-19)	(1,877,647,438)	(1,279,614,938)
<b>GROSS PROFIT</b>		<b>1,665,129,039</b>	<b>1,070,738,696</b>
General and administrative expenses	(3-19)	(212,000,105)	(91,197,438)
Provisions	(3-10)	(329,255,728)	(47,978,978)
Board of directors' remuneration and allowances		(202,960)	(866,911)
Other revenues		24,209,924	22,824,488
Other expenses		(17,021,081)	(11,649,786)
<b>OPERATING INCOME</b>		<b>1,130,859,089</b>	<b>941,870,071</b>
Financing expenses	(3-14)	(207,178,944)	(159,625,545)
Investments income	(3-5)	1,406,455	25,288,229
Interest income	(3-9)	74,678,242	29,734,343
Gain on sale of investment		-	577,290,181
Early retirement compensation		-	(124,254,476)
Gain from sale of fixed assets		5,488,594	5,556,351
(Loss) from foreign exchange differences	(3-2)	(2,742,086)	(11,697,806)
<b>Extraordinary income (expenses)</b>		<b>10,000</b>	<b>(21,082,486)</b>
<b>NET PROFIT BEFORE INCOME</b>			
<b>TAXES AND MINORITY INTEREST</b>		<b>1,002,521,350</b>	<b>1,263,078,862</b>
Deferred income tax	(3-15)	10,356,296	(89,885,236)
<b>Income tax</b>	<b>(3-15)</b>	<b>(214,116,127)</b>	<b>(127,994,824)</b>
<b>NET PROFIT BEFORE MINORITY INTEREST</b>		<b>798,761,519</b>	<b>1,045,198,802</b>
<b>Minority interest</b>	<b>(2f, 15)</b>	<b>(95,802,198)</b>	<b>(268,273,668)</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>702,959,32</b>	<b>776,925,134</b>
<b>EARNINGS PER SHARE</b>	<b>(20)</b>	<b>3.87</b>	<b>6.11</b>

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar Abd El Aziz Mohanna

- The accompanying accounting policies and notes from (1) to (23) are an integral part of these consolidated financial statements.  
- Auditors' report attached.

## Suez Cement Company (S.A.E.)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For The Year Ended 31 December 2006

	Issued and Paid up Capital LE	Collection under capital increase LE	Reserves LE	Net profit for the year LE	Retained earnings LE	Treasury Shares LE	Total LE
Balance as of 1 January 2005	640,000,000	-	499,561,538	-	598,991,410	(182,174,131)	1,556,378,817
Dividends Paid 2004	-	-	-	-	(325,165,698)	-	(325,165,698)
Increase of share capital and reserves	215,728,330	471,972,915	1,725,826,640	-	-	-	2,413,527,885
Transferred to reserves	-	-	5,527,481	-	-	-	5,527,481
Net profit for the year	-	-	-	-	776,925,134	-	776,925,134
Adjustments on 182,174,131 treasury shares	-	-	-	-	-	-	2,174,131
Adjustments on retained earnings	-	-	-	-	(534,502)	-	(534,502)
Balance as of 31 December 2005	855,728,330	471,972,915	2,230,915,659	-	1,050,216,344	-	4,608,833,248
Balance as of 1 January 2006	855,728,330	471,972,915	2,230,915,659	-	1,050,216,344	-	4,608,833,248
Dividends Paid 2005	-	-	15,000	-	(364,420,781)	-	(364,405,781)
Increase of share capital and reserves	53,554,205	(471,972,915)	422,680,530	-	-	-	4,261,820
Transferred to reserves	-	-	1,333,592	-	(1,333,592)	-	-
Adjustments on retained earnings	-	-	-	-	122,872	-	122,872
Net profit for the year	-	-	-	702,959,321	-	-	702,959,321
<b>Balance as of 31 December 2006</b>	<b>909,282,535</b>	<b>-</b>	<b>2,654,944,781</b>	<b>702,959,321</b>	<b>684,584,843</b>	<b>-</b>	<b>4,951,771,480</b>

- The accompanying accounting policies and notes from (1) to (23) are an integral part of these consolidated financial statements.  
- Auditors' report attached.



## Suez Cement Company (S.A.E.)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
For The Year Ended 31 December 2006**

	2006 LE	2005 LE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	702,959,321	776,925,134
<b>Adjustments to reconcile net income to cash flows from operating activities</b>		
Depreciation and amortization	306,147,924	495,176,687
Provisions	329,255,728	47,978,978
Income tax	214,116,127	127,994,824
Deferred income tax	(10,356,296)	89,885,236
Capital (gain)	(5,488,594)	(5,556,351)
<b>Operating profit before changes in working capital</b>	<b>1,536,634,210</b>	<b>1,532,404,508</b>
Decrease (increase) in inventories	76,614,516	(190,113,193)
(Increase) in accounts and notes receivable, prepayments and other debit balances	(55,352,018)	(36,518,632)
(Decrease) increase in provisions	(7,491,604)	101,498,529
(Decrease) increase in accounts payable, accrued expenses and other credit balances	(91,704,554)	185,672,272
<b>NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>1,458,700,550</b>	<b>1,592,943,484</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in fixed assets	(298,674,886)	(2,740,319,886)
Proceeds from sale of fixed assets	9,093,142	26,638,837
Decrease in long term investments	649,887	16,185,135
(Increase) in goodwill	(69,422,303)	(2,454,952,337)
(Increase) in projects under construction	(87,533,224)	(101,639,578)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>(445,887,384)</b>	<b>(5,254,087,829)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in share capital and reserves, net	5,610,412	1,947,082,451
Collection under capital increase	-	1,972,915
Decrease in treasury shares	-	182,174,131
(Decrease) in dividends payable	(34,076)	-
Increase in current portion of long term loans	194,106,616	121,970,341
(Decrease) increase in long term loans and liabilities	(1,058,026,955)	1,915,250,128
Dividends paid	(364,420,781)	(325,165,698)
Adjustments on retained earnings	(1,210,720)	(534,502)
(Decrease) increase in minority interest	(263,003,410)	229,003,143
<b>NET CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES</b>	<b>(1,486,978,914)</b>	<b>4,541,752,909</b>
Net (decrease) increase in cash and cash equivalent during the year	(474,165,748)	80,608,564
Cash and cash equivalent - beginning of the year	1,270,576,060	389,967,496
<b>CASH AND CASH EQUIVALENT – END OF THE YEAR</b>	<b>796,410,312</b>	<b>1,270,576,060</b>

## Suez Cement Company (S.A.E.)

### 1. THE GROUP

#### **Suez Cement Company (S.A.E.).**

Suez Cement Company (S.A.E) was established in 1977 under Law 43 of 1974 which was superseded by Law 230 of 1989 which was replaced by the investments Guarantees and Incentives Law 8 of 1997. The main objective of the Company is to manufacture all types of cement.

