السويس للأسمنت
Suez Cement

2007 Annual Report

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Suez Cement

1. Message from the Chairman and from the Managing Director

Demand for cement has been strong in Egypt over the past year, enabling Suez Cement and its affiliated companies, Helwan Cement Company and Tourah Portland Cement Company, to increase sales volumes by 13.2 percent, from 9.3 million tons in 2006 to 10.6 million tons in 2007. In addition, revenues grew 18.43 percent, gross operating profits increased by 9.89 percent and operating profits rose 22.29 percent. Total net profit before minority interest reached L.E. 1.145 million, showing an improvement of 43.33 percent, and net income after minority interest increased 39.53 percent, reaching L.E. 981 million.

In 2007, Suez Cement and its affiliated companies produced 10.4 million tons of grey clinker, 0.4 million tons of white clinker, 0.4 million tons of white cement and 10.8 million tons of grey cement, an increase of 5.3 percent over the previous year. By the end of the financial year, the share of Suez Cement and its affiliated companies of the Egyptian market for grey cement and white cement stood at 30.6 percent and 52 percent respectively.

In the meantime, Egypt's total exports in 2007 declined 23.9 percent compared with the previous year, from 8.7 million tons to 6.6 million tons. This was mainly due to strong local demand as well as the new export duties imposed by the Ministry of Industry and Foreign Trade on cement, amounting to L.E. 85 per ton. Following this trend, the company's exports declined to 1 million tons in 2007, from 1.9 million tons in 2006.

In 2007, cement prices in Egypt were largely influenced by the 39 percent increase in industrial gas costs and 21 percent rise in fuel oil costs. The price of cement sold by Suez Cement and its affiliated companies rose from L.E. 300 per ton in January 2007 to around L.E. 347 per ton in December 2007.

Consolidation of activities and new acquisitions made a positive contribution to the strong organic growth of Suez Cement. In June 2007, Suez Cement acquired 45 percent of Tecno Gravel, an aggregates company with an annual production capacity of 2.2 million tons. Additionally, through its affiliated company Ready Mix Beton Egypt, Suez Cement acquired 100 percent of Decom, a ready-mix company that owns five plants with an annual production capacity of 500,000 cubic meters of ready-mix concrete.

Aiming at enlarging its perimeter and expanding its current activities, Suez Cement signed an agreement in June 2007 with UNICALCE, one of the world's leading suppliers of lime, establishing the joint venture company Suez Lime. Additionally, during the third quarter of the year, Suez Cement acquired 51 percent of Hilal Cement, the third largest Kuwaiti cement company. Hilal Cement operates a terminal for the import of cement with an annual production capacity of around 1 million tons.

With the enlargement in the consolidation area, the company established Suez for Transportation &

Trade Co. in the second part of the year. The new company is in charge of developing bulk sales and enhancing the quality of services provided to our clients.

Furthermore, over the course of the year, Suez Cement and its affiliated companies launched the Collective and Selective Voluntary Early Retirement Plan (CSV- ERP). This plan aims to progressively optimize the size of the workforce, while promoting the upgrading of the average skill level by hiring the best talents available.

Suez Cement's business growth is accompanied by an ever-present attention to sustainable development in the cement industry. The company believes in the need to improve dialogue with the local community and engage in activities aimed at the human development of the country. In line with its sustainable development strategy, Suez Cement and its affiliated companies supported several development projects in 2007 implemented in partnership with civil society representatives, UN agencies and the Egyptian government.

The new year should bring a continuation of sustainable development projects. Dust emission control, particularly at the Tourah and Helwan plants, is one of our major objectives. Additionally, we hope to implement a Company development strategy that relies on both technical upgrading of existing industrial facilities and external growth, while integrating sustainable development factors.

Sales prices and volumes will continue to reflect strong demand for cement. Accordingly, we foresee that cost control, ongoing investments and the technical development of existing structures will enable us to improve next year's operating results.

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 also wish to thank our shareholders for their continued confidence and support.

Omar A. Mohanna
Chairman

Roberto Callieri
Managing Director

Suez Cement

2. Composition of the Board of Directors at December 31, 2007

Mr. Omar A. Mohanna

Chairman

Mr. Roberto Callieri

Managing Director

Members

Mr. Giorgio Bodo

Mr. Mohamed Chaibi

Mr. Rodolfo Danielli

Mr. Amr Ali El Garhi

Mr. Fabrizio Donegà

Mr. Mohamed Iftekhar Khan

Mr. Hussein Kassem Ali Megawer

Mr. Raed Ibrahim Al Mudaiheem

Mr. Yves-René Nanot

Mrs. Mona Zulficar

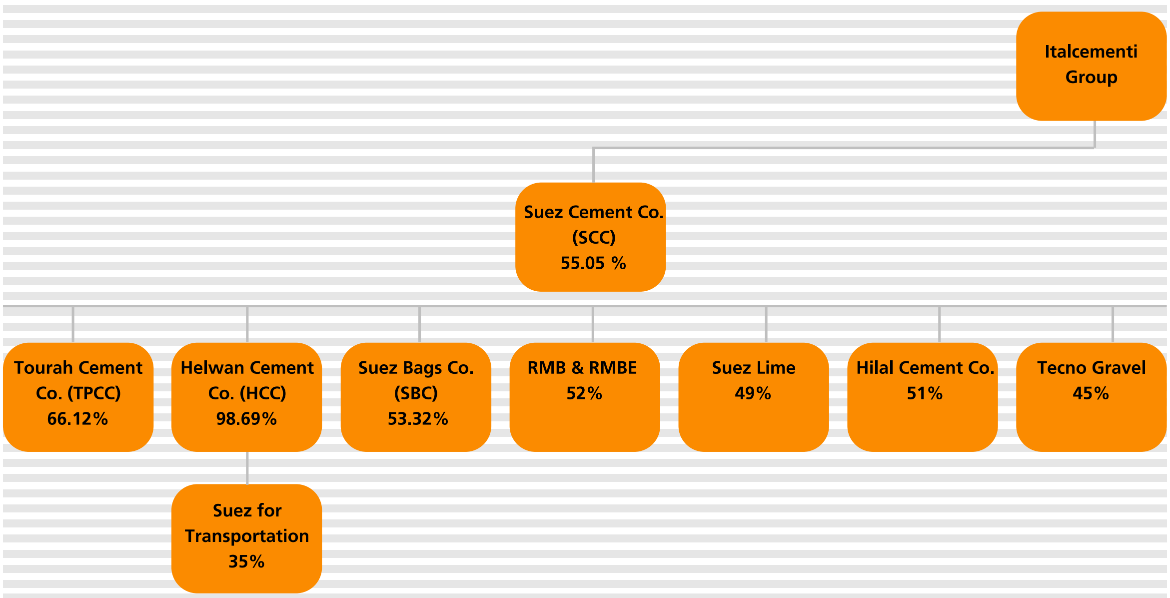
3. FINANCIAL HIGHLIGHTS 2007

	December 2007	December 2006	December 2005
Revenue	4,196	3,543	2,350
Gross Profit	1,830	1,665	1,071
EBITDA	1,764	1,441	1,888
Net Earnings	981	703	777
Return on Sales	23%	20%	33%
Gross Margin	44%	47%	46%
EBITDA Margin	42%	41%	80%
Capital Expenditures	4,095	3,977	3,901
Total Assets	8,994	8,237	9,156
Cash & Cash Equivalents	957	799	1,771
Working Capital	166	50	1,184
Total Debt	1,526	1,543	2,867
Minority Interest	488	261	524
Shareholders Equity	5,550	4,952	4,609
Net Fixed Assets Turnover	1.02	0.89	0.6
Total Assets Turnover	0.47	0.43	0.26
Return on Equity	17.67%	14.20%	16.86%
Current Ratio	1.08	1.03	1.74
Debt to Equity Ratio	0.28	0.31	0.62
Gearing Ratio	0.18	0.27	0.52

Suez Cement

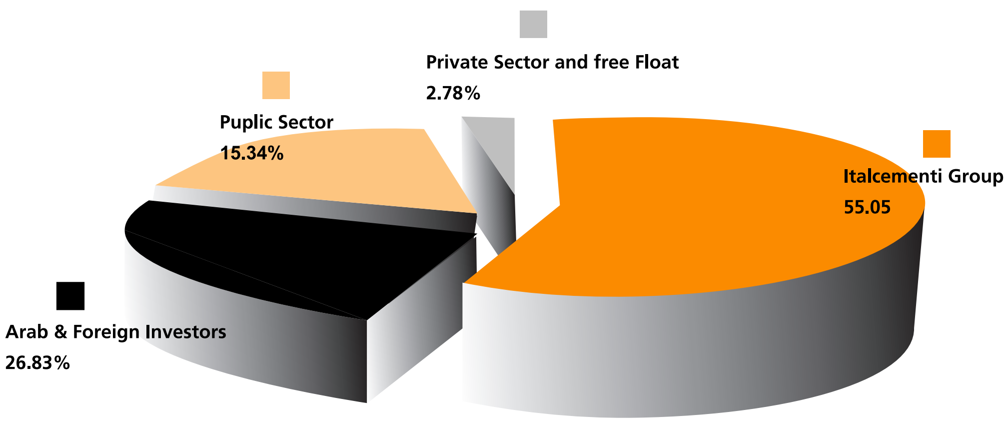
4. SHAREHOLDERS' INFORMATION

Suez Cement Group of Companies (SCGC) is one of the largest Egyptian cement producers. The group has a controlling stake in each of 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 of Suez Cement S.A.E, with a 55.05 percent ownership stake. Suez Cement Company (SCC) holds 66.12 percent of Tourah Portland Cement Company, 53.32 percent of Suez Bags and 98.69 percent of Helwan Cement Company. Suez Cement Company, Helwan Cement Company, Tourah Portland Cement Company and Suez Bags are listed on the Cairo and Alexandria Stock Exchange. During 2006, the group entered the concrete sector through the acquisition of 52 percent of Ready Mix Beton (RMB) and Ready Mix Beton Egypt (RMBE), the country-leader in the concrete sector in Egypt. The year 2007 witnessed new and significant acquisitions that made a further positive contribution to the strong organic growth of SCC. In June 2007, Suez Cement Company acquired 45 percent of the quarrying company Tecno Gravel, representing 225,000 shares, for a total value of L.E. 28.3 million. In August 2007, Suez Cement Company acquired 51 percent of the total capital shares of Hilal Cement Company, the Kuwaiti joint stock company. Hilal Cement, which is the third largest Kuwaiti cement company, operates a terminal for the import of cement, with an annual production capacity of around 1 million tons. In October 2007, Suez Cement Company, in partnership with UNICALCE, established Suez Lime Company for the manufacture of all types of lime. SCC controls 49 percent of Suez Lime's share capital, while Tourah Portland Cement Company holds 1 percent. The remaining 50 percent is owned by UNICALCE. In the third quarter of 2007, Suez Cement and its affiliated companies established Suez for Transport and Trade Company. Suez Cement controls 35 percent of the shares, Tourah Portland Cement Company owns 10 percent and Helwan Cement Company owns 55 percent.



SHAREHOLDING STRUCTURE

Shareholding Structure December. 31, 2007	Percentage %
Italcementi Group	55.05
Arab & Foreign Investors	26.83
Public Sector Entities	15.34
Private Sector Entities & Free Float	2.78



Itacementi Group
Public Sector
Arab & Foreign Investors
Private Sector & Free Float

TRADING VOLUME ON THE EGYPTIAN STOCK MARKET DURING THE YEAR 2007

Month	Number of Traded Shares	Average Monthly Price	Trade Value L.E.
January	2,410,808	66.59	160,529,474.36
February	516,442	64.69	33,406,913.98
March	279,849	62.94	17,613,088.86
April	311,995	62.05	19,358,804.51
May	890,240	58.94	52,467,293.64
June	3,648,419	56.48	206,074,427.85
July	544,362	58.71	31,957,558.67
August	127,998	56.64	7,250,017.45
September	802,457	64.94	52,111,723.02
October	2,282,625	70.09	159,983,439.28
November	903,292	64.50	58,262,885.74
December	470,647	58.54	27,551,480.17
Total	13,189,134		826,567,107.53

5. SUEZ CEMENT GROUP OF COMPANIES: HISTORICAL SUMMARY

Italcementi Group, the fifth largest cement producer in the world, penetrated the Egyptian market in October 2001, when it participated in the first phase of the privatization of Suez Cement (a company currently listed on the Cairo and Alexandria Stock Exchange, where it ranks fourth in terms of capitalization). This action resulted in the group's acquisition of 25 percent of Suez Cement's capital, thus becoming one of its strategic stakeholders. Following subsequent purchases, Italcementi Group became the principal shareholder of Suez Cement in March 2005, for an overall investment of around Euro 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 aiming at increasing its efficiency also strengthened the group's leadership in the Mediterranean.

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

SCGC's capacity in Egypt has resulted in the production of approximately 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 production results in a domestic market share of roughly 30 percent for grey cement and 50 percent for white cement.
To expand the scope of its operations, SCGC recently verticalized its business with the purchase of a majority stake in Ready Mix Beton, Egypt's leading producer of ready-mixed concrete.

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

6. SCGC'S STRUCTURE

Suez Cement Group of Companies, one of the most prominent 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.

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

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

SCGC cement has been used in building some of Egypt's most well-known landmarks. Suez Cement is building its future around serving the market and meeting the growing customer demand.

Key Statistics

- Five production facilities
- Total production capacity of 12 million metric tons of clinker
- 30 percent market share of grey cement
- 50 percent market share of white cement
- More than 16 operating quarries
- 16 kilns in operation
- All plants certified ISO 9001 and ISO 14001

Suez Cement Company

Established in 1977, Suez Cement Company is one of the largest grey cement producers in Egypt, with a production capacity of 4.1 million tons of clinker per year. The company, which is 53.15 percent owned by Italcementi Group, started its activities by building its first plant in Suez, and a second one in Kattameya, with total investments of about L.E. 1.7 billion. Both plants operate using the dry method, with whitewash and primary heating. The company serves the domestic market and also exports its products to Arab, African and European markets.

