السويس للأسمنت
Suez Cement

2011
Annual Report

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Suez Cement

Annual Report 2011

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Message from Chairman and Managing Director

2011 was a challenging year for Egypt and the Suez Cement group of Companies (SCGC). Following the January Revolution, a wave of strikes, protests and sit-ins took place all over the country. As the country embarked on its challenging journey towards democracy, the economy faced significant pressures, including the freeze of most, if not all significant private and public construction projects, which affected the profitability and sustainability of many businesses throughout Egypt. Despite these pressures, SCGC was able to maintain its market leadership in 2011 and demonstrate its commitment to the country through its continued focus on customer satisfaction and strategic investments in modernization initiatives, environment, safety and social initiatives.

Overall cement demand in 2011 decreased by 1.6% as compared to 2010, showing a strong resilience to prevailing market conditions as demand generated by unlicensed construction almost entirely offset the sharp drop (estimated at around 20%) in legally licensed construction. This volume stability occurred within a context of a sharp increase in cement total production capacity by 21%. SCGC cement sales in 2011 were 10.2 million tons with net sales reaching LE 4,820 million representing a decrease of 21.6% compared to 2010. Our gross profit and operating income amounted to LE 1,087 million and LE 875 million respectively, while net profit decreased to LE 569 million by 54% in comparison to the previous year. Our performance deteriorated sharply in the second half of the year under the combined effect of lower volumes and prices and increased personnel costs. Second semester sales were LE 2,065 million and operating income decreased to 221 million, or 10.7% of sales.

Continuous monitoring of customer satisfaction through our 2011 customer satisfaction survey, call center and unique services, which are important components of our group's commitment to excellence, has allowed Suez Cement and its affiliated subsidiaries to dampen the impact of the adverse environment and prepare for a market rebound which started to materialize in the last weeks of 2011.

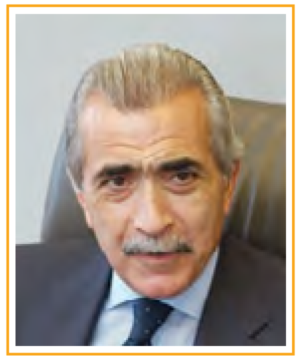
We continued to implement our intensive modernization investment program which reached approximately LE 158 million in 2011, investing more than LE 118 million in the areas of environment and safety with additional investments exceeding LE 37 million allocated to quality, IT, strategy and new packing machinery.

2011 witnessed the completion of the executing phase of the Ministry of Environment's Egyptian Pollution Abatement Program II (EPAP II). In addition to EPAP II, SCGC also took its first steps in the direction of using Alternative Fuel, an initiative which will be expanded over the coming years. LE 324 million have been dedicated to date towards implementing a comprehensive environmental policy, implementing progressively same state of the art standards to our Egyptian plants as the ones in place in other countries where Italcementi operates.

As part of our goal to become one of the safest companies in the industry, our monitoring, reporting, safety orientations and training hours for employees and contractors helped contribute towards the reduction of the frequency rate of workplace accidents. In 2011, we launched the new sustainability policy and its six pillars, one of which is our safety policy. After ten years of substantial efforts in improving the Group's safety performance since the launch of "Zero Accidents" in 2000, safety is no longer a project but a "way of living".

In 2011, we continued to work towards improving the quality of life and well being of our communities and launched several new initiatives in the field of education in cooperation with several new civic partners.

Despite a very challenging year- on both a personal and professional level- we remain committed to our investments in Egypt and are optimistic in the medium term in the ability of the country to transition from this difficult period to a more stable business environment. We would like to offer a special thanks to our employees who maintained their commitment and worked hard to meet the needs of our customers and stakeholders throughout 2011 and look forward to their continued efforts to face the new challenges of 2012.



Mr. Omar Mohanna
Chairman

Mr. Bruno Carré
Managing Director

Composition of the Board of Directors, December 31st, 2011

Chairman
Mr. Omar Mohanna

Managing Director
Mr. Bruno Carré

Members
Mr. Giovanni Ferrario

Mr. Mohamed Chaibi

Mr. Matteo Rozzanigo

Mr. Fabrizio Donegà

Mr. Mohamed Iftekhar Khan

Mr. Raed Ibrahim Al Mudaiheem

Mr. Yves-René Nanot

Mr. Khaled Abu Bakr

Mr. Mohamed Mahmoud Rafat

Mr. Sherif Samir Sami


Alexandria Library

Financial highlights - Consolidation

	Dec-11	Dec-10	Dec-09
Revenue	4,820	**6,152**	6,380
Gross Profit	1,087	**2,120**	2,179
EBITDA	1,203	**2,128**	2,150
Net Earnings	569	**1,236**	1,300
Return on Sales	12%	**20%**	20%
Gross Margin	23%	**34%**	34%
EBITDA Margin	25%	**35%**	34%
Fixed Assets	3,931	**3,961**	3,956
Total Assets	9,661	**10,041**	9,622
Cash & Cash Equivalents	1,448	**1,758**	1,486
Working Capital	1,348	**1,493**	1,092
Total Debt	106	**54**	261
Minority Interest	635	**714**	650
Shareholders Equity	7,136	**7,325**	6,975
Net Fixed Assets turnover	123%	**155%**	161%
ROA , Total Assets turnover	50%	**61%**	66%
Return on Equity	8%	**17%**	19%

