

## BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

On behalf of the Board of Directors, the Chairman is pleased to present to the shareholders the Board of Directors' Report for the financial year ended 2016, with comparative figures for the prior year 2015 as relevant:

### 1. General information relating to the company

#### 1.1 Legal form

A Joint Stock company incorporated under the provisions of the Egyptian Investment Law No.43 for year 1974 and its executive regulations.

#### 1.2 Share capital

Authorized share capital of MEGP 3,600  
Paid-up and issued capital of EGP 909,282,535 (fully paid)  
Share par value: EGP 5.

#### 1.3 Principal activities

The company's core activity is to produce and sell various types of cement with different properties and other products related to the cement industry, in addition to building materials and construction supplies.

#### 1.4 Registration and share listing

No. 181134 Cairo Commercial Registry on 6 March 1977.  
The company was listed on the Egyptian Stock Exchange on 8 February 1995.

### 2. Investor Relations

Investor Relations Officer: Mr. Mohamed Ibrahim Mohamed Ibrahim – Finance Manager.

### 3. Statutory Auditors

Allied for Accounting & Auditing (E &Y): Mr. Nabil A. Istanbouli (RAA 5947 – EFSAR.71) and Mr. Emad H. Ragheb (RAA.3678 – EFSAR.42)  
Date of appointment: 24 March, 2016.

### 4. Major Shareholders

Shareholders having a minimum of 5% of interest in the company capital as at 31 December 2016:

Name	No. of Shares	%
Menaf S A S	47,373,830	26.05%
Ciments Francais	22,485,545	12.36%
Ciments Du Maroc Cimar	21,210,577	11.66%
Abd Elmenam Rashed Abd Elrahman	14,392,167	7.91%
Gazelle	13,842,701	7.61%
Tercim S A S	9,100,000	5.00%

## 5. List of Board of Directors

Name	Position	Representing	Status
Mr. Omar A. Mohanna	Chairman	Ciments Francais	Non - Executive
Mr. David Robert Paul Flory	Board Member	Ciments Francais	Non - Executive
Mr. Jose Maria Magrina	Managing Director	Ciments Du Maroc Cimar	Executive
Mr. Mohamed Chaibi	Board Member	Ciments Du Maroc Cimar	Non - Executive
Mr. Akelish Gobta	Board Member	Tercim SAS	Non - Executive
Mr. Hayrullah Hakan Gurdal	Board Member	Menaf SAS	Non - Executive
Mr. Ali Ihsan Kucukoglu	Board Member	Menaf SAS	Executive
Mr. Raed I. Al Mudaiheem	Board Member	Elmohedeb Alliance.	Non - Executive
Mr. Veli Pekka Ettala	Board Member	Rashed Abd Elrahman Al Rashed & Sons	Non - Executive
Mr. Ahmed Abd El Saddek Sallam	Board Member	Public Sector	Non - Executive
Eng. Mahmoud Hamed Mahmoud El-Lithy	Board Member	Public Sector	Non - Executive
Ms. Dina Andrea George Khayat	Board Member	Independent	Non - Executive
Dr. Mounir Soliman Neamattalah	Board Member	Independent	Non - Executive

## 6. Board of Directors Meetings

Six BOD meetings held during 2016.

## 7. Corporate Governance

### 7.1 Audit Committee

In accordance with the Code of Corporate Governance an Audit Committee has been formed comprised of the following members:

Name	Position	Representing
Mr. Omar A. Mohanna	Chairman – President	Suez Cement Co.
Ms. Dina Andrea George Khayat	Board Member - Member	Independent
Dr. Mounir Soliman Neamattalah	Board Member - Member	Independent
Mr. Ahmed Abd El Saddek Sallam	Board Member - Member	Public Sector

### 7.2 Mandate and Function of the Audit committee

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

### 7.3 Audit committee meetings

Four Audit committee meetings were held during 2016. The meeting reports of the committee were submitted to the BOD with no substantial observations.

## 8. Company's Activities and Performance

### 8.1 Market Environment

The Egyptian economy throughout 2016 was severely impacted by the foreign currency crisis in addition to the energy supply shortages that hit the industrial sector. GDP growth rate slightly moved upward to 4.3% compared to 4.2% a year earlier, supported by private and government consumption.

The Egyptian authorities adopted the first phase of the long awaited policy reforms as part of wider program to restore macroeconomic balances which included:

- Signing a 3-year loan facility with the IMF.
- Removal of some energy, electricity and fuel subsidies.
- Enactment of the Value Added Tax (VAT) Law.
- Floatation of the Egyptian pound on 3 November 2016.