Tourah Portland Cement Company

The Tourah Portland Cement Company is Egypt's first cement company. The company, which was established in 1927 and is 66.12 percent owned by Suez Cement Company, began with a production capacity of four million tons of clinker per year. Today, the company produces nearly four million tons of cement annually. Tourah Cement owned the most ancient gypsum quarry, where the stones of the pyramids originated. The company was the first in Egypt to use the dry method in the cement industry. It was also the first to modernize its lines by reusing wet kilns to get rid of by-pass dust. In addition to the decrease of dust emissions, this method led to production increases. 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 square meters. The programs were specially designed to cater to the needs of the cement industry. Additionally, the centers have become an international meeting point for workers within the industry.

Helwan Cement Company

Established in 1929, Helwan Cement was the second cement producer to enter the market. Since August 2005, the Suez Cement Company has owned 98.69 percent of the company. Helwan Cement has a production capacity of 4.5 million tons of clinker per year. The company manufactures grey and white cement in its Helwan and El Minya plants, which have a combined capacity of 4.8 million tons per year. Both 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 percent 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 packaging of cement, gypsum and other building materials, while the fourth line is for special orders.

Made with imported semi-Copake craft layer paper from Austria and Canada, the company's bags are of the highest standard and quality. Because of its imported ink and its specialized technology, the company is the only supplier able to print four colors on all bag types.

Since 1985, RMB has been one of the leading ready-mixed concrete companies in Egypt. Since October 2006, 52 percent of the company has been owned by the Suez Cement Company. Ready Mix Beton (RMB) and the recently acquired Decom produce more than 1 million cubic meters of concrete, resulting in a market share of 35 percent. They are supported by 13 central mixing plants, 8 of which are located in the Greater Cairo area, where three of the Suez Cement group's five cement facilities are based. RMB & Decom also have a fleet of 200 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 for expansion and diversification through a dedicated presence in the ready-mixed concrete sector. This is due, in part, to an experienced management team led by RMB, as well as to an Egyptian market that offers excellent potential for growth in the sector.

7. MARKET EVOLUTION: MAJOR EVENTS OF THE YEAR

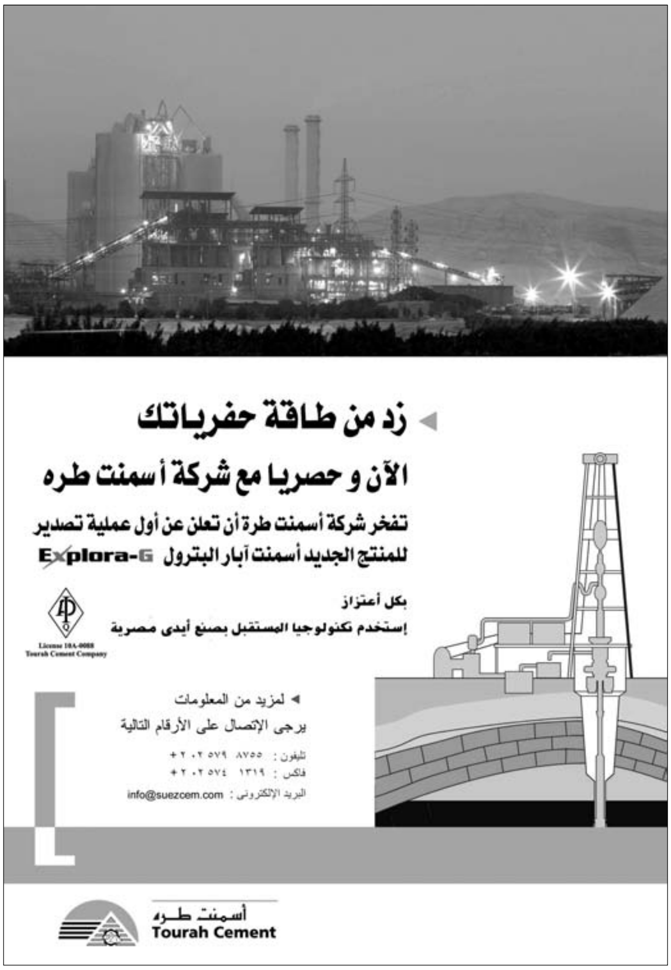
Cement market growth in Egypt continued in 2007 thanks to the real estate sector and foreign direct investment. In this favorable context, the total grey cement dispatch reached 34.5 Kt, a 14.3 percent growth compared to 2006. Similarly, the demand for white cement grew by 14.3 percent, reaching a total of 401 Kt. SCGC domestic sales were in line with the market trend. Suez Cement sold 10.6 Kt of grey cement, with a market share of 30.6 percent, and 210 Kt of white cement, representing 52.3 percent of the white cement market.

Following the energy price increases in July 2006 of 25 percent for industrial gas and 67 percent for fuel oil, and as a result of the new energy policy launched by the government in August 2007 that resulted in the increase of electricity and gas prices by 21 percent and 39 percent respectively, the price of cement sold by SCGC rose from L.E. 300 per ton in January 2007 to around L.E. 347 per ton on December 31, 2007. Similarly, the price of white cement increased by L.E. 30 per ton, to reach L.E. 545 per ton at end-December 2007. Conversely, the new customs fees imposed by the government on cement increased over the year, totaling L.E. 85 per ton. Cement export volumes for SCGC reflected this trend, with an overall downturn over the year of 0.9 million tons of cement compared to 2006, when the Suez Cement exported 1.9 million tons of cement.

The year 2007 saw two main events that will certainly affect the future scenario of the Egyptian cement industry. In October 2007, the government granted eight licenses to build six new Greenfield cement plants and two extensions, in an attempt to increase the domestic supply of cement. These licenses were granted in addition to the construction of five new plants. The license fees generated L.E. 2.1 billion for the government. Meanwhile, in December 2007, Lafarge, the world leader in building materials, announced the acquisition of 100 percent of Orascom Cement, one of SCGC's main competitors.

In the face of this fast revolving environment, and with the aim of improving the quality of services provided to its customers, SCGC has actively worked to consolidate its position by establishing its new company, Suez for Transportation and Trade.

Suez Cement



8. QUALITY POLICY AND PRODUCT RANGE

SCGC is committed to producing cement and building materials for the construction industry in Egypt and abroad. Today, this group of companies offers different types of cement with various strength classes, which comply with both Egyptian (ES 4756/1-2007) and International (EN 197/1-2000) Standard Specifications:

- Portland Cement: CEM I 42.5 R, CEM I 42.5 N
- Portland Limestone Cement: CEM II/B-L 32.5 N
- OPC Superfine 4100
- Blast Furnace Cement: CEM III/A 32.5 N
- Sulphate Resistant Cement: SRC 42.5 N
- White Cement: CEM I 52.5 N, CEM I 42.5 R
- Oil Well Cement: OWC class G-HSR/API

In addition to cement production, Suez Lime 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, and decorative textures.

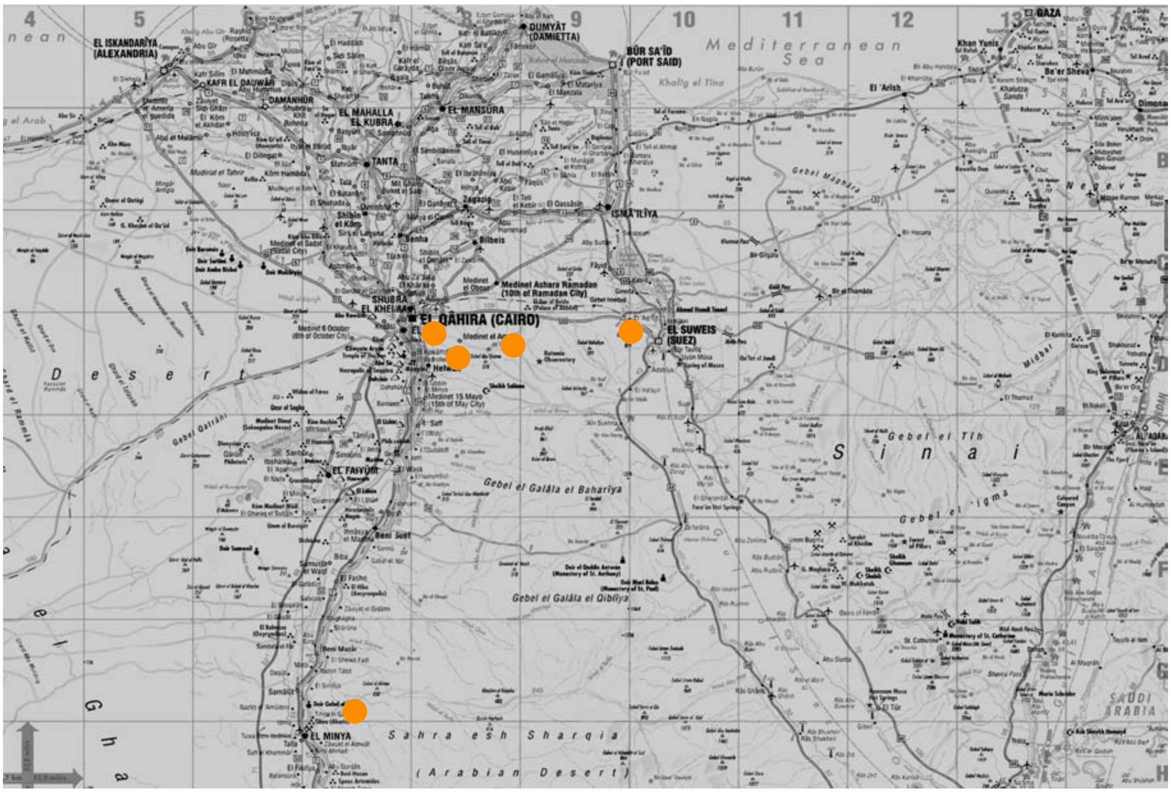
Hydrated lime is also used in other important industries, such as marble, granite, steel, sugar, paper, petroleum, crystal and glass, fertilizers and rubber.

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

9. 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 kilometers south of Cairo, all of the plants are located within 100 kilometers of Cairo.

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



Suez Cement

10. INVESTMENTS

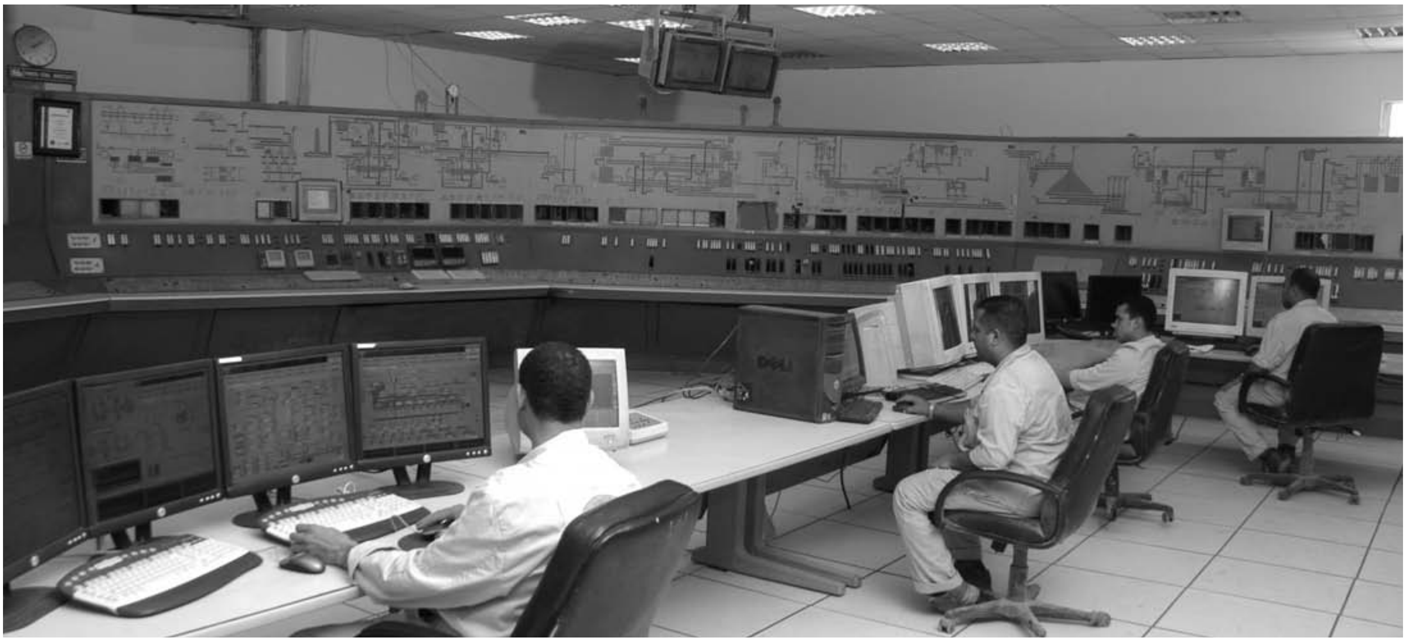
The business of SCGC, and of the cement industry in general, is a strongly capital-intensive type of industry, requiring significant investments. Over the last three years, Suez Cement started to implement a significant investment program that involves the modernization of all production facilities with the construction of more efficient production lines, taking into account environmental and safety aspects and requirements and increased capacity to meet the market growth trend.

Several major projects to introduce pollution abatement measures and improve the emission control have been completed and successfully implemented. In full compliance with its environmental policy, and in cooperation with the Egyptian Environmental Affairs Agency (EEAA) and the World Bank, Suez Cement Company launched its "Environment Pollution Abatement Project" (EPAP I) in 2005. Thus, in March 2006, two high-technology electrostatic precipitators were installed at the Kattameya plant, and two revamped gas-conditioning towers were installed at the Kattameya plant to reduce dust emissions from 350 milligrams per cubic meter in 2005 to 50 milligrams per cubic meter in 2006, at a cost of L.E. 43.5 million.

Following the successful completion of the Environmental Pollution Abatement Project (EPAP I), Suez Cement started the implementation of an action plan for the extension of EPAP I to the Tourah plant. The second phase of EPAP I, called EPAP II, aims to minimize dust emissions from the main stacks through the conversion of three electrostatic precipitators and the replacement of the gravel bed filters with the bag house.