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

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

On 26 January 2000 the Holding Company for Mining and Refractories 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 it's executive regulation.

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

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

#### **Suez Bags Company (S.A.E.).**

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

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

#### **Helwan Cement Company (S.A.E.) – ASEC Cement Company (S.A.E.) (formerly).**

Helwan Cement Company S.A.E. – ASEC Cement Company (formerly) was established as a Joint Stock Company under Law No. 159 of 1981 under the name of El Ahras 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

## Suez Cement Company (S.A.E.)

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2001. The management of both companies finalized all legal procedures related to the merger and registered the merger at the commercial register under No. 3142 on 30 June 2003. The Helwan Portland Cement Company (S.A.E.) was cancelled from the commercial register on 29 June 2003. On 25 August 2005, Suez Cement (S.A.E) purchased 116096410 shares that represent 98.64% of the ASEC Cement Company's shares.

On 30 March 2006, the Extraordinary General Assembly Meeting decided to modify some articles in the company's article of association of the company, including changing the name of the company from ASEC Cement Company (S.A.E.) to Helwan Cement Company (S.A.E.). The decree was approved from the Companies Authority on 2 May 2006 and this change was reflected in the commercial register on 6 November 2006 to modify the name of the company to be Helwan Cement Company (S.A.E.). The main objective of the company is to manufacture cement and construction materials and extracts of quarries, related products and by other companies and market them in Egypt, and also to export them and manufacture bags of craft paper, or other paper to pack cement and construction materials.

### Ready Mix Beton (S.A.E)

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

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

### Ready Mix Beton – Egypt Company (S.A.E)

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

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

## Suez Cement Company (S.A.E.)

### 2. FINANCIAL STATEMENTS CONSOLIDATION PRINCIPLES

The accompanying consolidated financial statements of Suez Cement Company have been prepared from the standalone financial statements of Suez Cement Company (S.A.E.) – the holding company and its subsidiaries, Egyptian Tourah Portland Cement Company (S.A.E.), Suez Bags Company (S.A.E.), HELWAN Cement Company (S.A.E), Ready Mix Beton Company (S.A.E.) and Ready Mix Beton – Egypt Company (S.A.E.).

#### a. Egyptian Tourah Portland Cement Company (S.A.E.)

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

The cost of acquisition amounted to L.E 1.287 billion which resulted in goodwill. The goodwill treated as Suez Cement Company's share in the fair value of the Egyptian Tourah Portland Cement Company (S.A.E.) assets. In accordance to that Egyptian Tourah Cement Company (S.A.E.) fixed assets are stated at the historical cost in addition to the share of Suez Cement Company (S.A.E.) in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful live using the straight-line method. The total accumulated amortization as of 31 December 2006 amounting to L.E 99,582,583 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 L.E 21,082,486. The net fair value as of 31 December 2006 amounting to L.E 625,343,344.

In accordance with transitional provisions for EAS No. (29) Business Combination, the goodwill will be recognized in the consolidated financial statements beginning on 1 January 2007 as follows:

- The discontinuance of recording the Suez Cement Company's share in the excess of the fair value of these assets over its historical cost in the fixed assets in the consolidated financial statements and discontinuance of amortizing it and the recognition of the net fair value amounting to L.E 625,343,344 as of 31 December 2006 in goodwill account for the first annual period beginning after 31 December 2006.

- Eliminate the book value of accumulated amortization of fair value amounting to L.E 99,582,583 as of 31 December 2006 from accumulated depreciation of fixed assets for the first annual period beginning after 31 December 2006.

- Test goodwill for impairment in accordance with EAS No.31 (Impairment of Assets) for the first annual period beginning after 31 December 2006.

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

Suez Cement Company (S.A.E.) ownership in Suez Bags Company's share capital amounted to 51% starting from 1999, resulted in goodwill amounted to L.E 12.445 Million and which was amortized over

## Suez Cement Company (S.A.E.)

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 L.E 1.371 million which resulted in goodwill amounted to L.E 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 L.E 1,501 million which resulted in goodwill amounted to L.E 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 L.E 599,802, which resulted in goodwill, amounted to L.E 337,000 and amortized over five years starting from 2001.

### c. Helwan Cement Company (S.A.E.) – ASEC Cement Company (formerly).

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 L.E 10, which resulted in goodwill, amounted to L.E 2,454,952,337, which represents the difference between acquisition costs amounted to L.E 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 L.E 958,302,925.

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

### d. Ready Mix Beton Company (S.A.E.).

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

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

### e. Ready Mix Beton – Egypt Company (S.A.E.).

On 1 October 2006, Suez Cement Company (S.A.E.) acquired 520,000 shares from the shares of Ready Mix Beton – Egypt Company (S.A.E.). Suez Cement Company (S.A.E.) share is 52% (520,000 shares)

## Suez Cement Company (S.A.E.)

with a par value of L.E 10, which resulted in goodwill, amounted to L.E 46,308,524, which represents the difference between acquisition costs amounted to L.E 52,554,993, and 52% of Ready Mix Beton – Egypt Company (S.A.E.) net assets in acquisition date amounted to L.E 6,246,469. The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

### **f. Financial statements were consolidated in accordance with the following procedures:**

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

-The carrying amount of the parent's investments in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

-Minority interests on the net of assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Minority interests in the net of assets consist of:

(1)-The amount of those minority interest at the date of the original combination

(2)-The minority's share of changes in equity since the date of the combination.

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

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

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

## Suez Cement Company (S.A.E.)

### 3. SIGNIFICANT ACCOUNTING POLICIES APPLIED

#### 3.1 Basis of preparation

The consolidated financial statements are prepared in accordance with the Egyptian Accounting Standards (EAS) and applicable laws and regulations. Below is a summary of significant accounting policies applied:

#### 3.2 Foreign currency translation

The Company's functional and reporting currency is the Egyptian pound. Transactions in foreign currencies during the year are translated into Egyptian pound using the prevailing exchange rates at the date of the transaction. At the consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the average exchange rates declared by the banks that the company deals with at that date. Translation differences are charged to the consolidated statement of income.

#### 3.3 Fixed assets and depreciation

Fixed assets are stated at historical cost, depreciation is calculated using the straight-line method according to the estimated useful lives of each asset except fixed assets of Egyptian Tourah Cement Company (S.A.E.) are stated at the historical cost in addition to the share of Suez Cement Company (S.A.E.) in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful live using the straight-line method as follows:

Estimated useful lives for each asset, for the purpose of calculating the depreciation, are as follows:

	Years
Buildings, constructions, infrastructure and roads	6 to 50
Machinery, equipment and tools	5 to 20
Motor vehicles	5 to 10
Furniture and office equipment	3 to 20

#### 3.4 Projects under construction

Projects under construction represent the amounts that are paid for establishing or purchasing fixed assets in order to be ready to be used into operations. These amounts are then transferred to fixed assets. Projects under construction are valued at cost and they can not be depreciated until they are transferred to fixed assets.