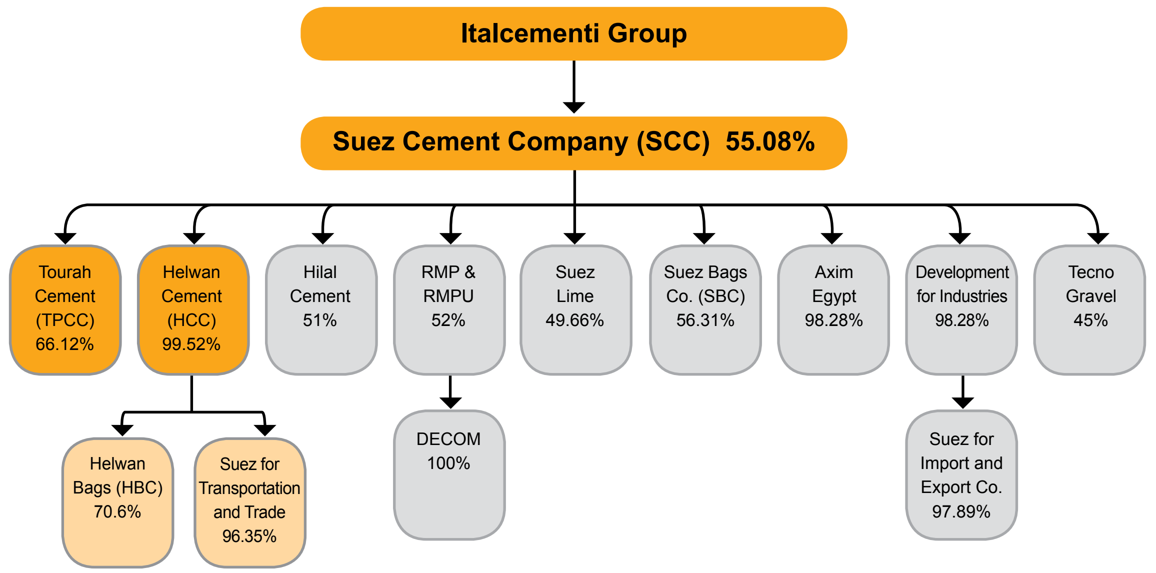
Shareholder Information

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

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

The group is mainly composed of Suez Cement Company (SCC), Tourah Portland Cement Company (TPCC), Helwan Cement Company (HCC), Suez Bags Company (SBC), Ready Mix Production Company (RMP), Ready Mix Universal Production Company (RMUP) and Hilal Cement in Kuwait.

The Italcementi Group is the majority shareholder of SCC with a share of 55.08% in SCC which holds 66.12% of TPCC, 53.32% of Suez Bags and 99.52% of HCC. SCC, TPCC and SBC are listed on the Egyptian Stock Exchange, while HCC was optionally delisted in January 2010.



31 December 2011

The aforementioned structure includes SCC direct and indirect ownership

Suez Cement Company (SCC)

Established in 1977, SCC 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 started its activities with the construction of its plant in Suez, then another in Kattameya, at a total investment of about LE 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 (TPCC)

TPCC, Egypt's first cement company, was established in 1927 and currently produces nearly 4 million tons of cement annually. Besides licensing the oldest clay quarry in Egypt, TPCC was also the first to use the dry method of cement production and to modernize its lines by reusing wet kilns to get rid of bypass dust. In June 2006, TPCC received the API quality certification for producing Oil Well cement.

Helwan Cement Company (HCC)

Established in 1929, HCC was the second cement producer to enter the market. HCC 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, with a combined capacity of 4.8 million tons per year. HCC was optionally delisted from the Stock Exchange in January 2010.

Suez Bags Company (SBC)

SBC was established in 1988 as an Egyptian joint stock company. SBC owns five lines, with a combined production capacity of 300 million bags per year. Four of these lines are for the production of bags for cement, gypsum and other building materials, while the third caters to special orders such as chemicals, seeds and animal nutrition. Made with imported semi-Copake (semi-extensible) craft layer paper from Austria, Sweden, Russia 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.

Ready Mix Beton (RMB)

Since 1985, Ready Mix Beton (RMB) has become one of the leading companies in Egypt for the production of ready-mix concrete. RMB and the ready-mix company Decom together produce more than 1.2 million cubic meters of concrete and have a market share of 16%. They are supported by 20 central mixing plants, 8 of which are located in the Greater Cairo area. RMB and Decom also have a fleet of 173 truck mixers and 41 concrete pumps. This dedicated presence in the ready-mix concrete sector offers excellent potential for growth in the cement industry, given the experienced management team led by RMB and an Egyptian market that offers an excellent opportunity for expansion and diversification

Suez Lime

Suez Cement signed an agreement in June 2007 with UNICALCE, one of the world's leading suppliers of lime, for the establishment of the joint venture company to manufacture quick and hydrated lime for the Egyptian market. The lime is used in a diverse range of applications such as water and waste treatment, soil stabilization, agricultural applications, asphalt modification, and is also used as a component in building products such as mortars, plasters, whitewash and stuccos.