In order to closely monitor the performance of these de-dusting devices, a new continuous emission monitoring system (CEMS) was installed at the main stack in Helwan plant 2. Moreover, in 2007, with the aim of broadening the use of less carbon-intensive fuels and reducing emissions, SCGC completed the conversion of the main burner of kiln 2 at Helwan plant from using fuel oil to natural gas in order to reduce carbon dioxide emissions. During 2008, Suez Cement will continue the conversion of the main burner of kiln 1.

As part of its commitment to the research and development of new products and applications, SCGC is installing a new admixture storage and manufacturing facility at the Kattameya plant, at an overall cost of approximately L.E. 10.3 million. The installation will be completed in June 2008.



11. HUMAN RESOURCES

The year 2007 continued to witness major events in the Human Resources Department. With the aim of increasing efficiency and overall performance, the department focused on improving the company's working environment.

In line with the HR Strategic Plan, increased emphasis was placed on controlling the escalating labor cost by reducing the total employee headcount. Said reduction was implemented through the application of two major projects: the Voluntary Exit Program (VEP) in June 2007 and the Micro Entrepreneur Program (MEP) in December 2007. These projects led to the reduction of the total headcount from 4,571 employees in January 2007 to 3,754 at the end of year 2007.

Parallel to this trend, the HR Department focused on strengthening the employee recruiting and selection process by building a comprehensive database of a wide range of highly qualified candidates from the Egyptian market. To facilitate this process, the HR department developed an online recruiting system. Additionally, the department secured an agreement with private universities and other educational institutions to provide the company with their best graduates.

The year 2007 was also very successful and productive in terms of organizational development and training. Training and development options have been increased and made available to all SCGC staff, who completed a total of 234,060 training hours (34,077 hours internally within SCGC and 199,983 hours externally). Hours varied between safety orientation sessions, customized ITC's Junior Engineers Training (JET) Egypt, New Graduates (ENG), in addition to enhancing the concept of creating a second line of trainers through our "Train the Trainers and Mentors" program. This program, in cooperation with ITC's corporate training, certified a total of 53 SCGC trainers in the areas of safety and training, and in legal and technical areas.

A major undertaking earlier in the year was the renovation and improvement of all medical care services. This project was implemented by establishing medically equipped emergency rooms and ambulance services in every clinic, and stocking the clinics with appropriate medical equipment and furniture. At the Suez and Kattameya plants, which are located in remote areas, doctor duty hours were extended to 24 hours and 18 hours respectively, to handle emergency situations.

Zero Accidents

السلامة أولاً ودائماً

12. SAFETY AND HEALTH AT WORK

Understanding the relationship between a good working environment and good company performance, Suez Cement group has made safety and health at work a key and essential component of the company's performance.
In an endeavor to improve health and safety at work, as well as ensure the institution of a corporate culture of safety across all Suez Cement's activities, the Suez Cement group launched an occupational safety and health project in 2006 named "Zero Accidents". 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 work environment at all sites and facilities by taking adequate steps to prevent accidents and injury, in addition to developing communication initiatives to promote a preventive safety and health culture.

In 2007, the "Zero Accidents" project contributed to reducing the frequency of workplace accidents by approximately 75 percent 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 two years without lost time accidents.

In 2007, more than 16,000 safety orientation and 8,737 safety training hours on the company's safety policy and the safety management handbook were provided for employees. 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 making daily safety inspections. These measures are coupled with corrective action plans and proper follow-up. Additionally, with the aim of preventing accidents and monitoring day-to-day safety performance, the project has established a corporate database of accidents, illnesses, injuries, and lost workdays that track, collect and analyze safety performance indicators.

In 2007, the company launched the nationwide multimedia awareness-raising campaign "Salamtak Bel Donia" (Your Safety is Your Life) in cooperation with the International Labour Organization (ILO) and the Ministry of Manpower and Migration. The main goal of the pilot project is to promote a culture of safety in the cement industry by raising awareness of the importance of safety and accident prevention principles and methods. Preparations for this campaign were also carried out in close collaboration with the National Institute of Occupational Safety and Health, the Egyptian Trade Union Federation, and the Federation of Egyptian Industries.

13. ENVIRONMENTAL PROTECTION

SCGC believes in being environmentally conscious and protecting its surroundings. The company has continuously invested 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. All plants continuously monitor and respect compliance with the environmental laws of Egypt, and work in close cooperation with the Ministry of Environmental Affairs to ensure that the environmental standards of each plant are on target. Furthermore, all five plants are ISO 14001 and IS0 9001 certified, in compliance with the requirements of the Environment Management System EMS-ISO 14001/2004. As part of the company's ongoing effort to reduce adverse environmental impacts, regular consultations and information sessions are held with local stakeholders.

Following the successful completion of SCGC's Environmental Pollution Abatement Project (EPAP I), which consisted of the installation of three new electrostatic precipitators at the Suez and Kattameya plants, the company started the implementation of an action plan for the extension of EPAP I to line 8 of the Tourah plant. The second phase of EPAP I, called EPAP II, aims to minimize dust emissions from the main stacks through the conversion of three electrostatic precipitators and the replacement of the gravel bed filters with the bag house.

As part of its policy to modernize and install continuous emissions monitoring systems (CEMS) on its kilns, Suez Cement replaced electrostatic filters with bag filters. Specifically, 17 bag filters were installed at the Tourah plant, seven at the Helwan plant and two at the Kattameya plant. Each plant has met all restrictions on dust emissions; in fact, the measured average emissions are below environmental regulations.

The production of cement clinker is an energy and carbon emissions intensive process. To track its carbon emissions, Suez Cement has been monitoring and reporting on CO2 emissions from its production processes since 2006, following the WBCSD CSI CO2 protocol for the cement industry. To ensure the quality of the inventory, Ernst & Young carried out a first external audit in 2007 on the consolidation of CO2 emissions for the company, covering the five plants of Kattameya, Tourah, Helwan, El Minya and Suez plants.

2007 SCGC CO_2 EMISSIONS FROM CEMENT PRODUCTION*

Absolute gross tCO_2/year	9.220.856
Specific gross (kg CO_2/ton clinker)	858
Specific gross (kg CO_2/ton cem.**)	785

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

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

Aware of the cement industry's environmental footprint, SCGC aims to achieve energy efficiency and a rational use of materials in order to protect natural resource reserves from depletion. In 2007, the company continued to take progressive action to reduce carbon dioxide emissions by using natural gas for its lines. As evidence of this trend, kiln 2 at the Helwan plant was converted to operate 100 percent with natural gas instead of using heavy fuel in its main burner. Moreover, in 2007, SCGC also investigated opportunities for the use of alternative fuels and alternative raw materials, and started to use slag as an alternative raw material to clinker.

Over the course of the year, Suez Cement completed a survey in Egypt on waste management and availability of waste as alternative fuel, and established a database for 17 kinds of industrial wastes. Two industrial tests to utilize refused money and sewage sludge at the Helwan plant as alternative fuel were implemented during the year.

SCGC recycles dust collected in de-dusting devices in the cement production process into the kilns and the finishing mills. In addition, a total area of 1,128,329 square meters at the Helwan and Tourah plants that was used in the past to dispose of bypass dust has been concealed and covered, to avoid the wind dispersion of fine particles of bypass dust.

In compliance with its environmental policy and in order to revalue the landscape, SCGC increased the number of green areas at all plants, built new waste treatment facilities and increased paved areas in and around the plants. A surface of 95,150 square meters was designated as new green areas in 2007.

14. SOCIAL ENGAGEMENT IN DEVELOPMENT

As a national leader in building materials, SCGC is fully committed to operating ethically and responsibly. In accordance with our values, we focus on integrating Corporate Social Responsibility (CSR) into all aspects of Company operations relating to our employees, customers, other stakeholders and local communities.

In particular, SCGC is devoted to establishing a sustainable dialogue with the local communities, especially those surrounding our plants. Building partnerships for sustainable development is part of our Company's corporate policy. In 2007, several projects were initiated in development fields such as education, socioeconomic development, environment, safety and health, and promotion of cultural heritage. Investing more and better in education is at the heart of SCGC's social responsibility strategy. Because education is crucial to the development of human capacities, it can play a central role in eliminating poverty. In 2007, the company continued to fund the project "Supporting the Expansion of the Activities of the Don Bosco Technical Institute in Cairo" with an annual contribution of Euro 50,000. The main goal of this program is to improve the quality of technical and vocational education and promote job matching between demand and supply.

Additionally, in 2007, SCGC supported seven preparatory and primary schools in need of renovation, through a total contribution of L.E. 400,000. These funds went towards upgrading infrastructure, equipping classrooms, purchasing computers and books for the library, and creating green corners for students.

Suez Cement also started a fruitful cooperation with the Faculty of Engineering at El Minya University. To help improve the quality of education, the company sponsored a computer laboratory and a language laboratory, supported multicultural exchange activities, and implemented a summer training program in its plant. The total cost of the project was L.E. 1,000,000. Additionally, a scholarship amounting to Euro 20,000 was granted by the El Minya plant to the top engineering graduate of El Minya University. This graduate will participate in the 2007-2008 Master F.lli Pesenti in Civil Engineering organized at the University "Politecnico di Milano".

Through the strong partnership established with the National Council for Childhood and Motherhood, the Governorate of Cairo, and 19 local NGOs, significant results have been achieved by the project "For the Smile of Our Children". The key objective of this comprehensive program, to which Suez Cement contributed L.E. 4,000,000 during the year 2007, is to contribute to improving the standard of living of the local communities in the Helwan and Tourah districts in South Cairo by providing access to quality basic infrastructure and services, especially in the field of education. In order to better respond to the needs and priorities of the communities and enhance the sustainability of the social investments, the project is implementing awareness-raising initiatives in the fields of environment, health, education and children's rights, in cooperation with local NGOs, religious leaders and schools.

Furthermore, in an attempt to strengthen awareness on safety and health at work, Suez Cement, in cooperation with the International Labor Organization (ILO) and the Ministry of Manpower, launched the multimedia advocacy campaign "Salamtak Bel Donia" or "Your Safety is Your Life".

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The campaign aims to promote safety in the cement industry by raising awareness of the importance of safety, accident prevention and safety principles and methods. SCGC's financial contribution for the implementation of this pilot project was L.E. 1,000,000.
The main purpose of the campaign is to develop new tools and activities for awareness-raising on occupational safety in the cement industry and to implement a national media awareness campaign to support and reinforce the implementation of the Zero Accidents project. This nationwide campaign, which relies on radio and television, as well as printed material in the streets, is an example of successful partnerships between the private sector, the government and civil society.

To further educate workers, their families, local communities and the general public about the causes and consequences of work-related injuries, the Kattameya plant, in cooperation with Suez Cement and the ILO, held an Open Door Day on October 4, 2007 to officially launch the Salamtak Bel Donia campaign. Among the 2,000 participants attending were H.E. Aisha Abdel Hady, Minister of Manpower and Migration, H.E. Claudio Pacifico, Italian Ambassador to Cairo, Mr. Hussein Megawer, President of the Egyptian Trade Union Federation (ETUF), Ms. Loretta De Luca, Director of the ILO Sub-Regional Office for North Africa in Cairo, in addition to many of the company's employees and workers and their families, a number of media and press representatives, industry representatives, and representatives from local NGOs, UN agencies and Egyptian federations.

With regards to the promotion of cultural heritage, SCGC contributed Euro 20,000 to excavation projects implemented by the Italian-Egyptian archeological missions in Luxor and Alexandria. Additionally, on the occasion of the celebration of World Environment Day on June 5, 2007, the Suez Cement co-sponsored the first Nile International Festival for Environmental Films. Working with the NGO "Society for Promoting Artistic Appreciation for Environmental Development" and the Ministry of Environmental Affairs, the festival was held in Egypt from June 5 – 10, 2007.

Recognizing the importance of promoting sports events aimed at raising awareness of social issues, this year SCGC sponsored the marathon event "Yes to sport, No to tobacco consumption", which was held in Helwan on March 1, 2007 in the presence of the Governor of Cairo and the district mayor. Two thousand children from Helwan ran together to educate the local community about the negative effects of tobacco consumption and to show their commitment to curbing smoking, particularly among children and adolescents.

Suez Cement Company (S.A.E.)

15.1 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

TOGETHER WITH AUDITORS' REPORT

Ernst & Young
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Suez Cement Company (S.A.E.)

15.1 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 2007 and the related statements of income, statement of changes in 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 (22), present fairly, in all material respects, the financial position of the company as of 31 December 2007, and the results of its operations and its cash flows for the year ended 31 December 2007 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.

Without qualifying our opinion and as disclosed in note (5), the company has other subsidiary companies and according to Egyptian Accounting Standards (17) ''Consolidated financial statements and accounting for investments in subsidiaries" and article number (188) of the executive regulations of corporate law 159 of 1981, the company prepares consolidated financial statements that can provide a clearer view of the financial position and the results of operations and cash flows for the group as a whole

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: 17 March 2008

Emad Ragheb	Nabil Istanbouli
FESAA – FEST	FESAA – FEST
(RAA. 3678)	(RAA. 5947)

Allied for Accounting & Auditing

Suez Cement Company (S.A.E.)