#### 3.5 Long term investments

Investments are recognized at cost. In case of permanent impairment in the value of the investment

## Suez Cement Company (S.A.E.)

from its book value, the book value is to be adjusted by the amount of decrease and impairment loss is recognized in the consolidated income statement for each investment separately. Revenue from investments is recognized based on to the dividends received from the companies invested in, from earnings generated after the date of acquisition of these investments, this is after the date of dividends distribution declaration approved in the general assembly meetings of those companies. For the purpose of preparing the consolidated financial statements, dividends of subsidiaries are eliminated in full from consolidated statement of income.

### 3.6 Other investments

Investments in other companies are accounted for as available for sale by the cost method. Financial investments available for sale are valued as follows:

-Financial investments available for sale registered in the stock market are valued at the end of each financial period at lower of cost or fair value (market value).

- Financial investments available for sale not registered in the stock market are valued at the end of each financial period at the lower of cost or calculated value. The calculation is based on an objective study of the last audited financial statements from the company issuing these instruments. Any decline in the book value to reflect the market value or the calculated value is charged to the consolidated statement of income.

### 3.7 Accounts receivables, notes receivables, accounts payable and other debit balances.

Accounts receivables, notes receivables, accounts payable and other debit balances are carried at original invoice amount less allowance made for their impairment.

### 3.8 Inventory

Inventory elements are valued according to the following basis:

- Raw materials, fuel, spare parts, packaging and packing materials: include all costs incurred till they reach the warehouse. The cost is determined using the weighted average method.

- Work in progress: are stated based on the actual manufacturing cost including raw material, direct labour other direct costs and related indirect manufacturing overhead up to the last productive process reached.

- Finished goods: are stated at manufacturing cost.

Allowance is made for obsolete and slow moving items, also an allowance is made for the decrease in the value of inventory for items with lower cost values than market values.



## Suez Cement Company (S.A.E.)

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### 3.9 Revenue recognition

Revenue is recognized as follows:

- Revenue from the sale of goods is recognized when significant risks and benefits of ownership of the goods are transferred to the buyer when the goods are delivered and an invoice is issued.
- Interest income is recognized on an accrual basis

### 3.10 Provisions

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

### 3.11 Impairment of assets

The Company's assets, other than inventories, are reviewed for impairment losses at balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income for the amount by which the carrying amount of the asset exceeds its recoverable amount, i.e. higher of the asset's net selling price and value in use. The annual depreciation for the fixed assets calculated later is calculated based on the reviewed amounts.

The Company's management periodically (at the consolidated balance sheet date) review any indicators for any decrease in the impairment losses recognized in prior years. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment is reversed to the extent, the value of the asset does not exceed its carrying value before impairment.

### 3.12 Employees' retirement benefits

The Company contributes to the social insurance plan under Social Insurance Authority law No. 75 for 1975 and its amendments. The Company's obligations are recognised as an expense in the consolidated statement of income as incurred.

### 3.13 Accounting estimates

The preparation of consolidated financial statements in conformity with EAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

## Suez Cement Company (S.A.E.)

assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### 3.14 Borrowing costs

The borrowing costs are included in the consolidated statement of income in the financing costs.

### 3.15 Deferred tax

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

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

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

### 3.16 Legal reserves

According to the Companies law and the Company's articles of association, 5% of the annual net income is to be transferred to the legal reserve until this reserve reaches 50% of the issued capital and should be reformed to keep the threshold of 50% of issued capital. The legal reserve can be made use of based on a decree of the General Assemble meeting.

### 3.17 Statement of cash flows

The company prepares a statement of cash flows based on the indirect method. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts, cheques under collection, deposits, and certificates of deposits with maturity not exceeding three month and bank overdraft which are considered part of company's cash management as a component of cash and cash equivalent for purpose of preparing consolidated cash flow.

### 3.18 Borrowing

Borrowings are recognized initially at the amount of proceeds received, net of transaction costs incurred. Amounts due within one year are classified as current liabilities. Amounts due after 12 month from the date of the consolidated balance sheet are classified as long term liabilities.

### 3.19 Expenses

All expenses are accounted for including general and administrative costs, and are all included in the statement of income for the period in which they are incurred.

## Suez Cement Company (S.A.E.)

## 4. FIXED ASSETS, NET

	Land	Buildings, Constructions, infrastructure and roads	Machinery, equipment and tools	Motor vehicles	Furniture and office equipment	Total
	LE	LE	LE	LE	LE	LE
<b>Cost</b>						
1 January 2006	561,574,259	1,051,615,634	3,944,354,467	206,061,429	70,663,347	5,834,269,136
Additions	5,467,455	63,163,949	173,145,979	62,960,536	9,447,107	314,185,026
Disposals	-	(420,000)	(3,067,034)	(43,557,215)	(554,401)	(47,598,650)
<b>31 December 2006</b>	<b>67,041,714</b>	<b>1,114,359,583</b>	<b>4,114,433,412</b>	<b>225,464,750</b>	<b>79,556,053</b>	<b>6,100,855,512</b>
<b>Accumulated depreciation</b>						
1 January 2006	-	(402,161,778)	(1,461,429,107)	165,290,511)	(32,918,221)	(2,061,799,617)
Depreciation charge for the year	-	(59,232,032)	(208,832,447)	(43,808,341)	(9,785,244)	(321,658,064)
Relating to disposals	-	110,980	443,470	43,243,185	196,467	43,994,102
<b>31 December 2006</b>	<b>-</b>	<b>(461,282,830)</b>	<b>(1,669,818,084)</b>	<b>(165,855,667)</b>	<b>(42,506,998)</b>	<b>(2,339,463,579)</b>
<b>Net Book Value as of 31 December 2006</b>	<b>567,041,714</b>	<b>653,076,753</b>	<b>2,444,615,328</b>	<b>59,609,083</b>	<b>37,049,055</b>	<b>3,761,391,933</b>
<b>Net Book Value as of 31 December 2005</b>	<b>561,574,259</b>	<b>649,453,856</b>	<b>2,482,925,360</b>	<b>40,770,918</b>	<b>37,745,126</b>	<b>3,772,469,519</b>