Suez for Transportation and Trade (STT)

STT is responsible for developing bulk and bag sales (delivered sales) and enhancing the quality of services provided to clients. With proven expertise in logistics, STT dispatched in 2011 almost 836,000 tons of cement. In addition, STT expanded the business through the establishment of Bravo Build retail shops with sales of 43,000 tons of cement. In 2011, profits exceeded those of 2010 by 15% to reach LE 2.1 million.

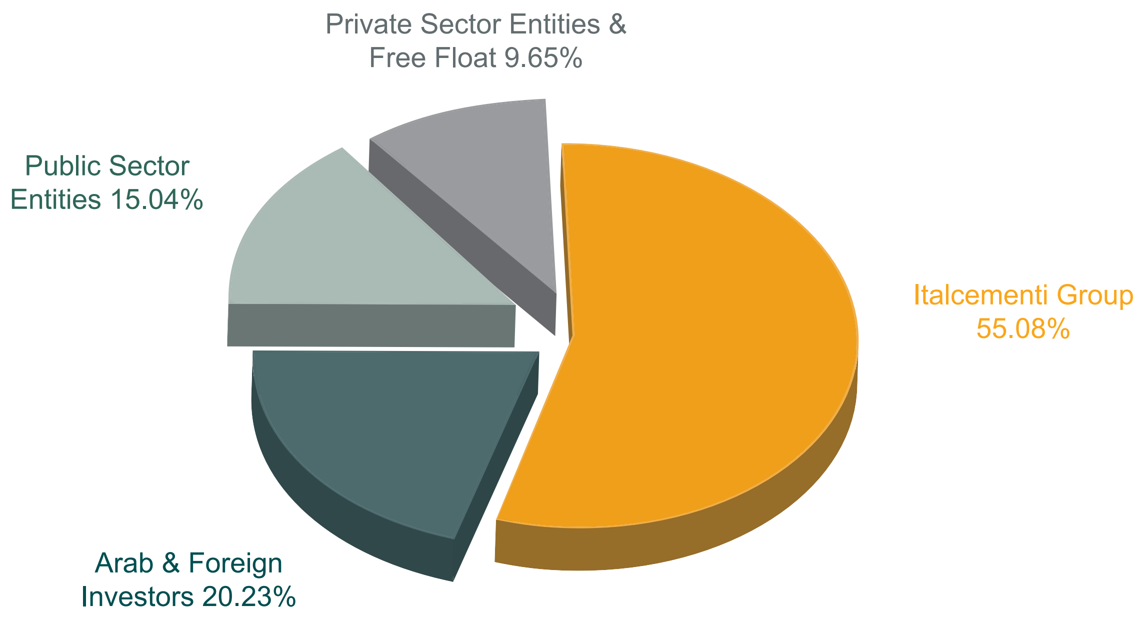
Hilal Cement Company (KSCC) – Kuwait

KSCC was established in 1984 as a closed joint stock Kuwaiti company. The main activities of KSCC, which is the third largest cement business in Kuwait, include import, storage and distribution of cement and other bulk materials.

Suez for Import & Export (S.A.E)

Suez for Import & Export, a subsidiary of SCGC, was established in 2009. The current objective of the company is to import cement in order to fulfill the domestic grey cement market needs.

SCC Shareholding Structure, 31.12.2011

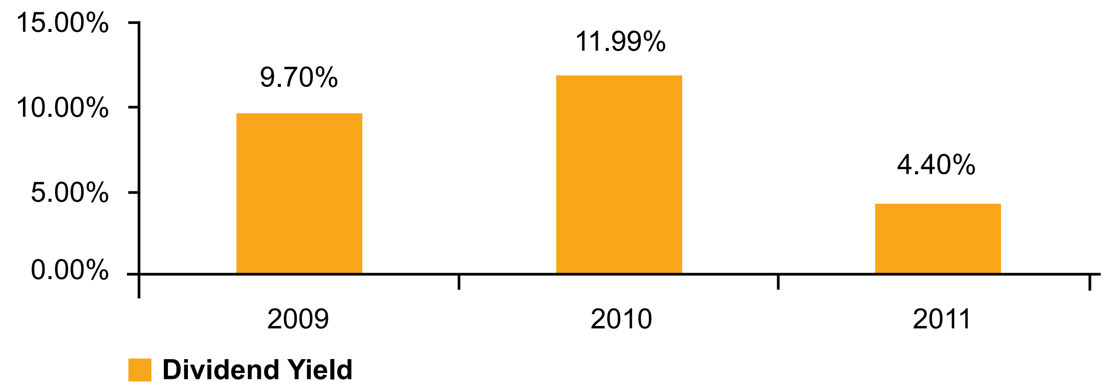


SCC Trading Volume on The Egyptian Stock Market			EGP
Month	Number of Traded Shares	Average Monthly Price	Trade Value
January 2011	291,206	37.60	10,948,838
February	-	-	-
March	1,029,585	37.87	38,990,603
April	943,710	39.81	37,571,617
May	195,632	39.92	7,808,911
June	1,582,026	39.48	62,460,555
July	230,327	37.41	8,615,772
August	76,133	35.24	2,682,894
September	89,227	30.17	2,691,985
October	212,469	26.88	5,711,153
November	161,272	25.41	4,098,256
December	88,362	23.81	2,103,761
Total	**4,899,949**		**183,684,345**