BALANCE SHEET AS OF 31 DECEMBER 2007

	Note	31.12.2007 L.E.	31.12.2006 L.E.
Long term assets			
Fixed asset, net	(3)	639,597,281	677,704,482
Projects under construction	(4)	95,205,554	86,886,184
Long term investments	(5a)	5,092,935,761	4,802,144,221
Amounts paid under investment in subsidiaries	(6)	34,307,891	186,791
Lend to affiliated companies	(13c)	137,000,000	-
Total long term assets		**5,999,046,487**	**5,566,921,678**
Current assets			
Inventories, net	(7)	223,619,451	242,967,032
Accounts receivable		4,958,906	13,018,769
Due from holding & affiliated companies	(13a)	4,699,098	13,468,415
Investments available for sale	(5b)	3,760,397	1,113,000
Prepayments and other debit balances,net	(8)	91,693,546	99,653,932
Cash on hand and at banks	(9)	36,483,000	276,653,921
Total current assets		**365,214,398**	**646,875,069**
Current liabilities			
Provisions	(10)	161,498,000	291,627,270
Short term facilities	(11)	335,052,192	95,848
Current portion of long term loans	(12)	228,787,036	257,834,229
Loans from affiliated companies	(13d)	100,000,000	-
Accounts Payable		34,762,414	30,046,973
Due to holding & affiliated companies	(13b)	27,346,737	17,527,071
Accrued expenses and other credit balances	(14)	132,831,865	146,605,852
Total current liabilities		**1,020,278,244**	**743,737,243**
Working capital		**(655,063,846)**	**(96,862,174)**
Total investment		**5,343,982,641**	**5,470,059,504**
Financed as follows:			
Equity			
Issued & paid up capital	(15)	909,282,535	909,282,535
Legal reserve		454,641,267	454,641,267
Other reserves		2,202,953,411	2,200,303,514
Retained earnings		831,959,203	294,084,317
Net Profit for the year		471,468,467	931,874,984
Total shareholders' equity		**4,870,304,883**	**4,790,186,617**
Long term liabilities			
Long term loans	(16)	459,410,070	688,581,109
Deferred tax	(17)	14,267,688	(8,708,222)
Total finance of working capital and long term assets		**5,343,982,641**	**5,470,059,504**

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

- The accompanying accounting policies & notes from (1) to (22) are an integral part of these financial statements.
- Auditors' report attached.

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Suez Cement Company (S.A.E.)

STATEMENT OF INCOME
For the year ended 31 December 2007

	Note	31.12.2007 L.E.	31.12.2006 L.E.
Net sales		1,345,065,140	1,276,721,413
Cost of sales		(729,955,150)	(638,391,409)
GROSS PROFIT		**615,109,990**	**638,330,004**
General and administrative expenses		(120,750,869)	(60,971,157)
Provisions and impairment in value of assets		(41,808,000)	(175,473,270)
Board of directors' remuneration and allowances		(99,000)	(129,000)
Other income		12,028,250	5,376,785
OPERATING INCOME		**464,480,371**	**407,133,362**
Financing expenses		(107,701,475)	(143,646,370)
Provisions no longer required		6,964,703	-
Investments income		154,734,210	686,023,607
Credit interest		24,721,620	33,786,110
Gain from sale of fixed assets		6,172,719	2,500
(Loss) from foreign exchange differences		(5,602,956)	(2,167,241)
NET PROFIT BEFORE INCOME TAXES		**543,769,192**	**981,131,968**
Deferred income tax		(22,975,910)	32,398,649
Estimated income tax		(49,324,815)	(81,655,633)
NET PROFIT FOR THE YEAR		**471,468,467**	**931,874,984**
EARNING PER SHARE	(22)	**2.59**	**5.12**

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying accounting policies & notes from (1) to (22) are an integral part of these financial statements.

Suez Cement Company (S.A.E.)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

	Paid up Capital L.E.	Collection under capital increase L.E.	Legal Reserve L.E.	Other reserves L.E.	Retained earnings L.E.	Total L.E.
Balance as of 1.1. 2006	855,728,330	471,972,915	427,864,165	1,804,385,086	631,442,482	4,191,392,978
Increase of share capital & reserves	53,554,205	(471,972,915)	26,777,102	395,903,428	-	4,261,820
Dividends paid 2005	-	-	-	15,000	(337,358,165)	(337,343,165)
Net income for the period	-	-	-	-	931,874,984	931,874,984
Balance as of 31.12. 2006	**909,282,535**	-	**454,641,267**	**2,200,303,514**	**1,225,959,301**	**4,790,186,617**
Balance as of 1.1. 2007	**909,282,535**	-	**454,641,267**	**2,200,303,514**	**1,225,959,301**	**4,790,186,617**
Dividends payable and transfer to reserves for year 2006	-	-	-	2,500	(398,098,234)	(398,095,734)
Gain from rev. of available for sale investments note (5b)	-	-	-	2,647,397	-	2,647,397
Tax adjustment for previous years	-	-	-	-	4,098,136	4,098,136
Net income for the Period	-	-	-	-	471,468,467	471,468,467
Balance as of 31.12. 2007	**909,282,535**	-	**454,641,267**	**2,202,953,411**	**1,303,427,670**	**4,870,304,883**

- The accompanying accounting policies & notes from (1) to (22) are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
For the year ended 31 December 2007

	31/12/2007 L.E.	31/12/2006 L.E.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	471,468,467	931,874,984
Adjustments to reconcile net income to cash flows from operating activities		
Credit interest	(24,721,620)	(33,786,110)
Depreciation	88,697,443	86,218,481
Gain from sale of Fixed assets	(6,172,719)	(2,500)
Provision Utilized	(133,064,567)	-
Provision no longer required	(6,964,703)	-
Provisions and impairment in the value of assets	41,808,000	175,473,270
Loss from foreign exchange differences	5,602,956	2,167,241
Gain from revaluation of investments	4,098,135	-
Deferred tax	22,975,910	(34,237,841)
Operating profit before changes in working capital	**463,727,302**	**1,127,707,525**
(Increase) decrease in inventories	(12,560,419)	56,151,252
Decrease (increase) in accounts receivable	8,059,863	(5,308,123)
Decrease in due from related parties	8,769,317	58,355,623
Decrease (Increase) in prepayment and other debit balance	7,960,386	(25,085,755)
Increase in suppliers	4,715,441	3,920,183
Increase (decrease)in due to related parties	9,819,666	(16,376,388)
(Decrease) in accrued expenses and other credit balances	(13,773,987)	(2,160,378)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**476,717,569**	**1,197,203,939**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(54,495,814)	(157,030,409)
Proceeds from sale of Fixed assets	10,078,292	316,530
(Payments) for project under construction/transferred to fixed assets	(8,319,370)	24,217,141
(Purchases) of investments in subsidiaries	(290,791,540)	(78,832,859)
Amounts paid under investments in subsidiaries	(34,121,100)	(186,791)
(Payments) of long term loans to subsidiaries	(137,000,000)	-
Interest received	24,721,620	33,786,110
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(489,927,912)**	**(177,730,278)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer to reserves	2,500	4,261,820
Proceeds (Payments) in short term facilities	334,956,344	(496,447,278)
(Payment) for long term loan	(258,218,232)	(551,237,825)
Proceeds from loans from subsidiaries	100,000,000	-
(Payment) for other long term liabilities	-	(57,738)
Dividends paid	(398,098,234)	(337,343,165)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES	**(221,357,622)**	**(1,380,824,186)**
Net (decrease) in cash on hand and at banks during the year	(234,567,965)	(361,350,525)
(Loss) from foreign exchange differences	(5,602,956)	(2,167,241)
Cash on hand and at banks - beginning of the year	276,653,921	640,171,687
CASH ON HAND AND AT BANKS- END OF THE YEAR	**36,483,000**	**276,653,921**

-The accompanying accounting policies & notes from (1) to (22) are an integral part of these financial statements.

Suez Cement Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS
December 2007

1. BACK GROUND

Suez Cement Company – S.A.E, was established in 1977 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 number181134. The main objective of the Company is to manufacture all types of cement.

As shown in note number (5) 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 Cement Francis) acquired with consortium of other investors 80.8% from the company shares starting from 24 March 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the Egyptian Accounting Standars (EAS) and applicable laws and regulations.

The financial statements are presented in Egyptian Pounds.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year's accounting policies.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non monetary assets and non monetary liabilities valued at historical cost denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of transaction.

Property, plant and equipment

a) Recognition and initial measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

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b) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

c) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

Long term investments in subsidiaries

Investments in subsidiaries, related and affiliated companies are carried by the cost method. In case of permanent impairment in the value of the investment from its book value, the book value is to be adjusted by the amount of decrease and impairment loss is recognized in the income statement for each investment separately.

Revenue from investments is recognized based on the dividend received from the companies invested in, from earnings generated after the date of acquisition of those investments, this is after the date of dividends distribution declaration approved in the general assembly meetings of those companies.

Other Investments

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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Inventories

The physical inventory count and valuation were undertaken by the company's management according to the cost. The inventory cost is valued as follow:

- Raw materials, fuel, supplies, packaging and packing materials: at cost using the weighted average method.
- Spare parts: at cost using the moving average method.
- Work in progress: at its share of all direct and indirect manufacturing costs up to the last productive process reached.
- Finished goods: at its share of all direct and indirect manufacturing costs.
- Allowance is made for the decrease in the net realizable value of obsolete and slow moving items.

Cash on hand and at banks

Cash on hand and at banks comprise cash on hand, bank current accounts, cheques under collection, certificates of deposits and deposits with maturity not exceeding three month. Pledged current accounts and time deposits against long term loans, letter of credits and letter of grantee are not considered as a component of cash on hand and at banks.

Accounts receivables & other debit balances

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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.

Revenue recognition

- Revenue from sales is recognized when all the following conditions have been satisfied:

(a) The company has transferred to the buyer the significant risks and rewards of ownership of the sales;
(b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits associated with the transaction will flow to the company; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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- Revenue from services is recognized when the transaction can be measured reliably on the consolidated balance sheet date.

- Shares profit income is recognized when declared.
- Interest income is recognized on an accrual basis.

Legal reserves

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

Impairment of assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

Accounting estimates

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

Income tax

Taxation is provided in accordance with Egyptian fiscal regulations.
Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.
Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

Cash flow statement

The cash flow statement is prepared using the indirect method.Related party transactions
Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

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Borrowing

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

Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset.

Expenses

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

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3. FIXED ASSETS, NET

	Land	Building Construction, infrastructure and Roads	Machinery, equipment and tools	Motor vehicles	Furniture and office equipment	Total Fixed assets
Cost	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
1 January 2007	398,502	452,442,339	982,729,711	61,753,570	38,622,453	1,535,946,575
Additions	-	4,740,580	44,279,437	1,204,573	4.271.224	54,495,814
Disposals	-	-	(20,510,076)	(13,210,085)	(10,504)	(33,730,665)
31 December 2007	398,502	457,182,919	1,006,499,072	49,748,058	42,883,173	1,556,711,724
Depreciation						
As of 1 January 2007	-	(247,407,121)	(539,887,701)	(47,740,795)	(23,206,476)	(858,242,093)
Depreciation charge for the year	-	(20,230,318)	(58,847,607)	(4,496,626)	(5,122,892)	(88,697,443)
Relating to Disposals	-	-	17,882,848	11,932,026	10,219	29,825,093
31 December 2007	-	(267,637,439)	(580,852,460)	(40,305,395)	(28,319,149)	(917,114,443)
Net Book Value						
As of 31 December 2007	398,502	189,545,480	425,646,612	9,442,663	14,564,024	639,597,281
As of 31 December 2006	398,502	205,035,218	442,842,010	14,012,775	15,415,977	677,704,482

Fixed Assets as of 31-12-2007 includes assets that are fully depreciated as follows:

Assets	Cost
Building Construction, infrastructure and Roads	124,150,881
Machinery, equipment and tools	294,721,030
Motor vehicles	28,839,750
Furniture and office equipment	10,666,771
Total	458,378,432

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4. PROJECTS UNDER CONSTRUCTION

Balance at 1 January 2007	Additions during the year	Transferred into assets during the year	Balance at 31/12/2007
L.E.	L.E.	L.E.	L.E.
86,886,184	53,138,276	(44,818,906)	95,205,554

	31/12/2007 L.E.	31/12/2006 L.E.
Capitalized Maintenance.	6,214,922	14,760,386
Other project under construction	22,867,755	11,217,603
Down payment under purchase of fixed asset	1,473,747	80,258
New Offices in Cairo	79,089	163,413
Capitalized spare parts*	64,570,041	60,664,524
	95,205,554	86,886,184

* Spare parts transferred from stock of spare parts to projects under construction for using of major shut down and capitalized maintenance.

5. INVESTMENTS

A) Investments in subsidiary companies

	% of Ownership	Stock Face Value	31/12/2007 L.E.	31/12/2006 L.E.
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
Ready Mix Beton (RMB)	52%	10	26,277,866	26,277,866
Ready Mix Beton Egypt (RMBE)	52%	10	52,554,993	52,554,993
Techno Gravel For Quarries-Egypt	45%	10	28,334,257	-
EL Helal Cement Company-Kuwait	51	15.29	262,457,272	-
Egyptian Co.For Development Building Materials (DECOM)		10.64	11	-
			5,092,935,761	4,802,144,221

Suez Cement Company (S.A.E.)

B) Short term investments

Short term investments represent the amount invested in available for sale securities amounted to L.E. 3,760,397 as of 31 December 2007, which represents the contribution in Egyptian Cement Company S.A.E. The investment has been revaluated based on the financial statement of Egyptian Cement Company as of 30 September 2007.

6. AMOUNTS PAID UNDER INVESTMENT IN SUBSIDIARIES

	% of Ownership	Stock Face Value	31/12/2007 L.E.	31/12/2006 L.E.
Suez Bosphorus Cimento Sanayi Ve Ti	99.9%	3.64	186,791	186,791
Al Tanmeya for Industries Company	90	100	13,500,000	-
Upper Egypt for Industries Company	90	100	13,500,000	-
Suez Lime Company	49	100	3,621,100	-
Suez For Transport & Trade	35	100	3,500,000	-
			34,307,891	**186,791**

7. INVENTORIES, NET

	31/12/2007 L.E.	31/12/2006 L.E.
Raw materials	4,629,081	5,590,459
Fuel, Spare parts and Consumables	241,935,168	227,139,981
Rolling and packing Material	7,298,484	6,294,997
Work in progress	17,865,661	15,787,983
Finished Products	6,869,596	12,564,636
Letters of credit	3,505,461	2,164,976
	282,103,451	269,543,032
Less:		
Allowance for decrease in obsolete and slow moving inventory items value	(58,484,000)	(26,576,000)
	223,619,451	**242,967,032**

Suez Cement Company (S.A.E.)