## 5. PROJECTS UNDER CONSTRUCTION

	31/12/2006 LE	31/12/2005 LE
Filters upgrading project	-	15,935,656
Major significant renovation Projects	14,760,386	26,870,990
Infrastructure projects	-	16,778,279
Other project under construction	117,469,325	28,776,867
Down payment under purchase of fixed asset	80,258	39,809,889
Capitalized spare parts	83,231,523	-
Administrative building in Cairo	163,413	-
	<b>215,704,905</b>	<b>128,171,681</b>

## Suez Cement Company (S.A.E.)

### 6. INVESTMENTS

	31/12/2006 LE	31/12/2005 LE
Iron and Steel Company (Al Hadid Wal Solb)	21,000	21,000
ASEC El Menia Cement Company *	24,000	24,000
Governmental bonds	8,428,948	9,728,725
Suez Bags Company (S.A.E.) **	1,076,387	1,076,387
	<b>9,550,335</b>	<b>10,850,112</b>
Decrease in investment value	(2,583,970)	(3,233,860)
	<b>6,966,365</b>	<b>7,616,252</b>

\* Company has 96% ownership in ASEC El Minia Cement Company which was founded on 23 March 2005. The company is now in the legal process for the dissolution of this company.

\*\* Investment in Suez Bags Company (S.A.E.) (Subsidiary) amounting to L.E 3,177,142 represents the contribution of Egyptian Tourah Portland Cement Company (S.A.E.) (Subsidiary) (4.5%). For preparing the consolidated financial statements, Suez Cement Company (S.A.E.) (The holding company) indirect contribution in Suez Bags Company (S.A.E.) amounting to L.E 2,100,755 are eliminated, this indirect contribution represent the holding company share percentage (66.12%) in Egyptian Tourah Portland Cement Company (S.A.E.) (Subsidiary).

#### B- Investments available for sale

Investments available for sale amounted to LE 1,113,000 as of 31 December 2006 represent the contribution of Suez Cement Company (S.A.E.) in Egyptian Cement Company (S.A.E.).

### 7. INVENTORIES, NET

	31/12/2006 LE	31/12/2005 LE
Raw materials	87,740,197	29,602,091
Fuel , Spare parts and Consumables	600,022,551	730,250,416
Packing Materials	25,899,737	22,150,179
Work in progress	46,061,747	5,151,162
Finished Products	42,784,409	33,909,800
Letters of credit	36,751,147	54,810,656
	<b>839,259,788</b>	<b>915,874,304</b>
Less:		
Decrease in obsolete and slow moving inventory items value	(95,486,440)	(36,375,003)
	<b>743,773,348</b>	<b>879,499,301</b>

## Suez Cement Company (S.A.E.)

**8. ACCOUNTS AND NOTES RECEIVABLE, NET**

	31/12/2006 LE	31/12/2005 LE
Accounts receivable	57,244,358	18,585,076
Notes receivable	21,496,180	14,761,751
	78,740,538	33,346,827
Less:		
Pro Decrease in accounts and notes receivable value	(17,154,283)	(16,000,000)
	<b>61,586,255</b>	<b>17,346,827</b>

**9. PREPAYMENTS AND OTHER DEBIT BALANCES, NET**

	31/12/2006 LE	31/12/2005 LE
Deposits with others	31,748,332	30,385,763
Prepaid expenses	3,177,645	4,602,076
Accrued income	11,681,937	10,481,773
Checks under collection	4,864,191	1,864,293
Advance payments from Suppliers	33,125,986	22,164,300
Other debit balances	55,657,851	60,799,430
	140,255,942	30,297,635
Less:		
Decrease in other debit balances value	(7,673,988)	(5,784,500)
	<b>132,581,954</b>	<b>124,513,135</b>

**10. CASH ON HAND AND AT BANKS**

	31/12/2006 LE	31/12/2005 LE
Cash on hand	388,543	339,988
Checks under collection	79,877	3,705,000
Banks - Current accounts	72,764,134	664,550,955
CBE - Deposit Certificates	250,596,660	-
Time deposits*	473,939,153	1,101,390,979
Cash on hand and at banks	798,368,367	1,769,986,922
Less:		
Banks overdraft	(1,958,055)	(499,410,862)
<b>Cash and cash equivalent for cash flow purpose</b>	<b>796,410,312</b>	<b>1,270,576,060</b>

\* The balance of Time deposit amounted to LE 473,939,153 as of 31 December 2006 includes an amount of L.E 42,040,019 represent a pledged time deposits in favour of Bank of Alexandria and National Societe General Bank (NSGB), against long term loans and letter of credits related to Suez Cement Company (S.A.E.).

## Suez Cement Company (S.A.E.)

### 11. CURRENT PORTION OF LONG TERM LOANS

	31/12/2006 LE	31/12/2005 LE
<b>Suez Cement Company (S.A.E.)</b>		
Bank of Alexandria	28,559,233	28,571,429
National Societe General Bank (NSGB)	4,274,996	5,909,554
Commercial International Bank – Egypt (CIB)	225,000,000	-
<b>Egyptian Tourah Portland Cement Company (S.A.E.)</b>		
National Investment Bank	-	3,041,667
<b>Ready Mix Beton – Egypt (S.A.E.)</b>		
Audi Bank – Egypt	1,489,417	-
<b>Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly)</b>		
National Societe General Bank (NSGB)	-	11,600,000
Misr Bank	144,738,228	45,235,711
National Investment Bank	-	15,596,897
	<b>404,061,874</b>	<b>209,955,258</b>

### 12. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/12/2006 LE	31/12/2005 LE
Other creditors – shareholders	-	15,696,171
Shareholder's - credit balance	17,832,957	-
Advance payments from customers	74,894,639	57,728,625
Accrued taxes	35,285,632	160,115,227
Estimated income tax for the year	217,178,074	-
Accrued interest	1,195,022	1,028,222
Deposits from others	4,567,500	5,027,555
Accrued salaries	7,236,813	11,115,580
Accrued expenses	28,622,961	30,207,337
Other creditors	75,031,681	59,476,632
	<b>461,845,279</b>	<b>340,395,349</b>

## Suez Cement Company (S.A.E.)

**13. PROVISIONS AND DECREASE IN ASSETS VALUES**

	Balance as of 1 January 2006	Charged during the period	Utilized during the period	Balance as of 31 December 2006
<b>A- Provisions</b>				
Disputed tax provisions	194,287,901	21,788,408	-	216,076,309
Provision for claims and disputes	46,722,766	158,794,994	(192,192)	205,325,568
Other provisions	107,246,851	91,840,074	(12,622,368)	186,464,557
	<b>348,257,518</b>	<b>272,423,476</b>	<b>(12,814,560)</b>	<b>607,866,434</b>
<b>B- Decrease in assets values</b>				
Provisions deducted from its account	61,393,363	62,155,208	(649,890)	122,898,681

**14. CAPITAL**

The company's authorized capital amounted to LE 1,300,000,000 and the Company's issued and paid up capital amounted to LE 909,282,535 divided over 181856507 shares of LE 5 par value each. On 16 April 2006, Misr for Clearing, Settlement and Central depositing Company approved to register the increase in issued and paid up capital amounted to L.E 269,282,535 divided over 53856507 shares of L.E 5 par value each in Cairo and Alexandria Stock Exchange. The trading of the increased capital shares started on 2 May 2006.