Source: Misr Information System and Trading (MIST)

Dividend Distributions

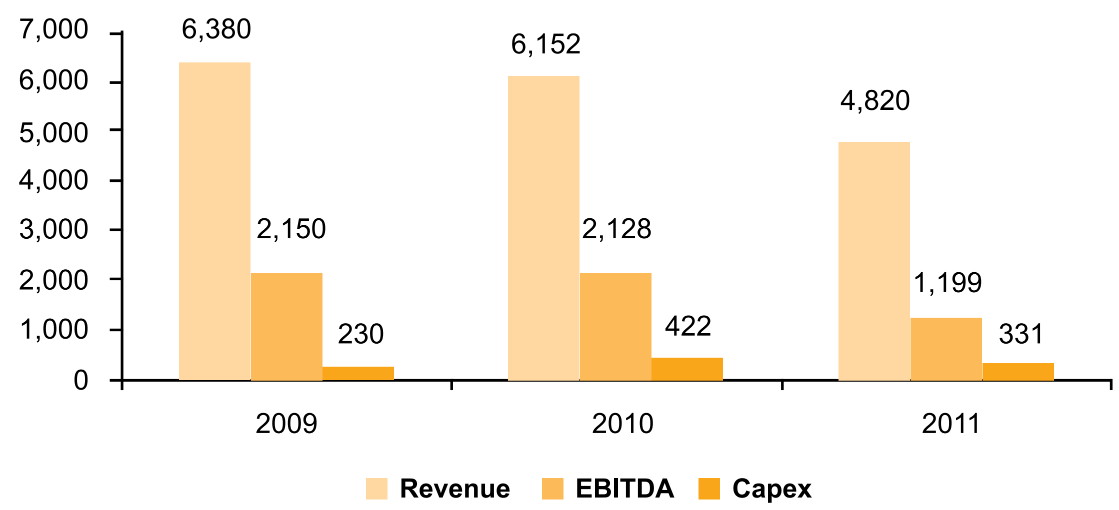
Suez Cement Company S.A.E (EGP)	2009	2010	2011
Average Share Price	33.60	40.88	37.49
Dividend Per Share	3.26	4.90	1.65
Dividend Yield	9.70%	11.99%	4.40%



Capital Expenditure (CAPEX)

SCC's CAPEX program is focused on reconstruction and modernization of our existing production facilities in order to reduce costs, improve process, and increase utilization.

Suez Cement Company S.A.E (MEGP)	2009	2010	2011
Revenue	6,380	6,152	4,820
EBITDA	2,150	2,128	1,199
Capex	230	422	331



Market Evolution

The political unrest and decreased security which characterized 2011 strongly affected the Egyptian cement market. The year was kicked off with the shocking explosion of the Alexandria church, followed by several days of protests which culminated in the January 25th revolution. A military-imposed curfew, gas shortages, closure of banks, strikes all over the country, a severe disruption of transportation of raw materials and products hit the Egyptian economy hard and led to a decline in foreign investments and the stoppage of mega construction projects. The parliamentary elections which took place at the end of the year, led to an even sharper drop in cement and other construction related activities.

A further challenge was posed by the entrance of new cement players and the addition of 9.6 million tons of clinker of production capacity to the market causing cement market prices to come under severe pressure. Despite these hurdles faced in 2011, the local cement market saw only a 1.4% decrease from 49.5 million tons in 2010 to 48.8 million tons in 2011. SCGC maintained a clear market position as a strong and active market leader in Egypt, dedicating all its production to domestic market needs with dispatch of domestic cement sales in 2011 recording 11 Mt of grey cement and 155 Kt of white cement. Dispatch of export cement sales SCGC amounted to 6.5 Kt of Oil Well cement, 184 Kt of white cement and 5 Kt of white clinker.

With the largest product portfolio containing 11 different types of cement, customers are given the opportunity to use tailor made binders for each specific application. The added value for end-users is not only the enhanced productivity, but also the achievement of higher quality with better profitability.

The focus on cement deliveries recorded 2.5 million tons of CPT sales. Relevant key performance indicators were established to monitor and help achieve the ultimate goal of delivering cement at the right place and at the right time, as avoiding stock shortfall is one of the main factors of customer satisfaction. In order to reinforce its leadership and to stay closer to the market, SCGC participated as the main sponsor and only cement producer in Interbuild Egypt 2011, one of the largest building material fairs in the region.