8. PREPAYMENTS AND OTHER DEBIT BALANCES - NET

	31/12/2007 L.E.	31/12/2006 L.E.
Prepaid expenses	7,060,270	1,143,793
Advance payment to Suppliers	13,963,357	11,416,269
Accrued income – interests	66,604	5,179,781
Deposit with others	14,988,170	14,821,540
Debtors (assets sales)	15,045,111	-
Tax administration	26,063,929	21.965.793
Other debit balances	5,312,292	4.886.737
Pledged time deposits*	10,993,813	42,040,019
	82,499,733	59,413,913
	93,493,546	101,453,932
Less:		
Allowance for decrease in other debit balances value	(1,800,000)	(1,800,000)
	91,693,546	**99,653,932**

** The balance of pledged time deposit amounted to L.E. 10,993,813 includes pledged time deposit in favour of NSGB amounted to L.E. 2,709,673 against long term loans and pledged time deposit in favour of Alexandria bank amounted to L.E. 8,284,140 against letter of credits.*

9. CASH ON HAND AND AT BANKS

	31/12/2007 L.E.	31/12/2006 L.E.
A- Egyptian Pound		
Cash on hand	-	73,973
Current accounts	15,703,511	7,233,063
B. Foreign currencies		
Current accounts	2,002,105	(1,680,930)
Time deposits	18,777,384	20,431,155
Certificate of deposits Central Bank of Egypt	-	250,596,660
	36,483,000	**276,653,921**

Suez Cement Company (S.A.E.)

10. PROVISIONS AND IMPAIRMENT IN THE VALUE OF ASSETS

A - Provisions

	Balance as of 1 January 2007	Charged during the year	Provisions no longer required during the year	Utilized during the year	Balance as of 31.12. 2007
Tax claims	128,350,000	4,900,000	-	-	133,250,000
Other claims	149,218,600	5,000,000		(128,715,600)	25,503,000
Site restoration	7,553,670	-	(6,964,703)	(588,967)	-
Juridical disputes	6,505,000	-	-	(3,760,000)	2,745,000
	291,627,270	**9,900,000**	**(6,964,703)**	**(133,064,567)**	**161,498,000**

B - Impairment in the value of assets

Decrease in inventories	26,576,000	31,908,000	-	-	58,484,000
Decrease in other debit balances	1,800,000	-	-	-	1,800,000
	28,376,000	31,908,000	-	-	60,284,000
	320,003,270	**41,808,000**	**(6,964,703)**	**(133,064,567)**	**221,782,000**

Suez Cement Company (S.A.E.)

11. SHORT TERM FACILITIES

The balance of short term facilities represents short term facilities from several Egyptian banks with a maximum limit amounted to 990 Millions Egyptian pound, the outstanding balance of these facilities as of 31 December 2007 amounted to L.E. 335,052,192.

12. CURRENT PORTION OF LONG TERM LOANS

	31/12/2007 L.E.	31/12/2006 L.E.
Alexandria Bank	-	28,559,233
NSGB Bank	3,787,036	4,274,996
CIB Bank	225,000,000	225,000,000
	228,787,036	**257,834,229**

13. RELATED PARTY TRANSACTION

Related party transactions are determined based on normal business transactions as declared by the board on directors as follows:

Cements Frances (Strategic partnership).
- The amount of the technical assistance fees offered during the period amounting to L.E. 22.391 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 8.956 Million pounds.

- The company has exported Cement amounted to L.E. 70.680 Million through Interbulck Co. which is one of the subsidiaries of Italcementi Group (the holding company of Ciments Francis Company) "Major shareholder".

Suez Bags Company.
- The value of the supplied bags amounted to L.E. 80.775 million as of 31 December 2007.
- The Suez Bags portion from the fees of Suez Cement Group amounted to 2.201 Million as of 31 December 2007.

Tourah Portland Cement Company.
- The Tourah Cement portion from the technical assistance fees of Cements Francis amounted to L.E. 13.434 Million as of 31 December 2007.

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-The Tourah Cement portion from the fees of Suez Cement Group amounted to 12.246 Million as of 31 December 2007.
- The value of the supplied clinker amounted to L.E. 19.643 million as of 31 December 2007

Helwan Cement Company

- The value of the supplied clinker amounted to L.E. 15.022 million as of 31 December 2007.
- Helwan Cement portion from the fees of Suez Cement Group amounted to 22.073 Million as of 31December 2007.
- The value of the sold clinker amounted to L.E. 2.889 million as of 31 December 2007.

Ready Mix Beton (RMB)

-The value of the sold cement amounted to L.E. 0.407 million as of 31December 2007.

Ready Mix Beton Egypt (RMBE)

-The value of the sold cement amounted to L.E. 2.949 million as of 31 December 2007.

Egyptian Co. For Development Building Materials (DECOM)

-The value of the sold cement amounted to L.E. 1.893 million as of 31 December 2007.

The results of these transactions generate the following balances:

A) Due from holding and affiliated companies:

	31/12/2007 L.E.	31/12/2006 L.E.
Tourah Portland Cement Company	62,716	7,208,369
Suez Bags Company	-	1,098,460
Helwan Cement Company	4,548,461	5,161,586
Ready Mix Beton (RMB)	13,380	-
Ready Mix Beton Egypt (RMBE)	7,636	-
Suez Lime Company	27,000	-
Suez For Transport & Transport	39,905	-
	4,699,098	**13,468,415**

Suez Cement Company (S.A.E.)

B) Due to holding and affiliated companies:

	31/12/2007 L.E.	31/12/2006 L.E.
Cement Francis	23,627,731	17,522,466
Suez Bags Company	3,682,722	-
Ready Mix Beton (RMB)	-	4,605
Egyptian Co. For Deveiopment Building Materials (DECOM)	36,284	-
	27,346,737	17,527,071

C) Loans to affiliated companies:

Suez Cement company's Board of Directors had approved on his session no. 380 dated 20October 2006 to lend Ready Mix Beton Egypt (RMBE) an amount up to L.E. 300 million at annual rate of 10.54%. As of 31December 2007 the used portion amounted to L.E. 137 million.

D) Loans from affiliated companies:

Tourah Portland cement Company's Board of Directors had approved on his session no.65 dated 20 October 2006 to lend Suez Cement Company an amount of L.E. 120 million at annual rate of 9.24% (1.5% over variable interest rate of treasury bond).
The balance of the loan amounted to L.E 100 million on 31 December 2007.

14. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/12/2007 L.E.	31/12/2006 L.E.
Accrued cost	20,516,827	9,558,109
Advance From Customers	32,882,532	26,611,787
Accrued Salaries	2,255,919	2,280,333
Income tax for the year	48.414.082	81,655,633
Deposits from others	1,370,350	1,713,546
Claims (Electricity, Gas, Water)	15,130,112	6,521,494
Other creditors	12,262,043	18,264,950
	132,831,865	**146,605,852**

15. CAPITAL

The company's authorized capital amounted to L.E. 1,300 million and the Company's issued and paid up capital amounted to L.E. 909,282,535 divided over 181,856,507 shares of L.E. 5 par value each.

Suez Cement Company (S.A.E.)

16. LONG TERM LOANS

	31/12/2007 L.E.	31/12/2006 L.E.
NSGB Bank	9,410,070	13,581,109
CIB Bank	450,000,000	675,000,000
Total	**459,410,070**	**688,581,109**

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 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 L.E. 12 million and US $ 3 million at a variable interest rate for the loan granted in Egyptian pound (Average deposit cost plus 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 L.E. 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 L.E. 1,968,000 in addition to interest and commissions.

The balance of the loan amounted to L.E. 9,410,070 on 31December2007, after reclassification the current
portion of long term loan during year 2007 amounted to L.E. 3,787,036 (Note 12).

Commercial international Bank-Egypt (CIB) 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 L.E. 1,200 million. On 13 September 2006 a participation medium term loan was signed in two tranch amounted to L.E. 900 million will be paid on four equal annual installments starting on 31 December 2007 and L.E. 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 L.E. 225 million (Note 12).

Bank of Alexandria Loan

On 10 March 2007 the company had paid the total amount of the loan and its accrued interest during the year 2007 in advance.

Suez Cement Company (S.A.E.)

17. DEFERRED INCOME TAXES

	Assets L.E.	Liabilities L.E.
Depreciation of fixed assets	-	(31,974,088)
Provisions	17,706,400	-
Deferred tax Asset (liability)	17,706,400	(31,974,088)
Net deferred tax liability	14,267,688	-

18. CONTINGENT LIABILITIES

The uncovered portion of letters of guarantee and letters of credit issued to the Company by banks on 31 December 2007.

	31/12/2007 L.E.	31/12/2006 L.E.
Letter of Guaranties	351,262	351,262
Letter of Credit	26,373,236	28,974,802
	26,724,498	29,326,064

19. 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 for the years from 1999 to 2001, the company objected on the assessment results during the legal period and the issue is currently in the internal committee.
- The Company's records were inspected for the years from 2002 to 2004 and there are no taxes dues related to those years.
- No tax inspection took place for the years from 2005 till 2007.
- The tax assessment for the year ended 31 December 2007 amounting to L.E. 49,324,815.

b) Sales tax

- The Company's records were inspected till year 2002 and all the taxes due were paid.
- The Company's records were inspected for the years from 2003 till 2006.
- No tax inspection took place for the year 2007.

c) Salary tax

- The Company's records were inspected till year 1998, and all the taxes due were paid.
- The Company's records were inspected for the years from 1999 till 2004.

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- No tax inspection took place for the years from 2005 till 2007.

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.
-No tax inspection took place for the years 2006 and 2007.

20. 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 L.E. 37,371,357 whereas, the total financial liabilities denominated in foreign currencies amount to L.E. 24,433,518

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.

21. EARNING PER SHARE

Earnings per share were calculated by dividing the net profit for the year by the number of outstanding shares that did not change during the year, Earnings per share for the year ended 31 December 2007 amounted to L.E. 2.59 (Outstanding shares during the year 181856507 shares) (Earnings per share for the year ended 31 December 2006 amounted to L.E. 5.12 for outstanding shares 181856507 shares), This was calculated without taking into consideration any future dividends distribution to the company's employees

and members of the board directors related to the year ended 31 December 2007.

22. COMPARATIVE FIGURES

Certain comparative figures for year 2006 have been reclassified to conform to the period current year presentation.

Suez Cement Company (S.A.E.)

15.2 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

TOGETHER WITH AUDITORS' REPORT

Ernst & Young
Quality In Everything We Do

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 2007, 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 Ready Mix Beton Company (S.A.E) (Subsidiary), Ready Mix Beton – Egypt Company (S.A.E) (Subsidiary), Development and Construction Material Company – (DECOM) – (S.A.E.) (Subsidiary), Hilal Cement Company (K.S.C.C.) – Kuwait (Subsidiary) for the year ended 31 December 2007 were audited by another auditors. The other auditors audit report dated 26 January 2008 and 18 February 2008 on Ready Mix Beton Company (S.A.E), Ready Mix Beton – Egypt Company (S.A.E) and Hilal Cement Company (K.S.C.C.) – Kuwait financial statements were unqualified. The other auditors audit report dated 25 February 2008 on Development and Construction Material Company – (DECOM) – (S.A.E.) financial statements was qualified on the following elements:

-Physical inventory count was undertaken by the company's management in accordance with the proper norms.
-The company did not provide the adequate provision for doubtful debts.
-The company did not confirm the debit balances at the financial statements preparation date.
-We have not identified the nature of Gazelle Limited Inc. balance, which was included in the advance payments, and other debit balances amounting to L.E. 10,225,967.

The financial statements of those Companies for the year ended 31 December 2007 had included assets, liabilities and net profit after tax amounting to L.E. 680,811,490, L.E. 159,361,485 and L.E. 26,607,684 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

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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.

In our opinion, the consolidated financial statements referred to above and the related notes from (1) to (27), present fairly, in all material respects, the consolidated financial position of the company as of 31 December 2007, 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, 18 March 2008

Auditors		
Emad H. Ragheb		Nabil A. Istanbouli
FESAA – FEST		FESAA – FEST
(RAA. 3678)		(RAA. 5947)
(CMAR. 42)	Allied for Accounting & Auditing E&Y	(CMAR. 71)

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CONSOLIDATED BALANCE SHEET as of 31 December 2007

	Note	2007 L.E.	2006 L.E.
Long term assets			
Fixed assets, net	(3-4, 4)	3,810,013,954	3,761,391,933
Projects under construction	(3-5, 5)	284,975,045	215,704,905
Goodwill	(2c,d,e,f)	2,676,564,515	2,524,374,640
Amounts paid under investment in subsidiaries	(6)	43,881,794	210,794
Long term investments	(3-6, 7a)	9,526,331	6,942,361
Investment in an associate company	(3-7, 7b)	30,672,808	-
Total long term assets		6,855,634,447	6,508,624,633
Current assets			
Inventories, net	(3-10, 8)	735,949,364	743,773,349
Accounts and notes receivables, net	(3-9, 9)	151,937,303	61,305,889
Investments available for sale	(3-8, 7c)	3,760,397	1,113,000
Prepayments and other debit balances, net	(3-9, 10)	304,287,116	167,979,498
Cash and cash equivalents	(3-11, 11)	942,056,664	754,203,348
Total current assets		2,137,990,844	1,728,375,084
Current liabilities			
Provisions	(3-13, 15)	420,354,213	607,529,125
Short term facilities	(12)	370,825,867	1,958,055
Current portion of long term loans	(3-21, 13)	376,491,918	404,061,874
Current portion of long term liabilities	(19)	47,705,367	46,533,621
Accounts and notes payable		247,237,268	174,441,116
Dividends payable		2,207	218,233
Accrued expenses and other credit balances	(14)	509,293,159	443,351,056
Total current liabilities		1,971,909,999	1,678,093,080
Working capital		166,080,845	50,282,004
Total investment		7,021,715,292	6,558,906,637
Financed as follows:			
Equity			
Issued and Paid up capital	(16)	909,282,535	909,282,535
Reserves		2,657,594,678	2,654,944,781
Cumulative foreign currencies translation differences	(2f,g)	1,809,991	-
Retained earnings		1,000,052,964	1,387,544,164
Net profit for the year		980,847,565	-
Total equity		5,549,587,733	4,951,771,480
Minority interest	(2g, 17)	488,008,695	260,594,384
Long term liabilities			
Long term loans	(3-21, 18)	778,907,943	1,137,301,194
Other long term liabilities	(19)	205,210,921	209,239,579
Total finance of working capital and long term assets		7,021,715,292	6,558,906,637

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

- The accompanying accounting policies and notes from (1) to (27) are an integral part of these consolidated financial statements.
- Auditors' report attached.