**15. MINORITY INTEREST**

	31/12/2006 LE	31/12/2005 LE
Beginning balance for the year	523,597,794	294,594,651
<b>Add:</b>		
Minority share in net profit for the year	95,802,198	268,273,668
Minority share after the acquisition of Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly)	-	12,747,871
Minority share after the acquisition of Ready Mix Beton Company (S.A.E.)	2,920,699	-
Minority share after the acquisition of Ready Mix Beton – Egypt Company (S.A.E.)	5,765,975	-
Adjustments on retained earnings	95,326	-
<b>Less:</b>		
Dividends	(367,587,608)	(52,018,396)
<b>Ending balance for the year</b>	<b>260,594,384</b>	<b>523,597,794</b>

## Suez Cement Company (S.A.E.)

### 16. LONG TERM LOANS

	31/12/2006 LE	31/12/2005 LE
<b>Suez Cement Company (S.A.E.)</b>		
Bank of Alexandria	-	28,547,038
National Societe General Bank (NSGB)	13,581,109	19,022,655
Commercial International Bank – Egypt (CIB)	675,000,000	1,415,602,487
<b>Ready Mix Beton – Egypt Company (S.A.E.)</b>		
Audi Bank - Egypt	16,383,584	-
<b>Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly)</b>		
National Societe General Bank (NSGB)	-	17,400,000
Misr Bank	432,336,501	579,538,438
National Investment Bank	-	97,217,625
	<b>1,137,301,194</b>	<b>2,157,328,243</b>

#### 16.1 Suez Cement Company (S.A.E.)

##### Bank of Alexandria Loan

On 10 November 1997, a long term loan contract amounted to LE 150 million was signed between the Company and Bank of Alexandria to finance the civil construction related to the expansion project, in addition to LE 50 million for upgrading production capacity project for the Suez plant, with an interest rate of 10.25 %, for 10 years and will be paid over fourteen equal semi-annual instalments after a grace period of three years.

The long term portion of the loan had finished and the balance of the loan will finish after paying the instalments due during year 2007 amounting to LE 28,559,233 within the current portion of the long term loan (Note 11).

##### National Société General Bank (NSGB) Loan

On 4 April 2004, a long term loan contract was signed between the company and NSGB Bank to finance the improvement of the electrostatic filtering project and the cooling tower for EL Katameya and Suez plants, this is within the scope of the pollution control program administrated by The Institution Of Environmental Affairs to utilize the funds provided from the World Bank granted for environmental purposes. The loan granted amounted to LE 12 million and US\$ 3 million at a interest rate for the loan granted in Egyptian pound (Average deposit cost + 1.5% / 86%) and for the loan granted in US\$ is 1.25% above a six month libor.

Suez Cement Company (S.A.E) is committed to pay 80% of the loan according to the World Bank conditions for providing loans. The remaining 20% will be funded by the World Bank after one year from the project inception after the approval of the Ministry of Environment.



## Suez Cement Company (S.A.E.)

The loan in US\$ will be paid over 7 semi-annual instalments, the first instalment was due and paid on 15 July 2006 and the last instalment will be due on 15 July 2009, the amount of each instalment is US\$ 342,857 in addition to interest and commissions. The loan in Egyptian Pound will be paid over 5 semi-annual instalments, the first instalment was due and paid on 1 April 2005 and the last instalment will be due on 1 April 2007, the amount of each instalment is LE 1,968,000 in addition to interest and commissions.

The balance of the loan amounted to LE 13,581,109 as of 31 December 2006 after reclassifying the instalments due during the year 2007 to the current portion of the long term loan amounting to LE 4,274,996 (Note 11).

### Commercial International Bank – Egypt (CIB) Loan

On 25 July 2005, a long term loan contract signed between the Company and group of Banks under the supervision of Commercial International Bank – Egypt (CIB) as a part of the finance for purchasing all shares of Helwan Cement amounted to LE 1, 2 Billion.

On 13 September 2006 a participation medium term loan was signed in two tranch amounted to LE 900 million will be paid on four equal annual installments starting on 31 December 2007 and LE 300 million (Renewal bank facilities) instead of the bridge loan, this contract executed on 9 October 2006. The balance of the loan amounted to LE 675,000,000 as of 31 December 2006 after reclassifying the instalments due during the year 2007 to the current portion of the long term loan amounting to LE 225,000,000 (Note 11).

### 16.2 Ready Mix Beton – Egypt Company (S.A.E.):

#### Audi Bank – Egypt Loan

On 31 July 2006, a long term loan contract signed between the company and Audi Bank – Egypt to finance for purchasing fixed assets amounted to L.E 25 Millions. The long term loan will be paid on 60 monthly instalments starting on 1 August 2007. The instalments amount will be identified according to the loan outstanding balance on 1 August 2007.

The balance of the loan amounted to LE 16,383,584 as of 31 December 2006 after reclassifying the instalments due during the year 2007 to the current portion of the long term loan amounting to LE 1,489,417 (Note 11).

### 16.3 Helwan Cement Company (S.A.E.):

#### National Société General Bank (NSGB) Loan

On 26 April 2001, an overdraft facility contract amounted to LE 75 million signed between the Company



## Suez Cement Company (S.A.E.)

and National Société General Bank (NSGB) to finance the repayment of early retirement plans for the company's employees.

On December 2002 and based on the company's request, the bank agreed to settle the overdraft through a medium term loan amounted to LE 69.6 million, the loan will be paid over 24 quarterly instalments amounted to 2.9 million, the first instalment was due on 31 March 2003, and the last instalment will be due on 31 December 2008, with interest rate of 13.25% in addition to one per thousand monthly as a commission on the highest debit balance outstanding. During the year ended 31 December 2006, the company paid the loan balance as an anticipated payment.

### Misr Bank

On 30 August 2001, a medium term loan contract signed between the Company and Misr Bank to finance the acquisition of Helwan Portland Cement Company (S.A.E.) amounted to LE 1,220 million, including a grace period of 2 years. The principal amount will be repaid over 12 semi annual instalments ending in June 2009. The loan is secured using the following collateral:

- Pledge on the company common stocks in favour of Misr Bank.
- A first degree property pledge in favour of Misr Bank for all the property owned by the Company resulting from the merger.
- A first degree commercial pledge in favour of Misr Bank on all tangible and intangible assets of the Company resulting from the merger.