In conclusion, SCGC's strategy to place the customer at the center of its core business and to shift activities from pure to service-oriented ones, has led to a greater customer satisfaction which helped it maintain its leadership in the market. There are also plans for several new initiatives to increase customer satisfaction such as:

- Customer satisfaction survey
- Tailor made services
- Best practice sharing
- Customer call center
- Awareness session about cement quality
- Easing end-user life through a proximity service of technical assistance
- Reinforcing partnership with major cement consultants

Key Statistics

- More than 3,000 employees at five production facilities
- 16 kilns in operation and more than 15 operating quarries
- Total production capacity of 12 million metric tons of clinker
- Grey cement market leader with a market share of around 22%
- White cement market share of around 30%
- All plants are ISO 9001 and ISO 14001 certified
- All plants attained the European certificate of conformity for production of Portland cement and white cement

Quality Policy and Product Range

SCGC produces high quality cement and building materials for the construction industry in Egypt and abroad. Today the group offers different types of cement of various strength classes to meet the requirements of different users, in compliance with both Egyptian (ES 4756/1-2009) and international (EN 197/1-2000) standard specifications:

Ordinary Portland Cement	**CEM I 42.5 N**
Ordinary Portland Cement	**CEM I 42.5 R**
Portland Cement Super Fine	**CEM I 42.5 R - 4100**
Portland Limestone Cement	**CEM II /B-L 32.5 N**
Oil Well Cement	**HRS Class G API**
High Slag blast furnace Cement	**CEM III /A 32.5 N**
Portland Slag Cement	**CEM II /A-S 32.5 N**
Sulphate Resistant Cement	**SRC 42.5 N**
White Ordinary Portland Cement	**CEM I 52.5 N**
White Limestone Cement	**CEM II /B-L 42.5 N**
Masonry Cement	**MC5**

The quality of each cement type and each strength class is strictly controlled through a well established quality control system and all group laboratories are linked to Italcementi's Production and Quality Data Management System (ITC- PQDM). To guarantee routine quality control, SCGC signed an agreement with the Housing and Building Research Center (HBRC) to monitor the group's products via their own accredited laboratories. Random samples are also routinely sent to Italcementi's labs in Italy for quality assurance.

The five plants are certified ISO 9001-2008 Quality Management System and ISO 14001-2004 Environment Management System, EN 197-1 certified for evaluation of conformity, and EN 197-2 certified for composition, specification and conformity criteria (CE mark). All Group products were granted the Egyptian Quality Mark (EQM) in 2009. TPCC is the only Egyptian cement company that holds the API Quality Certificate for producing Oil Well cement.

Investments

Over the past years, SCGC has been implementing an investment program to modernize production facilities to improve efficiency and to comply with the latest environmental and safety standards. Several major projects with a total approximate value of LE 323 million were completed in the areas of:

- Environment and Safety (LE 118 million)
- Performance Improvement and Capitalized Maintenance (LE 158 million)
- Strategy (LE 10 million)
- Quality, IT and other domains (LE 37 million)

As part of the group strategic plan and the Compliance Action Plan for the Egyptian Environmental Affairs Agency (EEAA), the group continues to invest in pollution abatement and emission control. In 2011, a project to convert three electrostatic precipitators and replace gravel bed filters with bag houses in Line 8 of the Tourah plant was completed in cooperation with the EEAA and the World Bank. The project- EPAP II- was estimated at LE 134 million. Another project, at a cost of LE 7 million, to decrease the electrical power losses at our plants, was successfully implemented in Helwan plant 2, kilns 1 & 2, improving the power factor from 0.83 to 0.95. Similar projects are being implemented in Tourah and Kattameya plants, with an estimated total cost of LE 8 million and scheduled for completion in 2012.

In 2011, SCGC also launched a strategic program for utilization of alternative fuel (AF), the first phase of which involved the installation of AF-feeding equipment to the production line. Currently, several types of alternative fuels are being tested. The second phase, which consists of an AF storage and mechanical feeding system, is under progress, with an estimated budget of LE 28 million, and scheduled for completion in 2013. The program is planned to be extended to Helwan and Suez plants.

Human Resources Management

People are the most valuable asset of an organization. In line with this belief, **human resources management** continued to work towards implementing effective retention plans and launching various policies that ensure employee commitment and loyalty to the company.

A new car policy was rolled out providing managers with the flexibility to own or rent their cars while applying company safety standards. A comprehensive HRIS (Human Resource Information System) system entitled “EG STAR” project was launched on SAP in July 2011, thus becoming the main tool for the SCGC employee database, tracking headcount, compensation and development activities. In total, 98 new employees were recruited in 2011, 70 of which were of technical specialties.

Newcomers (Managers) in 2011 in chronological order of recruitment:

Moataz Yosrie	Site Manager
Girelli Giovanni	Manufacturing Manager
Ahmed El-Sayed	Product Marketing Manager
Hany Kassem	Legal Manager
Mohamed Shoala	Tourah Plant Safety Manager
Tiffany Gaura	Supplier Qualification Manager
Karidis Ioannis	Vice President Finance of RMB
Noulis Apostolis	Aggregates Development Manager
Fabio Sappia	Safety Manager
Bruno Carre	Managing Director
Fabio Burchielli	Technical Department Manager

With regards to **operational governance**, the focus was on the development and update of job descriptions for all key positions and corporate powers and processes. A complete set of internal and external powers and procedures were completed for the Procurement and Sales & Marketing departments.