Suez Cement Company (S.A.E.)

CONSOLIDATED STATEMENT OF INCOME For the year ended 31 December 2007

	Note	2007 L.E.	2006 L.E.
Net sales	(3-12)	4,195,845,926	3,542,776,477
Cost of sales		(2,365,973,328)	(1,877,647,438)
GROSS PROFIT		1,829,872,598	1,665,129,039
General and administrative expenses	(3-22)	(409,630,513)	(212,000,105)
Provisions and impairment in the value of assets	(3-13,15)	(171,270,185)	(329,255,728)
Board of directors' remuneration and allowances		(215,218)	(202,960)
Other revenues	(21)	100,604,849	24,209,924
Other expenses		(15,560,422)	(17,021,081)
OPERATING INCOME		1,333,801,109	1,130,859,089
Financing expenses	(3-17)	(153,095,075)	(207,178,944)
Interest income	(3-12)	61,339,009	74,678,242
Investments income	(3-6)	4,878,428	1,406,455
Investment income in an associate company	(3-7,7b)	2,338,551	-
(Loss) on sale of investment		(45,023)	-
Provisions no longer required and impairment return in the value of assets	(15)	131,738,980	-
Gain from sale of fixed assets		12,538,565	5,488,594
Gain (Loss) from foreign exchange differences	(3-3)	590,335	(2,742,086)
Extraordinary income		-	10,000
NET PROFIT BEFORE INCOME TAXES AND MINORITY INTEREST		1,394,084,879	1,002,521,350
Deferred income tax	(3-18)	(32,211,028)	10,356,296
Income tax	(14)	(216,979,134)	(214,116,127)
NET PFOFIT BEFORE MINORITY INTEREST		1,144,894,717	798,761,519
Minority interest	(2g, 17)	(164,047,152)	(95,802,198)
NET PROFIT FOR THE YEAR		980,847,565	702,959,321
EARNINGS PER SHARE	(23)	5,39	3,87

Financial Director	Chief financial officer	Managing director	Chairman
Mohamed Bahaa	Mohamed Lotfy Benslimane	Roberto Callieri	Omar A. Mohanna

- The accompanying accounting policies and notes from (1) to (27) are an integral part of these consolidated financial statements.
- Auditors' report attached.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

	Issued and Paid up Capital L.E.	Collection under capital increase L.E.	Reserves L.E.	Cum. foreign currencies trans. differences L.E.	Retained earing L.E.	Net profit for the year L.E.	Total L.E.
Balance as of 1.1.2006	**855,728,330**	**471,972,915**	**2,230,915,659**	**-**	**1,050,216,344**	**-**	**4,608,833,248**
Adjustments on retained earnings	-	-	-	-	122,872	-	122,872
Adjusted balance as of 1.1 2006	855,728,330	471,972,915	2,230,915,659	-	1,050,339,216	-	4,608,956,120
Dividends Paid 2005	-	-	4,276,820	-	(364,420,781)	-	(360,143,961)
Increase of share capital and reserves	53,554,205	(471,972,915)	418,418,710	-	-	-	-
Transferred to reserves	-	-	1,333,592	-	(1,333,592)	-	-
Net profit for the year	-	-	-	-	702,959,321	-	702,959,321
Balance as of 31.12.2006	909,282,535	-	2,654,944,781	-	1,387,544,164	-	4,951,771,480
Balance as of 1.1.2007	909,282,535	-	2,654,944,781	-	1,387,544,164	-	4,951,771,480
Taxes differences received	-	-	-	-	25,232,087	-	25,232,087
Adjustments on retained earnings	-	-	-	-	(515,889)	-	(515,889)
Adjusted balance as of 1.1.2007	`909,282,535	-	2,654,944,781	-	1,412,260,362	-	4,976,487,678
Dividends paid 2006	-	-	2,500	-	(412,207,398)	-	(412,204,898)
Revaluation gain of investments available for sale (note 7c)	-	-	2,647,397	-	-	-	2,647,397
Cumulative foreign currencies translation differences (note 2f)	-	-	-	1,809,99	-	-	1,809,991
Net profit for the year	-	-	-	-	-	980,847,565	980,847,565
Balance as of 31.12.2007	**909,282,535**	**-**	**2,657,594,678**	**1,809,991**	**1,000,052,964**	**980,847,565**	**5,549,587,733**

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

Suez Cement Company (S.A.E.)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2007

CASH FLOWS FROM OPERATING ACTIVITIES	L.E.	L.E.
Net profit before income taxes and minority interest	1,394,084,879	1,002,521,350
Adjustments to reconcile net income to cash flows from operating activities		
Depreciation	278,491,409	306,147,924
Provisions and impairment in the value of assets	171,270,185	329,255,728
Financing expenses	153,095,075	207,178,944
Investment income in an associate company	(2,338,551)	-
Provisions no longer required and impairment return in the value of assets	(131,738,980)	-
Capital (gain)	(12,538,565)	(5,488,594)
(Gain) Loss from foreign exchange differences	(590,335)	2,742,086
Operating profit before changes in working capital	**1,849,735,117**	**1,842,357,438**
(Increase) decrease in inventories	(90,567,015)	76,614,516
(Increase) in accounts and notes receivable, prepayments and other debit balances	(248,634,397)	(71,422,882)
Provisions reclassified	35,878,821	5,972,846
(Decrease) in dividends payable	(216,026)	(34,076)
Increase in accounts payable, accrued expenses and other credit balances	138,461,559	33,125,041
Cash from operations	**1,684,658,059**	**1,886,612,883**
Taxes differences received	25,232,087	-
Provisions paid	(166,777,908)	(13,464,450)
Taxes paid	(216,702,438)	(124,829,595)
Interest paid	(153,095,075)	(207,178,944)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**1,173,314,725**	**1,541,139,894**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(332,282,596)	(298,674,886)
Proceeds from sale of fixed assets	19,517,722	9,093,142
(Payments) for projects under construction	(69,270,140)	(87,533,224)
Amounts paid under investment in subsidiaries	(43,671,000)	(210,794)
Proceeds from sale of long term investments	-	860,681
(Purchase) of investment in an associate company	(28,334,257)	-
Goodwill paid	(152,189,875)	(69,422,303)
Interest received	21,695,365	1,200,164
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(584,534,781)**	**(444,687,220)**
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) of Long term loans and other long term liabilities	(421,031,147)	(863,920,339)
Proceeds (payments) of short term facilities	368,867,812	(497,452,807)
Dividends paid	(412,204,,898)	(360,143,961)
Adjustments on retained earnings	(515,889)	122,872
Increase (decrease) in minority interest	63,367,159	(358,805,608)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES	**(401,516,963)**	**(2,080,199,843)**
Net increase (decrease) in cash on hand and at banks during the year	**187,262,981**	**(983,747,169)**
Cash on hand and at banks – beginning of the year	754,203,348	1,740,692,603
Gain (loss) from foreign exchange differences	590,335	(2,742,086)
CASH ON HAND AND AT BANKS – END OF THE YEAR	**942,056,664**	**754,203,348**

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

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Suez Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

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 its executive regulation.

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

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

Suez 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 Ahram Cement Company on 26 December 1999, and recorded at the commercial register under No. 4451 on 26 December 1999. Based on a decree from the Extraordinary General Assembly Meeting dated 14 September 2000, the Company's name was changed to ASEC Cement Company (S.A.E). The Extraordinary General Assembly Meeting on 29 November 2001 approved the merger with Helwan Portland Cement Company (S.A.E.) effective on 1 October 2001. The Extraordinary General Assembly Meeting on 17 March 2003 approved the evaluation of assets and liabilities according to the Capital Market Authority Committee decision No. 540 formed in 2002 and the Ministry decree No. 1699 which stated that ASEC Cement Company will own all assets and liabilities of Helwan Portland Cement Company (S.A.E.) effective from 1 October 2001. The management of both companies finalized all legal procedures related to the merger and registered the merger at the commercial register under No. 3142 on 30 June 2003. The Helwan Portland Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

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.

On 5 July 2007, the company acquire 99.99% of Development and Construction Material Company – (DECOM) – (S.A.E.) shares.

Development and Construction Material Company – (DECOM) – (S.A.E.) was established on 3 August 1996 as a Joint Stock Company under Law 95 of 1992.

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

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

Hilal Cement Company (K.S.C.C.) – Kuwait was established on 19 January 1984 as a closed Joint Stock Kuwaiti Company. The main activities of the company are import, storage and distribution of cement and other bulk materials.

السويس للأسمنت
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

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.), Hilal Cement Company (K.S.C.C.) – Kuwait, Ready Mix Beton – Egypt Company (S.A.E.) and its subsidiary Development and Construction Material Company – (DECOM) – (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 amounting to 746,008,413, The goodwill treated as Suez Cement Company's share in the fair value of the Egyptian Tourah Portland Cement Company (S.A.E.) assets. In accordance to that Egyptian Tourah Cement Company (S.A.E.) fixed assets are stated at the historical cost in addition to the share of Suez Cement Company (S.A.E.) in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful live using the straight-line method. The total accumulated amortization as of 31 December 2007 amounting to L.E. 135,584,046 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 2007 amounting to L.E. 589,341,881.

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.
Accordingly, the share of Suez Cement Company (S.A.E.) in Suez Bags Company (S.A.E.) is 56.31%.

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) 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.
On 5 July 2007, Ready Mix Beton – Egypt Company (S.A.E) acquire 99.99 % of Development and Construction Material Company – (DECOM) – (S.A.E) shares, represents 7364524 shares with a par value of L.E. 10, which resulted in goodwill, amounted to L.E. 44,281,350, which represents the difference between acquisition costs amounted to L.E. 63,565,568, and 99.99% of Development and Construction Material Company – (DECOM) – (S.A.E) net assets in acquisition date amounted to L.E. 19,284,218.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Accordingly, the share of Suez Cement Company (S.A.E) in Development and Construction Material Company – (DECOM) – (S.A.E) is 52%.
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. Hilal Cement Company (K.S.C.C.) – Kuwait

On 19 September 2007, Suez Cement Company (S.A.E) acquired 16,830,000 shares from the shares of Hilal Cement Company (K.S.C.C.) – Kuwait, Suez Cement Company (S.A.E) share is 51% (16,830,000 shares) with a par value of KD 0,10, which resulted in goodwill, amounted to KD 5,434,286 equivalent to L.E. 108,641,431, which represents the difference between acquisition costs amounted to KD 13,128,213 equivalent to L.E. 262,457,272 and 51% of Hilal Cement Company (K,S,C,C,) – Kuwait net assets in acquisition date amounted to KD 7,693,927 equivalent to L.E. 153,815,841.
The goodwill was recorded as long term asset in the consolidated financial statements and tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.
The company books and records are preparing in KD currency, the company's financial statements have been combined in the consolidated financial statements after translated it into Egyptian pound using the translation procedures mentioned in note (2g), the cumulative foreign currencies translation differences resulted from the translation which belong to the holding company's equity amounting to L.E. 1,809,991 as of 31 December 2007 have been presented separately in the shareholders' equity.
The cumulative foreign currencies translation differences resulted from the translation which belong to the minority amounting to L.E. 1,739,011 as of 31 December 2007 have been treated as a part of minority interests (Note 17).

g. 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 excess of holding company's investments in subsidiary company over the holding company share in subsidiary's equity are recognized as goodwill and recorded as asset in the consolidated financial statements, Tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

-Minority interests on the net of assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them, Minority interests in the net of assets consist of:
(1) -The amount of those minority interest at the date of the original combination.
(2) -The minority's share of changes in equity since the date of the combination.

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

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

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

-The financial statements of subsidiaries that reports in the currency not the parent reporting currency and not that reports in the currency of a hyperinflationary economy, the reporting currencies of that subsidiaries are translated to the parent reporting currency in order to combine it in the consolidation financial statements of the parent by using the following procedures:

(a) Translate the assets and liabilities of each balance sheet presented in the consolidated balance sheet (including the comparative figures) at the closing rate.

(b) Translate the income and expense items of each statement of income presented in the consolidated statement of income (including the comparative figures) at exchange rates at the dates of the transactions.

(c) All resulting foreign currencies translation differences should be classified separately in the consolidated equity until the disposal of the net investment.

Cumulative foreign currencies translation differences arising from translation and attributable to minority interests are allocated to, and reported as part of, the minority interest in the consolidated balance sheet until the disposal of the net investment.

Disposal of investment in a subsidiary that reports in the currency not the parent reporting currency, the cumulative amount of foreign currencies translation differences which have been deferred separately in the consolidated equity and which relate to that subsidiary, should be recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES APPLIED

3-1 Basis of preparation

- The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards.
- The consolidated financial statements have been presented in Egyptian Pounds.
- The consolidated financial statements are prepared under the historical cost convention.

3-2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year's accounting policies.

3-3 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary assets and non-monetary liabilities valued at historical cost denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of transaction.

3-4 Fixed assets

a) Recognition and initial measurement

Fixed assets are stated at cost less accumulated depreciation and any impairment in value.

b) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

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. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, that represents the recoverable amount after the deduction of the selling cost or the utilizable value whichever is higher.

c) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

3-5 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 cannot be depreciated until they are transferred to fixed assets.

3-6 Long term investments

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

3-7 Investments in associate companies

The investments in associate companies are initially recorded at cost and the carrying amount is increased or decreased to recognise the company's share of the profits or losses of the investee after the date of acquisition. The company's share of the profits or losses are recorded in the consolidate income statement. Distributions received from an investee reduce the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3-8 Investments available for sale

Investments available for sale are accounted at fair value. 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 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 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 fair value is charged to the consolidated statement of changes in equity.