The following amendments to the loan contract are:

### Rescheduling

On June 9, 2005, the company signed a rescheduling contract with Misr Bank after paying LE 250 million from the capital increase funds. The loan will be paid on two clusters; each cluster will be paid over 12 equal semi annual instalments with no grace period starting 30 June 2005, and ending 31 December 2010. The interest will be paid every three months in addition to one per thousand monthly as a commission on the highest debit balance for each cluster as follows:

**Cluster A:** 50% of the remaining balance paid in Egyptian Pound (LE 436,934,478) with interest rate of 2.5% plus the discount and lending rate announced by Central Bank of Egypt (CBE), where the interest is not less than 12.5%.

**Cluster B:** 50% of the remaining balance paid in United States Dollars (US\$ 75,528,864) with interest rate of 1.5% plus LIBOR price for 6 months.

## Suez Cement Company (S.A.E.)

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### **Amendment of the Rescheduling Contract.**

On January 2006, based on the company request, the bank agreed to amend the above mentioned rescheduled contract, and this amendment was signed in January 2006 as follows:

1- Reduce the interest rate for cluster (A) in Egyptian Pound to 2.25% plus the Time Deposits rate announced by Central Bank of Egypt (CBE) for the period from 1 January 2006 to 30 June 2006, and then the interest rate will be reduced till the end of the loan to 2% plus the Time Deposits rate announced by Central Bank of Egypt (CBE). The interest rate for Cluster B in United States Dollars remains without modification.

2- Cancellation of the commission on the highest debit balance for both clusters.

3- Allowing the company to take supporting loan from Suez Cement Co. or any of its affiliates, and these loans should be in the second priority after Misr Bank loan regarding payments.

4- Cancellation of the restriction on the company's ability to make any expansions including the capital expansions.

5- Increasing the limit of Disposal of Fixed assets (other than replacements) without permission from the bank to LE 30 million.

6- Cancellation of the pledge on the company common stocks in favour of Misr Bank.

7- Cancellation of the commission on early repayment which was estimated by 1% from the amount of the early repayment for the full or partial balance due to the bank if the company paid from the remaining of its cash flows, this payment will be paid proportionally from the loan instalment instead of settling it with the reverse order of payments dated that was applied.

The balance of the loan amounted to LE 432,336,501 as of 31 December 2006 after reclassifying the instalments due during the year 2007 to the current portion of the long term loan amounting to LE 144,738,228 (Note 11).

## Suez Cement Company (S.A.E.)

### 17. OTHER LONG TERM LIABILITIES

	31/12/2006 LE	31/12/2005 LE
Long term sales tax	-	57,738
Production lines sales tax	147,401	289,074
Deferred income tax	77,555,150	89,885,236
Tax Authority	60,121,983	67,421,762
Petroleum Cooperative Association	54,004,830	66,467,484
Electricity Distribution Company	17,410,215	33,474,487
	<b>209,239,579</b>	<b>257,595,781</b>

### 18. CONTINGENT LIABILITIES

In addition to amounts taken into consideration included into financial statements elements, there are contingent liabilities by the value of letters of guarantee that are not covered by cash cover and issued by holding and subsidiaries companies' banks for others and the standing letters of credit as of 31 December 2006 as follows:

	31/12/2006 LE.
Suez Cement Company (S.A.E)	29,326,064
Egyptian Tourah Portland Cement Company (S.A.E.)	8,818,000
Suez Bags Company (S.A.E.)	26,723,677
Ready Mix Beton – Egypt (S.A.E.)	1,272,154
Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly)	16,730,908
	<b>82,870,803</b>

## Suez Cement Company (S.A.E.)

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### 19. TAX SITUATION

#### Suez Cement Company (S.A.E)

##### a) Corporate tax

- The Company's records were inspected and all the taxes due were settled and paid till year 1998.
- The Company's records were inspected for the years from 19999 to 2001 and the Company objected on the assessment results during the legal period and the issue is currently in the internal committee.
- No tax inspection took place for the years from 2002 to 2005.
- The tax assessment for the year ended 31 December 2006 amounted to LE 81,655,633.

##### b) Sales tax

- The Company's records were inspected till year 2002 and all the taxes due were paid.
- A tax inspection for the company's records is taking place for the years 2003 till now.

##### c) Salary tax

- The Company's records were inspected till year 1998, and all the taxes due were paid.
- A tax inspection for the company's records is taking place for the years from 1999 till now.

##### d) Stamp duty tax

- The Company's records were inspected till year 2000 and all the taxes due were paid.
- For years from 2001 to 2005, inspection had been finished and the Company objected on the assessment results for the above mentioned years and the issue is currently in the internal committee.

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

##### a) Corporate tax

- The Company's records were inspected till year 1999 and the taxes due were paid, the tax's assessment results for the years 1992 and 1993 are presented to court.
- A tax inspection for the company's books is taking place for the years from 2000 to 2004.
- No tax inspection took place for the year 2005.
- The tax assessment for the year ended 31 December 2006 amounted to LE 82,114,096.

##### b) Sales tax

- The Company's records were inspected till year 2003 and the taxes due were paid.
- The Company's records were inspected for years 2004 and 2005 and the inspection's assessments results are not yet received.

## Suez Cement Company (S.A.E.)

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### c) Salary tax

- The Company's records were inspected till year 2004 and the taxes due were paid.
- No tax inspection took place for the year 2005.

### d) Stamp duty tax

- The Company's records were inspected till 30 April 2004 and all the taxes due were paid.
- A tax inspection for the company's books is taking place for the year 2005.

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

### a) Corporate tax

- The company's records were inspected for years 1989 to 1994 and all disputes were settled in the internal committee except for some issues that were transferred to the appeal committee, then to the court, which did not issue its judgement yet.
- The company's records were inspected for years 1995 to 2001, and the company objected on the assessment; the issue was transferred to the internal committee, which did not issue its decision yet.
- The company's records were inspected for the years 2002 and 2003 and the company objected on the assessment; the issue was transferred to the internal committee, which did not issue its decision yet.
- No tax inspection took place for years 2004 and 2005.
- The tax assessment for the year ended 31 December 2006 amounted to LE 6,705,965.

### b) Movable capital tax

- The appeal committee decided to amend the movable capital for the years from 1989 till 1994 and an appeal has been issued by the company before the court that did not yet issue its judgement.
- The company's records were inspected for years 1995 to 2003, and the company objected on the assessment result; the issue was transferred to the internal committee, which did not issue its decision yet.
- No tax inspection took place for years 2004 and 2005 till now.