Industrial relations handled more than 10 different strikes in 2011 and ensured the smooth running of the plants even throughout the curfew periods following the January 25th revolution, continuing to support staff through equalization and harmonization initiatives:

- Payment of the 2006 social allowance in compliance with local laws and regulations
- Award of an exceptional 15% of allowance as per a Prime Ministerial decree
- Increased employee incentives- in appreciation of the difficult period faced by them during the revolution- by excluding fuel and raw material delivery shortages from the budget when calculating annual production incentives
- Payment of salaries during the revolution period without any delay
- Finalized Access Control Activation in HQ, Suez plant, Kattameya plant and El Minya plant

Facilities Management, which plays a vital role in improving the efficiency and quality of primary services, succeeded in securing SCGC’s six plants during the revolution, began installing a CCTV system in all plants and provided capacity building training to all security officers and fire fighters. In line with the focus on human rights, contracts of contracted workers were amended to include medical coverage. Emergency doctor services in Kattameya plant were also extended to cover 24 hours, Tourah and Suez plant clinics were renovated and new ambulances were acquired. HQ office furniture was gradually renovated to ensure a common standard for all offices.

The consolidation of the **Development and Training** functions proved to be a great success with regards to the development of our human capital competencies. The implementation of “The Leader Within” program, to identify SCGC’s pool of talented employees with high potential, helps provide the company’s top talent with opportunities to assume key leadership positions. As a talent management tool, the program defines a proactive succession and development plan for key team members while increasing plant performance and allowing the best young high potential talents to grow.

Despite the challenges faced in 2011 and forced work interruptions, 85% of the targeted training hours were met. A special focus was made to increase technical efficiencies at the level of maintenance and production departments, focusing not only on improving knowledge and skills, but also on increasing engagement and motivation levels. With regards to safety, several trainings were implemented in accordance with the Safety Roadmap:

- Lock-out and Tag-out (LOTO) training for all SCGC personnel at managerial/supervisory levels of maintenance and production functions with a participation rate of 85% due to work needs
- PPE Awareness sessions for SCGC managers in Production, Maintenance, Safety, Investment and Warehouses departments
- Piloting of the Online Training Portal with aim of full implementation in 2012
- “Safety Defensive Driving for Heavy Machinery” for SCGC drivers/operators specialized in crane, forklift, trucks and loaders
- Specialized advanced fire fighting training for the firefighting teams which included simulations of live fire fighting

Spin Selling courses were implemented for the Marketing & Sales Department. The courses followed the Huthwaite methodology –the world’s leading sales performance improvement organization- as well as problem solving techniques and time management.

Training focusing on compliance and risk mitigation was also conducted: 20% of SCGC employees were trained in fire fighting techniques at the Civil Defense Authorities, 10% of HQ employees were given first aid and basic life support training, 6 Finance and Legal staff members attended a conference on money laundering and 26 lab staff were certified as X-Ray technicians.

With regards to performance management, all managers received training on SCGC’s new Performance Management System, focusing on setting SMART objectives and how to give constructive feedback to employees.

Safety and Health at Work

"Safety is a way of living". This is motto through which SCGC aims to reduce the number of occupational accidents by developing a substantive corporate safety culture as well as raising awareness and concern for safety conduct.

The safety of our employees and contractors is our first concern. We can never allow ourselves to be truly proud of our industry when there are still people risking their lives and being injured on our sites. Our goal is to maintain a safer and healthier working environment at all our sites and facilities through adequate measures to prevent accidents and injuries and to develop communication initiatives to promote a preventative safety and health culture.

In 2011, SCGC started to implement PPE, Working at Height (WAH) and Hot Work standards so as to stay in compliance with the group standards. Aiming to become one of the safest companies in the industry, we conducted 16,056 hours of safety training and 31,806 hours of safety orientation in addition to continuing our efforts to reduce the workplace accident frequency rate. In 2011, SCGC's Lost Time Injury (LTI) frequency rate was 4.1 across all activities, with a severity rate of 0.16.

Unfortunately, we experienced two fatal accidents of contractor employees in Helwan and Suez. In 2011, the number of days lost without commuting were 1,117 for direct employees and temporary workers. The Total Recordable Injury Rate (TRIR) was 7.5 including fatalities, Lost Time Injuries, Restricted Work Duty and Medical Treatment for all the activities.

Different communication tools were launched during 2011 such as an SMS campaign, a Ramadan Safety Campaign and Competition, in addition to the issuance of a newsletter titled "Safety Vision"

Evolution of Accident Frequency[1] (2007 – 2011)						
	2007	2008	2009	2010	2011	2012 (Target[2])
Employees	2.6	1.9	2.9	2.5	4.1	4
Contractors	3.0	2.7	3.2	2.2	2.1	10[3]

1 Number of accidents with at least one day off per million working hours.
2 Our target for 2012
3 Our target for the contractors in 2012 increased compared to the previous years to be more realistic

Regrettably, according to the table below, we had contractor fatalities numbering 4 in 2010 and 2 in 2011. In order to have better control and monitoring of the contractors, access control and punch card systems have now been implemented.

