

SUEZ CEMENT GROUP (SCGC)

BOARD OF DIRECTORS' REPORT

ON THE BUSINESS RESULTS AS AT

31st December 2013

The Board of Directors is pleased to present to the Shareholders the Annual Report for financial year ended 2013.

On behalf of the Board of Directors, the Chairman is proud to present to the shareholders the Board of Directors' report on the Company's achievements and success for the financial for the year 2013.

Basic Data:

- Suez Cement Company established as a joint stock company, governed by the investment law no.43 for year 1974 and its executive rules. The company's authorized capital amounted to MEGP 3,600 while the paid up and issued capital amounted to EGP 909,282,535 fully paid, The company producing all kinds cement and any other products related to cement industry as well as any other building material and construction supplies.
- Listing has been made on the commercial register under no.181134 – Cairo – dated 6/3/1977.
- Share par value EGP 5 which has been listed on the Egyptian Stock Exchange dated 8/2/1995.

Investor Relations:

- Investor Relations officer: Mr. Mohamed Ibrahim Mohamed Ibrahim – Finance Manager.

External Auditors:

- Allied for Accounting & Auditing (E &Y) – Mr. Nabil A. Istanbuli (RAA.5947 – EFSAR.71) and Mr. Emad H. Ragheb (RAA.3678 – EFSAR.42). Appointed on 25th March, 2013.
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About Company's Shareholding structure:

- 5% or more shareholders as at 31-12-2013.

Name	No. of Shares	%
MENAF SAS	47,373,830	26.05%
Ciments Francies	22,485,545	12.36%
CIMENTS DU MAROC CIMAR	21,210,577	11.66%
Abd Elmenam Rashed Abd Elrahman	14,392,167	7.91%
GAZELLE	13,842,701	7.61%
TERCIM S A S	9,100,000	5.00%

Last formation of the Board of Directors:

Name	Position	Representing	status
Omar A. Mohanna	Chairman	Ciments Francies	Non - Executive
Yves- Rene Nanot	Board Member	Ciments Francies	Non - Executive
Bruno Carre	Managing Director	CIMENTS DU MAROC CIMAR	Executive
Mohamed Chaibi	Board Member	CIMENTS DU MAROC CIMAR	Non - Executive
Fabrizio Donega	Board Member	TERCIM S A S	Non - Executive
Giovanni Ferrario	Board Member	MENAF SAS	Non - Executive
Mateo Rozzanigo	Board Member	MENAF SAS	Non - Executive
Khaled Abu Bakr	Board Member	MENAF SAS	Non - Executive
Raed I. Al Mudaiheem	Board Member	Elmohedeb Alliance.	Non - Executive
Mohamed I. Khan	Board Member	Abd Elmenam Rashed Abd Elrahman	Non - Executive
Emad Elwy Farag	Board Member	Public Sector	Non - Executive
Ahmed H. El Araby	Board Member	Public Sector	Non - Executive

Board of Directors Meetings:

- (5) BOD Meetings were held during the year 2013.

Last Formation of the Audit Committee:

Name	Position	Representing
Omar A. Mohanna	Chairman - President	Suez Cement Co.
Khalid Abo Bakr	Board Member - Member	MENAF SAS
Emad Elwy Farag	Board Member - Member	Public Sector

Audit committee tasks:

- Examine the company's financial statements in the light of the prevailing accounting standards, studying and discussing the auditor's report before submitting to the Board of Directors.
- Examine and review the periodic administrative reports submitted to the different administrative levels, how this reports are developed, and the times they are presented.
- Examine and review the internal audit existing mechanisms, and its instruments, procedures, plans and results.
- Examine and review the company's internal control procedures. Methods and rules of assets control and its compliance assurance. Examine and evaluate the administrative procedures in that regard.

Audit committee meetings:

- (4) Audit committee meetings were held during 2013, all reports of the committee had been submitted to the BOD with no substantial observations.

Cement Sales During year 2013

(Million Tons)

Description	Domestic cement sales		Export cement sales		Total	
	2013	2012	2013	2012	2013	2012
Suez Cement Company	3,281	3,399	-	0,001	3,281	3,400
Tourah cement Company	1,806	2,622	-	0,015	1,806	2,637
Helwan cement company(gray)	2,505	2,408	0,100	0,300	2,605	2,708
Total Gray	7,592	8,429	0,100	0,316	7,692	8,745
Helwan cement company(wait)	0,112	0.114	0,150	0,208	0,262	0,322

SCGC Production

Egypt grey produced 49,96 million tons of cement during year 2013, comparing with 52.8 million ton year 2012 , The following comparative table shows the level of cement production of the Suez Cement group companies for year 2013 compared with the year 2012.

Cement & Clinker Production During year 2013

(Million Tons)

Description	Gray Cement		Clinker	
	2013	2012	2013	2012
Suez Cement Company	3,314	3,321	2,472	2,906
Tourah cement Company	1,796	2,539	1,326	2,318
Helwan cement company(gray)	2,600	2,648	2,289	2,919
Total Gray	7,710	8,508	6,087	8,143
Helwan cement company(wait)	0,270	0,313	0,254	0,241

During the year ended 31 December 2013, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Companies to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

FINANCIAL POSITION OF SUEZ CEMENT GROUP

AND BUSINESS RESULTS ON 31/12/2013

First: The Financial Position on 31/12/2013

The total net amount of the balance sheet items at the end of 2013 reached LE 9971 Million compared to LE 9683 Million in the previous year 2012. The following table shows the progress of the financial position of the Group compared with the previous year.

M EGP

<u>Description</u>	<u>31/12/2013</u>	<u>31/12/2012</u>
Net assets	9971	9683
Net fixed assets and under construction projects	4059	3954
Issued capital	909	909
Total equity	7273	7083
Non- controlling interest	657	673
Total provisions	766,5	786,8

Second: Business Results of the Group during 2013

The Group realized a gross profit of 934 M EGP compared with year 2012 to 852 M EGP.

M EGP

<u>Description</u>	<u>2013</u>	<u>2012</u>
Sales (activity revenues)	5049	4597
Current Gross Profit	934	852
Operating Income	720	756
Net Profit After Non-Controlling Interest	538	524

Third: Reserves

The total reserves at end of 31 December 2013 amounted to 2666.2 M EGP, distributed as follows:

- 454,6 M EGP (legal reserve)
- 2199,8 M EGP (general reserve)
- 11,8 M EGP (capital reserve)

Fourth: Provisions

Total provisions amounted to LE 766,5 million in 2013, as follows:

	<u>MEGP</u>
taxes disputes	203,2
Site restauration	48,2
Judicaël disputes	40,1
training subsidies fund	140,2
Gas claims for Tourah Plant	<u>51,0</u>
Sub Total	<u>482,7</u>
Plus: provisions deducted directly from the related assets	
<i>Inventories provision</i>	185
<i>Doubtful débets</i>	<u>98,8</u>
Sub Total	<u>283,8</u>
Total Provisions	766,5
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Finally, the Board of Directors would like to extend its thanks to all staff for their efforts and contribution in the achievement of these good results. The Board would also like to seize this opportunity to extend its gratitude and recognition to its shareholders and everyone who participated and continues to support the Company to progress on its determined course.

Omar A. Mohanna

Chairman