### 8.2 Company activities and performance

#### 8.2.1 Consolidated Cement and Clinker Sales during 2016

The tables below illustrate the cement and clinker sales the plants' production facilities within the Suez Cement Group.

(Thousand Tons)

Company	Domestic Cement Sales		Export Cement Sales		Total	
	2015	2016	2015	2016	2015	2016
Suez Cement	3,763	3,410	25	10	3,788	3,420
Tourah Cement	1,489	1,785	-	-	1,489	1,785
Helwan Cement ( grey )	2,799	2,626	52	71	2,851	2,697
Total Grey	8,051	7,821	77	81	8,128	7,902
Helwan Cement ( white)	117	124	62	54	197	178

(Thousand Tons)

Company	Domestic Clinker Sales		Export Clinker Sales		Total	
	2015	2016	2015	2016	2015	2016
Suez Cement	238	314.9	-	-	238	314.9
Tourah Cement	-	-	-	-	-	-
Helwan Cement	48.2	197.3	-	-	48.2	197.3
Total Clinker Sales	281.2	512.2	-	-	281.2	512.2

Domestic demand for grey cement increased by 5.2% and for white cement by 3.6% whereas Suez Cement Group grey sales decreased 2.8 % and white cement by 9.6% YTD December 2016 vs PY.

## 8.2.2 Consolidated Cement and Clinker Production

The following comparative table illustrates the level of cement and clinker production the plants' production facilities within the Suez Cement Group.

(Thousand Tons)

Description	Cement		Clinker	
	2015	2016	2015	2016
Suez Cement Company	3,772	3,403	3,345	3,813
Tourah cement Company	1,484	1,792	1,063	1,182
Helwan cement company (grey)	2,828	2,701	2,568	2,016
Total Grey	8,084	7,896	6,976	7,011
Helwan cement company (white)	178	182	207	129

Consolidated net sales increased 9% and gross profit by 57% to attain 662 MEGP. However, the company booked a net foreign exchange loss of 272 MEGP primarily due to overdue coal invoices denominated in US dollars, in addition to a F/X translation losses of 142 MEGP from the foreign subsidiaries (mainly due to re-evaluation of doubtful customer balances in Hilal and ICC).

Furthermore, the Group provisioned 192 MEGP for the voluntary retirement program and impaired the full value of the investment in ICC Company (47.7 MEGP).

Hence, the overall financial results produced a consolidated net losses of 629 MEGP in 2016 compared to the net loss of 101 MEGP in 2015.

## 9. Financial Position and Business Results as at 31 December 2016

### 9.1 Financial Ratios:

(Million Egyptian Pounds)

Income Statement	2016	2015	Variation	Variation %
Sales	6,146	5,642	504	9%
Gross profit	662	423	239	57%
% Gross Profit \ Sales	11%	7%	3%	44%
Net (Losses) / profit before tax	(584)	(80)	(504)	630%
Net (Losses) / profit after tax	(629)	(104)	(526)	507%

(Million Egyptian Pounds)

Balance sheet				
Long term assets	7,488	7,108	380	5%
Current assets	3,760	2,915	845	29%
Current liabilities	3,623	2,296	1,327	58%
Working capital	137	619	(482)	(78%)
Equity	6,923	7,222	(299)	(4%)
Long term liabilities	702	506	197	39%
Equity Statement				
Issued and paid up capital	909	909	0	0%
Reserves	2,669	2,670	(1)	0%
Cumulative foreign currencies translation differences	312	41	270	652%
Non-controlling interest	801	641	160	25%
Net (Losses) / profit for the year	(629)	(104)	(526)	507%
Retained earnings	2,749	3,019	(269)	(9%)
Net Retained earnings	2,120	2,915	(795)	(27%)

## 9.2 Reserves

Total reserves as at 31<sup>st</sup> December 2016 amounted to 2,670.29 MEGP, distributed as follows:

	(Million Egyptian Pounds)
Legal	454.64
Special	2199.80
Capital	14.53
Unrealized gains on available-for-sale investments	1.32

## 9.3 Provisions

Total provisions formed amounted to 1095.4 MEGP, distributed as follows:

	(Million Egyptian Pounds)	
Tax disputes	295.8	
Site restoration	43.9	
Legal disputes	29.2	
Training fund	87.3	
Restructuring – social cost	192.0	
Gas claims for Tourah Plant	51.0	
Other Claims	10.6	
<b>Subtotal</b>		709.8
Plus: provisions deducted directly from the related assets		
Inventories provision	158.7	
Doubtful debts	225.4	
Subtotal		385.6
<b>Total Provisions</b>		1095.4

The Board of Directors would like to extend its thanks to all the staff for their efforts and shareholders for supporting the company throughout 2016.

**Omar A. Mohanna**

**Chairman**