Evolution of Fatal Accident Rate (2007 – 2011)					
	2007	2008	2009	2010	2011
Employees	1	0	0	1 occupational and 1 commuting accident	1 commuting
Contractors	2	1	2 occupational and 1 commuting	4	2

Implementing a new system for safety inspections

In order to improve safety in our plants, the inspection process was revamped. Each plant was divided in different areas, including technical areas, buildings, plant yards, facilities so they would be separately assessed by inspectors twice a month.

A rolling group of inspectors ensures that all necessary changes or regulations have been implemented and that dedicated reports have been filled. The reports define any corrective action that needs to be taken as well as the person in charge and when it should be completed.

Industrial hygiene and workers' health

Health management, including industrial hygiene (dust, noise and whole body vibration hazards) is one of our major concerns. The recent implementation of the workplace health hazard assessment has added to the significance of the issue for the group, given the importance of this assessment where such hazards are of long-term effect. In this context, SCGC operations have had a positive impact by providing information and medical care to our employees and to the local communities.

Human rights

As part of an effort started in 2010 to improve working conditions, we started to implement and work on the following:

- Risk of having children or family members accompanying customers or suppliers within site boundaries
- Risk of having employees or contractors entering the site or working without adequate PPE
- Decent conditions of:
  - first aid facilities
  - sanitary facilities, separated for men and women
  - dressing facilities, separated for men and women
  - accommodation for meals and shelter
  - canteens, colonies, guesthouses and civil settlements connected to the sites
- Supply of potable water for employees and contractors

In 2011, several projects were carried out to improve the working conditions for our direct employees as well as sub-contractors

- New cafeteria for drivers in Tourah Plant 1
- Renewal of the employees apartment in Tourah Plant 1
- New dressing room for contractors in Helwan Plant
- New accommodation room for meals and shelter in packing area in Helwan plant
- Improved working conditions in the lime quarry of Helwan Plant
- Improved working conditions in clay quarry in Suez plant

Environmental Protection

All SCGC plants apply the requirements of Environment Management System (EMS) ISO 14001/2004 and renew their ISO 14001 certificates separately. In August 2011, new amendments to the environmental law no.4/1994 were issued, which contained more restrictions on air emissions to be applied within a three year grace period. The group submitted a Compliance Action Plan for 2012-2014 to comply with the new law. The plan, which includes investments valued at approximately LE 530 million for new environmental projects, has since been approved by the authorities. SCGC plants have also started to implement more restrictive internal environmental targets in order to avoid any possible penalties that may arise.

Climate protection

As the production of cement clinker is an energy and carbon intensive process, SCGC closely monitors and reports carbon dioxide emissions following the WBCSD CSI CO2 protocol for the cement industry.

To assure the quality of CO2 emissions records, Ernst & Young carried out an external audit in February 2011 for consolidated carbon dioxide emissions, covering the five plants of Kattameya, Tourah, Helwan, El Minya and Suez.

SCGC 2011 CO2 Cement Production* Emissions	
Absolute gross (ton/year)	7, 483, 436
Specific gross (kg/ton clinker)	838
Specific gross (kg/ton cem.**)	738

*These calculations are based on the WBCSD-CSI CO2 protocol, June 2005 version 2 and Italcementi Group guidelines.
**"cem." is a cementitious product that includes both clinker and cement substitutes used for grinding.

SCGC is currently applying CSI guidelines with regards to the **responsible use of resources**, utilizing non-quarried materials slag and broken clay bricks as a substitution of clinker in cement with 10.42% of ARM vs. quarried raw materials in cement production.

The group's Kattameya plant was authorized to utilize **alternative fuels** as partial replacement of fossil fuels in September 2011, burning biomass after modifications in the pilot system. Now, five big kilns out of a total of 7 in the whole group are authorized to utilize alternative fuels such as biomass, RDF and sewage sludge. There are plans to replace the pilot system in Kattameya by end of 2012 with a complete permanent mechanical feeding system using efficient alternative fuels and increasing biomass utilization. Additionally, two complete feeding systems are planned to be installed by end of 2012 in the Helwan plant for both dry kilns.

SCGC has two **Clean Development Mechanism** (CDM) projects which are currently in progress, one each for the Helwan and Kattameya plants. These projects will have a positive environmental, economic and social impact and will support Egyptian government efforts to achieve sustainable development. The group will be ready to submit the final Project Design Documents (PDD's) with validation reports to United Nations Framework Convention on Climate Change (UNFCCC) asking for final registration before the end of 2012.

With regards to **air emissions**, 100% of SCGC's kilns are equipped with Continuous Emission Monitoring (CEMs) for dust emissions, and 33% are equipped with CEMs for gases pollutants (NOx, SO2, CO, O2, VOC). By mid of 2012, all kilns will fully comply with SCGC standards. SCGC has achieved **dust emissions** of 413 g/t of clinker, which is less than 2011 target (450 g/t).