### c) Sales tax

The company's records were inspected till 2005 and the company is in presses to pay the taxes dues.

### d) Salary tax

- The company's records were inspected for the years from 1994 to 1997 and the necessary action is taken for re-inspection.
- The company's records were inspected for the years 1998 till 2002 and the company objected on the

## Suez Cement Company (S.A.E.)

assessment; the issue was transferred to the internal committee, which did not issue its decision yet.

- No tax inspection took place for the years 2003 to 2005.

### e) Stamp tax

- The Company's records were inspected for the years 2000 till 2002 the company objected on the assessment result and the issue was transferred to the internal committee, which did not issue its decision yet.

- No tax inspection took place for the years 2003 till 2005.

## Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly)

### a) Corporate tax

- The Company's records were inspected and all the taxes due were settled till year 1992.

- For the years 1993 to 2000, the Company management submitted an objection in Court on the decision of the High Challenge Committee, also the company submitted a compromise to the tax authority according to the new law and so the issue had been suspended until settling the compromise.

- A tax inspection for the company's records is taking place for the years from 2001 till 2005.

- The Company presented restated income tax return for the period ended 30 September 2001 for Helwan Portland Cement Company (S.A.E.) and presented restated income tax return for years from 2001 to 2004 for ASEC Cement Company (S.A.E.).

- The tax assessment for the year ended 31 December 2006 amounted to LE 41,363,532.

### b) Sales tax

- The Company's records were inspected and all the taxes due were paid till year 2005.

### c) Salary tax

- The company's records were inspected till year 2000.

- No tax inspection took place for the years from 2001 till 2005.

### d) Stamp duty tax

- The Company's records were inspected till year 2005 and the Company objected on the assessment results.

## Ready Mix Beton Company (S.A.E.)

### a) Corporate tax

- The Company's records were inspected and all the taxes due were settled till year 2002 according to



## Suez Cement Company (S.A.E.)

the agreement with the internal committee. Due to the company amounted to L.E 636,997 was resulted from this settlement which represent withholding tax included in other debit balances.

- No tax inspection took place for the years from 2003 till 2005.

-The tax assessment for the year ended 31 December 2006 amounted to LE 1,447,514.

### b) Sales tax

- The Company's records were inspected and all the taxes due were paid till 31 October 2006.

### c) Salary tax

- The company's records were inspected and all the taxes due were paid till year 2002.

- A tax inspection for the company's records is taking place for the years 2003 and 2004.

- No tax inspection took place for the year 2005 till now.

### d) Stamp duty tax

- The Company's records were inspected and all the taxes due were paid till 31 July 2006.

## Ready Mix Beton – Egypt Company (S.A.E.)

### a) Corporate tax

- According to the Investment Guarantees and Incentives Law 8 of 1997 and its executive regulations, the company was exempted starting from start of operations date till 31 December 2001 and the Company's records were inspected till that date.

- No tax inspection took place for the years from 2002 till 2005.

-The tax assessment for the year ended 31 December 2006 amounted to LE 3,891,334.

### b) Sales tax

- The Company's records were inspected and all the taxes due were paid till 30 September 2005.

### c) Salary tax

-The company's records were inspected and all the taxes due were paid till year 2003.

- The company's records were inspected for year 2004, and the company objected on the assessment result; the issue was transferred to the internal committee, which did not issue its decision yet.

-A tax inspection for the company's records is taking place for the years 2003 and 2004.

- No tax inspection took place for the year 2005.

### d) Stamp duty tax

-The Company's records were inspected and all the taxes due were paid till 2004.

- No tax inspection took place for the year 2005.



## Suez Cement Company (S.A.E.)

### 20. EARNINGS PER SHARE

Earnings per share were calculated based on the weighted average method for outstanding shares during the year. Earnings per share for the year ended 31 December 2006 amounted to L.E 3,87 represents the weighted average of outstanding shares in 2006 amounted to 181856507 shares (Earnings per share for the year ended 31 December 2005 amounted to L.E 6,11 represents the weighted average of outstanding shares in 2005 amounted to 128000000 shares).

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**a)** The holding company and its subsidiaries financial instruments are represented in financial assets and financial liabilities. The financial assets include accounts and notes receivable, net, investments available for sale, prepaid expenses and other debit balances, net and cash on hand and at banks. The financial liabilities include banks overdraft, suppliers, current portion of long term loans and accrued expenses and other credit balances.

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

#### **b) Interest rate risk**

Interest rate risk represented in changing interest rates of the holding company and its subsidiaries indebtedness to banks which represented in loans balances, over draft, and credit facilities amounting LE 1,543,321,123 as of 31 December 2006 (LE 2,866,694,363 as of 31 December 2005), interest and finance expenses related to this indebtedness reached LE 207,178,944 during the year 2006 (LE 159,625,545 as of 31 December 2005), while Deposits and certificates of deposits as of 31 December 2006 is LE 724,535,813 (LE 1,101,390,979 as of 31 December 2005), and credit interest related to these deposits and certificates of deposits reached LE 74,678,242 during the year 2006 (LE 29,734,343 as of 31 December 2005). In order to limit these interest risks, the holding company and its subsidiaries works up on having the best available conditions in the banking market for credit facilities, banks over draft and loans; also the holding company and its subsidiaries review interest prices in the banking market regularly to minimize the interest risk.

The holding company and its subsidiaries monitor the maturity structure of assets and liabilities with the related interest rates.

#### **c) Credit risk**

Credit risk is representing in the bankruptcy of customers who got this credit. In order to limit this credit risk the company distributes credits which given to private sector and personnel on a large number of the good position customers.

## Suez Cement Company (S.A.E.)

### d) 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 consolidated financial assets denominated in foreign currencies amounted to LE 157,428,220 whereas; the total consolidated financial liabilities denominated in foreign currencies amounted to L.E 325,968,457.

## 22. RELATED PARTY TRANSACTIONS

The transactions with related parties during the year ended 31 December 2006 are representing in transactions between group companies and some of the shareholders as follows:

**A-** Cement, Clinker and Bags sales excluding sales tax between Suez Cement group Companies during the year ended 31 December 2006 as follows:

	Sales L.E	Purchases L.E
Suez Cement Company (S.A.E)	4,871,600	104,729,950
Egyptian Tourah Portland Cement Company (S.A.E.)	16,232,720	44,134,440
Helwan Cement Company (S.A.E.)	70,216,390	50,586,000
Ready Mix Beton Company (S.A.E.)	-	2,277,880
Ready Mix Beton – Egypt Company (S.A.E.)	-	2,377,440
Suez Bags Company (S.A.E.)	112,785,000	-
	<b>204,105,710</b>	<b>204,105,710</b>

### **B- Ciments Français (Strategic partnership) (Main shareholder).**

The amount of the technical assessment fees offered by Ciments Français the main shareholder of Suez Cement Company (S.A.E.) during the year ended 31 December 2006 amounted to L.E 21.267 million which represents 1% of sales revenues of the group of cement products excluding intra – SCC Group transactions (the maximum fees are 1% according to the agreement). The consolidated statement of income charged by the portion of Suez Cement Company (S.A.E.) and Egyptian Tourah Portland Cement Company (S.A.E.) of the claims for these fees which amounted to L.E 8.507 million and L.E 12.760 Million respectively.