3-9 Accounts receivables, notes receivables and other debit balances

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

3-10 Inventories

The physical inventory count and valuation were undertaken by the group companies' managements according to the cost or net realizable value whichever is lower. The inventory cost is valued as follow:

- Raw materials, fuel, supplies, packaging and packing materials: at cost using the weighted average method.
- Spare parts: at cost using the moving average method.
- Work in progress: at its share of all direct and indirect manufacturing costs up to the last productive process reached.
- Finished goods: at its share of all direct and indirect manufacturing costs.
- Allowance is made for the decrease in the net realizable value of obsolete and slow moving item and deducted from the inventory cost.

3-11 Cash on hand and at banks

Cash on hand and at banks comprise cash on hand, bank current accounts, cheques under collection, certificates of deposits and deposits with maturity not exceeding three month. Pledged current accounts and time deposits against long term loans, letter of credits and letter of grantee are not considered as a component of cash on hand and at banks.

3-12 Revenue recognition

- Revenue from sales is recognized when all the following conditions have been satisfied:
(a) The company has transferred to the buyer the significant risks and rewards of ownership of the sales;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits associated with the transaction will flow to the company; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Revenue from services is recognized when the transaction can be measured reliably on the consolidated balance sheet date.
- Shares profit income is recognized when declared.
- Interest income is recognized on an accrual basis.

3-13 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.

3-14 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.

3-15 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3-16 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 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.

3-17 Borrowing costs

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

3-18 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.

3-19 Legal reserves

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

3-20 Statement of cash flows

The company prepares a statement of cash flows based on the indirect method.

3-21 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.

3-22 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.

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4. FIXED ASSETS, NET

	Land L.E.	Buildings, Constructions, infrastructure and roads L.E.	Machinery, equipment and tools L.E.	Motor vehicles L.E.	Furniture and office equipment L.E.	Total L.E.
Cost						
1 January 2007	483,676,262	1,262,407,843	4,097,215,890	173,744,863	80,136,594	6,097,181,452
Additions	2,848,701	12,019,263	113,706,817	22,532,117	9,667,818	160,774,716
Addition after DECOM acquisition	11,507,680	5,166,763	66,423,967	39,316,871	1,978,990	124,394,271
Addition after Hilal Cement acquisition	-	142,176,220	41,537,047	2,954,576	2,779,567	189,447,410
Foreign currencies translation differences	-	1,658,379	484,498	34,462	32,421	2,209,760
Disposals	-	(2,120,000)	(54,346,851)	(26,044,830)	(130,841)	(82,642,522)
31 December 2007	498,032,643	1,421,308,468	4,265,021,368	212,538,059	94,464,549	6,491,365,087
Accumulated depreciation						
1 January 2007	-	(478,918,277)	(1,676,865,754)	(137,005,011)	(43,000,477)	(2,335,789,519)
Depreciation charge for the year	-	(56,785,144)	(192,242,615)	(20,097,500)	(9,366,150)	(278,491,409)
Accumulated depreciation relating to addition after DECOM acquisition	-	(2,028,542)	(43,080,184)	(24,833,163)	(1,608,075)	(71,549,964)
Accumulated depreciation relating to addition after Hilal Cement acquisition	-	(49,816,392)	(16,667,005)	(1,380,307)	(2,497,797)	(70,361,501)
Foreign currencies translation differences	-	(581,071)	(194,409)	(17,202)	(29,423)	(822,105)
Relating to disposals	-	1,673,752	49,445,741	24,461,772	82,100	75,663,365
31 December 2007	-	(586,455,674)	(1,879,604,226)	(158,871,411)	(56,419,822)	(2,681,351,133)
Net Book Value as of 31 December 2007	**498,032,643**	**834,852,794**	**2,385,417,142**	**53,666,648**	**38,044,727**	**3,810,013,954**
Net Book Value as of 31 December 2006	483,676,262	783,489,566	2,420,350,136	36,739,852	37,136,117	3,761,391,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

4. FIXED ASSETS – NET – (continued)

Fixed assets as of 31 December 2007 include fully depreciated assets that are still in use. The costs of acquisition of these assets are as follows:

Asset	Cost (L.E.)
Buildings, constructions and infrastructure	70,822,756
Machinery and equipment	862,811,955
Motor vehicles	63,012,175
Furniture, fixtures, tools and equipment	22,341,028
Total	1,018,987,914

- Helwan Cement Company (S.A.E) has lands in its possession recorded in fixed assets without value, represented in 115 Feddens and 65265 M2 located in Helwan City and El-Menia City.

- Net carrying value of buildings and constructions and infrastructure, which belong to Helwan Cement Company (S.A.E) under a first-degree property pledge in favour of Misr bank amounting to L.E. 204,519,119.

-Additions to lands during 2007 include an amount of L.E. 1,355,955 represents lands value belongs to Egyptian Tourah Portland Cement Company (S.A.E). The company has the right to using these lands without value. There is a legal dispute regarding those lands, where one of the Lawsuits was settled in favour of the claimant obligating the company to pay an amount of which was recorded as addition to lands.

Restrictions on the fixed assets of Ready Mix Beton Company (S.A.E.) with carrying value amounting to L.E. 32,917,295 as of 31 December 2007 represent the following:

- A delegation that cannot be cancelled by the company in the favour of Audi Bank– Egypt that entitles the company to put a commercial mortgage to limit the financial aspects – machinery and equipment and cars – that are used for funding the loan.

- A commitment was done for the company's financial and moral aspects for the whole loan period in order not to allow the company to set any mortgages or offering any delegations with restraints or giving the right of restricting cash or the right of having the priority in favour of others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

5. PROJECTS UNDER CONSTRUCTION

Balance as of 1/1/2007 L.E.	Additions during the year L.E.	Transferred to fixed assets during the year L.E.	Balance as of 31/12/2007 L.E.
215,704,905	178,962,644	(109,692,504)	284,975,045

	L.E. 2007	L.E. 2006
Major significant renovation Projects	17,728,765	14,760,386
Machines and Equipment	74,509,688	20,700,531
Other project under construction	48,847,973	35,667,566
Down payment under purchase of fixed asset	1,559,483	80,258
Capitalized spare parts *	142,250,047	144,332,751
Administrative building in Cairo	79,089	163,413
	284,975,045	**215,704,905**

* Capitalized spare parts amounting to L.E. 142,250,047 as of 31 December 2007 represents Major significant renovations spare parts, where it is transferred to the fixed assets when withdrawal from the warehouses.

6. AMOUNTS PAID UNDER INVESTMENT IN SUBSIDIARIES

	Group % of ownership	2007 L.E.	2006 L.E.
ASEC El Menia Cement Company	96	-	24,000
Suez Bosphorus Cimento Sanayi Ve Ti	100	186,794	186,794
AL Tanmeya For Industries Company	100	15,000,000	-
Upper Egypt For Industries Company	100	15,000,000	-
Suez for Transportation and Trade Company	100	10,000,000	-
Suez Lime Company	50	3,695,000	-
	-	**43,881,794**	**210,794**

Suez Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

6. INVESTMENTS

A. Long term investments

	2007 L.E.	2006 L.E.
Iron and Steel Company (Al Hadid Wal Solb)	20,500	20,500
Altour Investment Company	61	61
Suez Bags Company (S.A.E)*	1,076,491	1,076,491
Governmental bonds	8,429,279	8,429,279
	9,526,331	9,526,331
Allowance for decrease in long term investments value	-	(2,583,970)
	9,526,331	**6,942,361**

* 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%), on the consolidation basis, Suez Cement Company (S.A.E) (The holding company) indirect contribution in Suez Bags Company (S.A.E) amounting to L.E. 2,100,651 are eliminated, this indirect contribution represent the holding company share percentage (66,12%) in Egyptian Tourah Portland Cement Company (S.A.E) (Subsidiary). The remaining balance of the investment in Suez Bags Company (S.A.E.) amounted to L.E. 1,076,491 includes in the consolidated financial statements.

B- Investment in an associate company

Investment in an associate company amounting to L.E 30,672,808 as of 31 December 2007 represents Suez Cement Company (S.A.E.) contribution (45%) in the paid up capital of Techno Gravel for Quarantine - Egypt (S.A.E.), the carrying value of this investment included investment income amounting to L.E 2,338,551 represents Suez Cement Company's share in the net profit declared for Techno Gravel for Quarantine's-Egypt (S.A.E.) for the year ended 31 December 2007. Investment income included in the consolidated statement of income.

C- Investments available for sale

Investments available for sale amounted to L.E. 3,760,397 as of 31 December 2007 represent the contribution of Suez Cement Company (S.A.E) in Egyptian Cement Company (S.A.E). The company valuated the investment based on an objective study of the last audited financial statements of Egyptian Cement Company (S.A.E), the difference between the fair value and the book value amounting to L.E. 2,647,397 was recognized as revaluation gain of investments available for sale in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. INVENTORIES, NET

	2007 L.E.	2006 L.E.
Raw materials	40,442,576	62,909,530
Fuel, Spare parts and Consumables	669,390,773	625,683,105
Packing Materials	26,649,738	25,899,735
Work in progress	74,388,327	46,061,747
Finished Products	48,984,615	41,954,524
Letters of credit	69,970,775	36,751,148
	929,826,804	**839,259,789**
Less:		
Allowance for decrease in obsolete		
and slow moving inventory items value	(193,877,440)	(95,486,440)
	735,949,364	**743,773,349**

9. ACCOUNTS AND NOTES RECEIVABL.E., NET

	2007 L.E.	2006 L.E.
Accounts receivable	153,451,498	56,963,992
Notes receivable	21,865,438	21,496,180
	175,316,936	78,460,172
Less:		
Allowance of decrease in accounts		
and notes receivable value	(23,379,633)	(17,154,283)
	151,937,303	**61,305,889**

Suez Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

10. PREPAYMENTS AND OTHER DEBIT BALANCES, NET

	2007 L.E.	2006 L.E.
Other debtors – Gazelle Limited Inc.	4,841,394	-
Other debtors – Tax Authority	96,284,514	36,472,910
Deposits with others	40,779,144	31,748,332
Prepaid expenses	17,466,240	3,177,645
Accrued income	33,377,302	11,681,937
Checks under collection	324,691	4,864,191
Advance payments from Suppliers	44,550,373	17,306,710
Sales of fixed assets – Debtors	24,899,082	10,096,952
Cover letter of guarantee	10,248,516	2,168,461
Pledged time deposits *	10,993,813	42,040,019
Other debit balances	29,080,784	16,096,329
	312,845,853	175,653,486
Less:		
Allowance for decrease in other debit balances value	(8,558,737)	(7,673,988)
	304,287,116	**167,979,498**

* The balance of pledged time deposits amounted to L.E. 10,993,813 as of 31 December 2007 represents amount of L.E 2,709,673 pledged time deposits in favour of National Societe General Bank (NSGB), against long term loans and amount of L.E 8,284,140 pledged time deposits in favour of Alexandria Bank, against letter of credits related to Suez Cement Company (S.A.E).

11. CASH ON HAND AND AT BANKS

	2007 L.E.	2006 L.E.
Cash on hand	1,170,738	388,543
Banks - Current accounts	433,658,955	71,319,011
Time and certificates of deposits	507,226,971	682,495,794
	942,056,664	**754,203,348**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. SHORT TERM FACILITIES

The balance of short term facilities amounted to L.E. 370,825,867 represents short term facilities withdrawal from several Egyptian banks with a maximum limit amounted to 990 Millions Egyptian pound, the outstanding balance of these facilities as of 31 December 2007 amounted to L.E. 335,139,775, in addition to short term facilities (six months) with average interest rate between 6.25% to 7.22% on KD annually related to Hilal Cement Company (K.S.C.C.) – Kuwait (Subsidiary), the outstanding balance of these facilities as of 31 December 2007 amounted to 1,764,451 KD equivalent to L.E. 35,686,092.

13. CURRENT PORTION OF LONG TERM LOANS

	2007 L.E.	2006 L.E.
Suez Cement Company (S.A.E)		
Bank of Alexandria	-	28,559,233
National Societe General Bank (NSGB)	3,787,036	4,274,996
Commercial International Bank – Egypt (CIB)	225,000,000	225,000,000
Ready Mix Beton – Egypt (S.A.E)		
Audi Bank – Egypt	5,361,171	1,489,417
Helwan Cement Company (S.A.E) -		
ASEC Cement Company (formerly)		
Misr Bank	142,343,711	144,738,228
	376,491,918	**404,061,874**

14. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2007 L.E.	2006 L.E.
Shareholder's - credit balance	23,627,731	35,355,423
Advance payments from customers	100,117,170	74,842,672
Accrued taxes	17,521,353	234,223,791
Estimated income tax for the year	216,979,134	-
Deposits from others	8,632,917	4,583,765
Accrued salaries	4,946,316	3,420,039
Accrued expenses	72,892,929	40,269,238
Other credit balances	64,575,608	50,656,128
	509,293,159	**443,351,056**

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Suez Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

15. PROVISIONS AND IMPAIRMENT IN THE VALUE OF ASSETS

	Balance as of 1 January 2007 L.E.	Charged during the year L.E.	Reclassified during the year L.E.	Utilized during the year L.E.	Provisions no longer required and impairment return L.E.	Balance as of 31.12. 2007 L.E.
A- Provisions						
Disputed tax	304,410,200	24,129,162	35,878,821	(5,932,518)	(72,968,664)	285,517,001
Site restoration	25,746,318	11,496,785	-	(5,298,297)	(6,964,704)	24,980,102
Judicial claims and disputes	47,921,149	1,950,090	-	(4,133,343)	(19,544)	45,718,352
Employee training support	28,835,610	28,225,389	-	-	-	57,060,999
Early retirement and insurance fund	194,941,150	-	-	(146,450,804)	(48,490,346)	-
Cement Transporting	5,674,698	-	-	(4,962,946)	(711,752)	-
Electricity station claims	-	3,077,759	-	-	-	3,077,759
Tax Fees	-	4,000,000	-	-	-	4,000,000
	607,529,125	72,879,185	35,878,821	(166,777,908)	(129,155,010)	420,354,213
B- Impairment in the value of assets						
Allowance for decrease in long term investments value	2,583,970	-	-	-	(2,583,970)	-
Allowance for decrease in obsolete and slow moving inventory items value	95,486,440	98,391,000	-	-	-	193,877,440
Allowance for decrease in accounts and notes receivable value	17,154,283	-	6,225,350	-	-	23,379,633
Allowance for decrease in other debit balances value	7,673,988	-	884,749	-	-	8,558,737
	122,898,681	98,391,000	7,110,099	-	(2,583,970)	225,815,810
	730,427,806	**171,270,185**	**42,988,920**	**(166,777,908)**	**(131,738,980)**	**646,170,023**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

16. CAPITAL

The company's authorized capital amounted to L.E. 1,300,000,000 and the Company's issued and paid up capital amounted to L.E. 909,282,535 divided over 181856507 shares of L.E. 5 par value each.