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

- Suez Cement Company (S.A.E.) has exported clinker and cement amounted to L.E 128.49 million during the year ended 31 December 2006 through Interbulk Company.

- The sales of Egyptian Tourah Portland Cement Company (S.A.E.) to Interbulk Company for the year ended 31 December 2006 amounted to L.E 5.789 million.

## Suez Cement Company (S.A.E.)

- The sales of Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly) to Interbulk Company during the period from 1 January 2006 to 31 December 2006 amounted to L.E 287,63 million.

**D-** The amount of the technical support fees offered by Suez Cement Company (S.A.E.) to Egyptian Tourah Portland Cement Company (S.A.E.) amounted to L.E 6.290 Million during the year ended 31 December 2006.

**E-** The transactions between Suez Cement Company (S.A.E.) and Suez Bags (S.A.E) company as follows:

- Suez Bags Company (S.A.E) signed a contract to rent the factory premises owned by Suez Cement Company (S.A.E.) – main shareholder on 1 July 1988 for LE 30,000 annually for the first 5 years in addition to annual increase of LE 1,500 for the following years.

- In 1998, Suez Bags Company (S.A.E.) started to pay LE 162,000 yearly to Suez Cement Company (S.A.E.) - main shareholder at the beginning of each year in exchange of the use of the land where the Suez Bags Company (S.A.E.) has expanded, this land's space reaches 81,000 square meters.

- Annual payment of LE 36,000 is paid by Suez Bags Company (S.A.E) to Suez Cement Company (S.A.E.) for the medical care services.

- The amount of the technical support fees offered by Suez Cement Company (S.A.E.) to Suez Bags Company (S.A.E.) amounted to L.E 1.084 Million during the year ended 31 December 2006.

### **F- Debico Swiss LTD – The shareholder in Suez Bags Company (S.A.E.)**

Suez Bags Company (S.A.E) has signed a contract dated 31 August 2003 with Debico Swiss LTD for the technical assistance with a total annual amount of USD 30,000 net of taxes from September 2003. In case any party desires to cancel the contract, the other party must be informed during a period not less than 3 months before the cancellation or it will be automatically renewed for another year.

**G-** The transactions between Suez Cement Company (S.A.E.) and Helwan Cement Company (S.A.E) company as follows:

- Financial assistance provided by Suez Cement Company (S.A.E.) to Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly) for the year ended 31 December 2006 amounted to L.E 115 Million to be repaid when liquidity of Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly) is available.

- The amount of the technical support fees offered by Suez Cement Company (S.A.E.) to Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly) amounted to L.E 10.252 Million during the year ended 31 December 2006.

## Suez Cement Company (S.A.E.)

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### 23. COMPARATIVE FIGURES

- Certain comparative figures for year 2005 have been reclassified to conform to the current year presentation.
- Comparative figures for the year ended 31 December 2006 only include the results of operations and cash flows of Helwan Cement Company (S.A.E.) - ASEC Cement Company (formerly) for the period from 1 August 2005 to 31 December 2005, the company was acquired on 25 August 2005 and also the comparative figures don't include the balance sheet, Statement of income and Statement of cash flows of both Ready Mix Beton Company (S.A.E.) and Ready Mix Beton – Egypt Company (S.A.E.), as both companies were acquired on 1 October 2006.

## 13. LEGAL INFORMATION ABOUT THE SUEZ CEMENT GROUP OF COMPANIES

Suez Bags	HCC	TPCC	SCC	Company/Docket
Suez Bags	Helwan Cement	Tourah Portland Cement	Suez Cement	Company's name
Joint stock company governed by the Egyptian law No. 43 of the year 1974	Joint stock company governed by the Egyptian law No. 159 of the year 1981	Joint stock company governed by the Egyptian law No.159 of the year 1981	Joint stock company governed by the Egyptian law No. 43 of the year 1974	Form
Kattameya – Maadi/ Ein Sokhna Road K 30	Kafr El Elw – Helwan.	Tourah Portland Cement – Nile Corniche El Nil - Maadi	Nile City Towers, South Tower, 10 <sup>th</sup> floor – Corniche El Nil - Cairo, Egypt	Registration office
254876 Arabian and foreigner investment	4451 Investment Cairo	1587 Giza	181134 investments Cairo.	Registration number
14/12/1988	February 1929	1927	06/03/1977	Date of incorporation
25 years from the incorporation date Expired on 05/12/2013	Amended for 25 years commence 03/10/2000 and till 02/10/2025	Amended for 50 years commence 12/05/2001.	50 years from the incorporation date Expired on 05/03/2027	Term
Producing all kind of paper bags	Producing all kind of cement, lime, owning terrestrial and river transportation, manufacturing spare parts, bags, land possession, selling and exploitation quarries	Producing all kind of cement, lime, owning terrestrial and river transportation, manu-facturing spare parts, bags, land possession, selling and exploitation quarries	Producing all kind of cement	Purpose
The By-Laws, Minutes of general meetings, statutory audit reports	The By-Laws, Minutes of general meetings, statutory audit reports	The By-Laws, Minutes of general meetings, statutory audit reports	The By-Laws, Minutes of general meetings, statutory audit reports	Legal information
From January 1 <sup>st</sup> to December 31.	From January 1 <sup>st</sup> to December 31	From January 1 <sup>st</sup> to December 31	From January 1 <sup>st</sup> to December 31 <sup>st</sup>	Financial year
Suez Cement 53%	Suez Cement 98.69%	Suez Cement 66.12%	Ciments Français 53.15%	Shares
		Holding company for the metal industries 20.87%	Investors association 23.36%	
Swiss limited Debko 30%.	General underwriting and contributions 1.31%.	Private foundations and persons 13.01%	General underwriting and contributions & GDR 16.23%	
Closed underwriting 12%.			Private foundations and persons 7.26%	
Tourah Portland Cement 5%				
3 votes	Majority	Majority	8 votes	Voting powers for making decisions.
LE 12 million	LE 2000 million	LE 800 million	LE 1,300 million	Authorized
LE 9 million	LE 117,697,750	LE 238,414,000	LE 909,282,535	Paid