17. MINORITY INTEREST

	2007 L.E.	2006 L.E.
Beginning balance for the year	260,594,384	523,597,794
Add:		
Minority share in net profit for the year	164,047,152	95,802,198
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
Minority share after the acquisition of Hilal Cement Company (K.S.C.C) – Kuwait	147,783,847	-
Cumulative foreign currencies translation differences	1,739,011	-
Tax differences adjustments	1,802,191	-
Adjustments on retained earnings	(476,205)	95,326
Less:		
Dividends	(87,481,685)	(367,587,608)
Ending balance for the year	488,008,695	260,594,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. LONG TERM LOANS

	2007 L.E.	2006 L.E.
Suez Cement Company (S.A.E)		
National Societe General Bank (NSGB)	9,410,070	13,581,109
Commercial International Bank – Egypt (CIB)	450,000,000	675,000,000
Ready Mix Beton – Egypt Company (S.A.E)		
Audi Bank - Egypt	19,184,064	16,383,584
Hilal Cement Company (K.S.C.C.)- Kuwait		
Kuwaiti Financial Institution	21,872,127	-
Helwan Cement Company (S.A.E) - ASEC Cement Company (formerly)		
Misr Bank	278,441,682	432,336,501
	778,907,943	1,137,301,194

18/1 Suez Cement Company (S.A.E)

National Societe 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 L.E. 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.

The loan in US$ will be paid over seven 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 five

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 L.E. 1,968,000 in addition to interest and commissions.
The balance of the loan amounted to L.E. 9,410,070 as of 31 December 2007 after reclassifying the instalments due during one year to the current portion of the long term loan amounting to L.E. 3,787,036 (Note 13).

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 L.E. 1, 2 Billion.
On 13 September 2006 a participation medium term loan was signed in two clusters amounted to L.E. 900 Million will be paid on four equal annual installments starting on 31 December 2007 and L.E. 300 Million (Renewal bank facilities) instead of the bridge loan, this contract executed on 9 October 2006.
The balance of the loan amounted to L.E. 475,000,000 as of 31 December 2007 after reclassifying the instalments due during one year to the current portion of the long term loan amounting to L.E. 225,000,000 (Note 13).

18/2 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.
On 14 December 2006, Audi Bank – Egypt approved to increase the loan to L.E. 28 Millions with the same terms and grantees.
The long term loan will be paid on 60 monthly instalments starting on 31 July 2007, The instalments amount will be identified according to the loan outstanding balance on 31 July 2007.
The balance of the loan amounted to L.E. 19,184,064 as of 31 December 2007 after reclassifying the instalments due during one year to the current portion of the long term loan amounting to L.E. 5,361,171 (Note 13).

18/3 Hilal Cement Company (K.S.C.C.) – Kuwait

Term loan comprise of KD 500,000 equivalent to L.E. 10,112,520 with an interest rate of 6.54% per annum, borrowed from a Kuwaiti financial institution prior to Iraqi invasion of Kuwait in 1990 in addition to accrued interest amounting to KD 581,438 equivalent to L.E. 11,759,607 as of 31 December 2007.

Suez Cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The loan and its interest due continue to be under judicial review in order to identify the repayment date.

18/4 Helwan Cement Company (S.A.E)

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 L.E. 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 L.E. 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 paid every three month 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 (L.E. 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 US Dollars (US$ 75,528,864) with interest rate of 1.5 % plus LIBOR price for 6 months.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 rare 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 US 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 L.E. 30 Million.

6- 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 L.E. 278,441,682 as of 31 December 2007 after reclassifying the instalments due during one year to the current portion of the long term loan amounting to L.E. 142,343,711 (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. OTHER LONG TERM LIABILITIES

	2007 L.E.	2006 L.E.
Long term creditors – Land purchasing	2,171,669	-
Production lines sales tax	1,151,883	147,401
Long term creditors – Gazelle Ltd, Inc,	26,669,427	-
Deferred income tax	130,984,413	77,555,150
Tax Authority	-	60,121,983
Long term employee benefits – Hilal Cement Company	1,352,105	-
Petroleum Cooperative Association *	41,542,177	54,004,830
Electricity Distribution Company *	1,339,247	17,410,215
	205,210,921	**209,239,579**

* Liabilities related to Petroleum Cooperative Association and Electricity Distribution Company represents the value of claims received in return for supplies and services, which had been rescheduled without interest.

20. CURRENT PORTION OF OTHER LONG TERM LIABILITIES

	2007 L.E.	2006 L.E.
Tax Authority	19,171,746	18,000,000
Electricity Distribution Company	16,070,968	16,070,968
Petroleum Cooperative Association	12,462,653	12,462,653
	47,705,367	**46,533,621**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2007

20. 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 2007 as follows:

	2007 L.E.
Suez Cement Company (S.A.E.)	26,724,498
Egyptian Tourah Portland Cement Company (S.A.E)	29,298,000
Suez Bags Company (S.A.E)	16,624,468
Hilal Cement Company (K.S.C.C.) - Kuwait	4,045,008
Helwan Cement Company (S.A.E) - ASEC Cement Company (formerly)	2,384,233
	79,076,207

21. OTHER REVENUES

Other revenues amounting to L.E 100,604,849 for the year ended 31 December 2007 included an amount of L.E 70,209,460. This amount represents the compensation of insurance company for the fire that took place in the electricity station of Egyptian Tourah Portland Cement Company (S.A.E) in the year 2006.

22. TAX SITUATION

a) Corporate tax

- Suez Cement 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 1999 to 2001, the company objected on the assessment results during the legal period and the issue is currently in the internal committee.
- The Company's records were inspected for the years from 2002 to 2004 and there are no taxes dues related to those years.
- No tax inspection took place for the years from 2005 till 2007.
-The tax assessment for the year ended 31 December 2007 related to Suez Cement Company amounting to L.E. 49,324,815.
-The tax assessment for the year ended 31 December 2007 related to Suez cement group amounting to L.E. 216,979,134.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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b) Sales tax

- Suez Cement Company's records were inspected till year 2002 and all the taxes due were paid.
- The Company's records were inspected for the years from 2003 till 2006.
- No tax inspection took place for the year 2007.

c) Salary tax

- Suez Cement Company's records were inspected till year 1998, and all the taxes due were paid.
-The Company's records were inspected for the years from 1999 till 2004.
-No tax inspection took place for the years from 2005 till 2007.

d) Stamp duty tax

-Suez Cement 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.
- No tax inspection took place for the years 2006 and 2007.

23. EARNINGS PER SHARE

Earnings per share were calculated by dividing the net profit for the year by the number of outstanding shares that did not change during the year, Earnings per share for the year ended 31 December 2007 amounted to L.E. 5,39 (Outstanding shares during the year 181856507 shares) (Earnings per share for the year ended 31 December 2006 amounted to L.E. 3,87 for outstanding shares 181856507 shares), This was calculated without taking into consideration any future dividends distribution to the company's employees and members of the board directors related to the year ended 31 December 2007.

24. 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 and cash equivalents. The financial liabilities include suppliers, current portion of long term loans, current portion of long term liabilities 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.

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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 L.E 1,526,225,728 as of 31 December 2007 (L.E. 1,543,321,123 as of 31 December 2006), interest and finance expenses related to this indebtedness reached L.E 153,095,075 during the year ended31 December 2007 (L.E 207,178,944 for the year ended 31 December 2006), while Deposits and certificates of deposits as of 31 December 2007 is L.E 518,220,784 (L.E. 724,535,813 as of 31 December 2006), and credit interest related to these deposits and certificates of deposits reached L.E 61,339,009 during the year ended 31 December 2007 (L.E 74,678,242for the year ended30 June 2006). 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.

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 L.E 654,648,785 whereas; the total consolidated financial liabilities denominated in foreign currencies amounted to L.E 278,627,724.

25. RELATED PARTY TRANSACTIONS

The transactions with related parties during the year ended 31 December 2007 are representing in transactions between group companies. Intra group balances and transactions, including income, expense and dividends, are eliminated in full, Profits and losses resulting from intra group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.
In addition, the transactions with related parties included transactions with some of the shareholders of the group companies.

Related party transactions are determined based on normal business transactions as declared by the board on directors as follows:

Suez Cement

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A- Cement, Clinker and Bags sales excluding sales tax between Suez Cement Group Companies during the year ended 31 December 2007 as follows:

	Sales L.E.	Purchases L.E.
Suez Cement Company (S.A.E.)	8,137,504	115,439,727
Egyptian Tourah Portland Cement Company (S.A.E)	39,811,702	46,018,855
Helwan Cement Company (S.A.E)	30,856,940	16,289,058
Ready Mix Beton Company (S.A.E)	-	9,068,994
Ready Mix Beton – Egypt Company (S.A.E)	-	11,486,855
Development and Construction Material Company – (DECOM) – (S.A.E)	-	12,950,657
Suez Bags Company (S.A.E)	132,448,000	-
	211,254,146	**211,254,146**

B- Cements Francais (Strategic partnership) (Main shareholder):

The amount of the technical assessment fees offered by Cements Francais the main shareholder of Suez Cement Company (S.A.E) during the year ended 31 December 2007 amounted to L.E 22.390 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 8.956 Million and L.E 13.434 Million respectively.

C- Interbulk Company - One of the subsidiaries of Italcementi Group (the holding company of Ciments Francais 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 70.680 Million during the year ended 31 December 2007 through Interbulk Company.
- The sales of Egyptian Tourah Portland Cement Company (S.A.E) to Interbulk Company for the year ended 31 December 2007 amounted to L.E 13.085 Million.
- The sales of Helwan Cement Company (S.A.E) - ASEC Cement Company (formerly) to Interbulk Company during the period from 1 January 2007 to 31 December 2007 amounted to L.E. 155.812 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. 12.246 Million during the period ended 31 December 2007.

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

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- 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 L.E. 30,000 annually for the first 5 years in addition to annual increase of L.E. 1,500 for the following years.
- In 1998, Suez Bags Company (S.A.E) started to pay L.E. 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 L.E. 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. 2.201 Million during the year ended 31 December 2007.

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 represent 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. 22.073 Million during the year ended 31 December 2007.

H- Loans and its interest between Suez Cement Group Companies during the year ended 31 December 2007 as follows:

	Lender L.E.	Borrower L.E.	Debit / (Credit) Interest L.E.
Suez Cement Company (S.A.E.)	137,000,000	120,000,000	(2,154,997)
Egyptian Tourah Portland Cement Company (S.A.E)	120,000,000	-	(4,722,677)
Ready Mix Beton – Egypt Company (S.A.E)	-	63,526,402	3,347,674
Development and Construction Material Company – (DECOM) – (S.A.E)	-	73,473,598	3,530,000
	257,000,000	**257,000,00**	-

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26. COMPARATIVE FIGURES

- Certain comparative figures for year 2006 have been reclassified to conform to the current year presentation.
- Comparative figures for the year ended 31 December 2006 do not include the Statement of income and Statement of cash flows of both Development and Construction Material Company – (DECOM) – (S.A.E) and Hilal Cement Company (K.S.C.C.) – Kuwait, the companies were acquired on 5 July 2007 and 19 September 2007 respectively.

27. THE GROUP

The following schedule represents the direct and indirect share percentage of Suez Cement Company (S.A.E.) (The Parent Company) in its subsidiaries as follows:

	2007 %	2006 %
Egyptian Tourah Portland Cement Company (S.A.E.)	66.12%	66.12%
Suez Bags Company (S.A.E)	56.31%	56.31%
Helwan Cement Company (S.A.E.)	98.69%	98.69%
Ready Mix Beton (S.A.E.)	52%	52%
Hilal Cement Company (K.S.C.C.) – Kuwait	51%	-
Ready Mix Beton – Egypt (S.A.E.)	52%	52%
99.99% subsidiary from Ready Mix Beton – Egypt (S.A.E.):		
Development and Construction Material Company– (DECOM) – (S.A.E.)	**52%**	-

16. 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 Egyptian Law No. 43 of 1974	Joint stock company governed by Egyptian Law No. 159 of 1981	Joint stock company governed by Egyptian Law No.159 of 1981	Joint stock company governed by Egyptian Law No. 43 of 1974		Form
Kattameya – Maadi/ Ein Sokhna Road Kilo 30	Kafr El Elw, Helwan	Tourah Portland Cement, Corniche El Nil, Maadi	Nile City Towers, South Tower, 10th floor, Corniche El Nil, Cairo		Registered Office
254876 Arab and foreign investment.	4451 investment Cairo	1587 Giza	181134 investments Cairo		Registration Number
14/12/1988	02/1929	1927	06/03/1977		Date of Incorporation
25 years from the incorporation date. Expires on 05/12/2013.	Amended for 25 years, from 03/10/2000 to 02/10/2025.	Amended for 50 years starting 12/05/2001.	50 years from the incorporation date. Expires on 05/03/2027		Term
Producing paper bags of all kinds.	Producing all kinds of cement and lime, owning land and river transportation, manufacturing spare parts and bags, land possession, selling and exploiting quarries.	Producing all kinds of cement and lime, owning land and river transportation, manufacturing spare parts and bags, land possession, selling and exploiting quarries.	Producing cement of all kinds.		Purpose
By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports		Legal Information
January 1st to December 31st	January 1st to December 31st	January 1st to December 31st	January 1st to December 31st		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 Debko30%	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%		Voting powers for decision making
Tourah Portland Cement 5%					
3 votes	Majority	Majority	8 votes		
L.E. 12 million	L.E. 2000 million	L.E. 800 million	L.E. 1,300 million	Authorized	Share capital
L.E. 9 million	L.E. 117,697,750	L.E. 238,414,000	L.E. 909,282,535	Paid	