Several major projects were completed and successfully implemented in the area of **pollution abatement and emission control**. In December 2011, the second phase of the EPAP II project was completed at a total cost of LE 134 million with the conversion of three electrostatic precipitators for raw mills and bypass to bag house and replacement of the two gravel bed filters with one bag house filter in line 8 at Tourah plant. This resulted in a drastic reduction of dust emissions from 250 to 20 milligrams per cubic meter.

The final goal of the company's environmental strategy is to achieve the best balance between the use of natural resources and long term economic growth while ensuring a better quality of life for present and future generations.

Stakeholder Engagement

Despite the political turmoil and decreased security which characterized 2011, the group actively sought to better engage with its internal and external stakeholders and contribute through its social initiatives program to improve the quality of life and the social well-being of the communities where it operates. Social initiatives, which strongly reflect SCGC core values, were focused mainly on education, environment, safety and capacity building.

Internally, the company actively communicated and involved employees using a variety of tools including the innovative Employee TV project which improved communication with distant plants, the Safety Vision newsletter and SCGC news published on the group intranet which was launched in the second half of 2011. A good opportunity to engage our stakeholders was the Open Door Day held in El Minya plant and attended by over 400 adults and children.

Locally, every possible opportunity was taken to stand and act as a responsible citizen. The ongoing cooperation with the National Council for Childhood and Motherhood (NCCM), which started in 2007 which targets poverty alleviation in the local communities of Kafr El Elw and El Maasara, continued in 2011.

Education

Focusing on education, which plays a crucial role in poverty eradication and wealth creation, several partnerships were undertaken to promote youth training, skills development and postgraduate studies.

In addition to its continuing joint venture with the Don Bosco Institute which provides technical training at a high school and university level, 2011 witnessed the launch of two new initiatives, the "Adopt a School" program with Injaz Egypt and the Suez Cement Company Endowed Fellowship Fund in cooperation with the American University in Cairo (AUC).

SCGC signed an agreement with Injaz Egypt, to deliver a pioneering program for preparatory school students, teachers and parents whereby the company agreed to "adopt" four schools in 2012 in Tourah, Helwan, Suez and Menya. The program, which contains several components, teaches students about the environment, recycling, personal marketing methods, basic economic concepts and market transactions. The program will also train teachers in teaching methodologies and will provide awareness sessions to parents, helping them understand and communicate better with their teenage children.

2,550 students, 223 teachers and 2,550 parents will be reached through this project, creating a ripple effect whereby students, teachers and parents make a positive change in the neighborhoods and become a model to be adopted in as many schools as possible across Egypt.

Focusing on university graduates, SCGC signed an agreement with the American University in Cairo (AUC) to create the Suez Cement Company Endowed Fellowship Fund, which will provide a fully paid scholarship for one Egyptian M.Sc. student at AUC's School of Sciences and Engineering. This graduate fellowship will give the chance for academically outstanding and financially disadvantaged students to expand their career options by obtaining their master's degree at one of the best educational institutions in the Middle East. The recipient must reside in Helwan or Tourah in Greater Cairo, the Suez Governorate or the El Minya Governorate or have graduated and received a Bachelor's degree from one of the national universities in those areas. After the student graduates in two years, another student will be selected to receive this fellowship. In this way, the donation will fully fund the education of bright and deserving students in perpetuity.

Our partnership with the Don Bosco Institute has continued for the fifth year. The partnership started in 2006 with the upgrade of its infrastructure and facilities, development of new programs and increase of number of students attending the Institute. Graduates of Don Bosco are well known and in demand throughout the industrial sector for their excellent training and professional skills. SCGC provides summer internship opportunities for the Institute's students and offers opportunities for employment. The financial support provided each year to Don Bosco, helps pay for the tuition of financially disadvantaged students.

In order to encourage attendance and prevent schoolchildren dropouts, SCGC carried out through NCCM a feeding program in Maasara and Kafr El Elw primary schools, and paid school fees to motivate impoverished families to enroll their children. The program experience shows that improving children nutrition and health can lead to better performance and less repeated classes as well as an increase in school attendance levels.

As part of SCGC commitment's towards education and better learning environments, the Group donated school supplies, desks and basic infrastructure needs for a school in Tourah and another in Helwan. SCGC continuously evaluates requests for similar support in the communities where its plants are located.

Health, environment and social awareness

SCGC exerts every possible effort to promote better health care and a cleaner environment. With NCCM, the company helped fund sports equipment for disabled children and chochlear implants for children.

Helwan and Tourah employees conducted a blood drive to donate blood to help victims of accidents and emergencies. The campaign was done in cooperation with New Kasr el Ainy Hospital, which provided all the medical supplies and completed a pre-donation check up to the employees.

The company also organized summer camps for its workers' children focusing on the environment with activities such as planting and handicrafts. It also carried out cleaning activities in front of the Kafr El Elw school, donating in addition ceiling fans and water coolers.

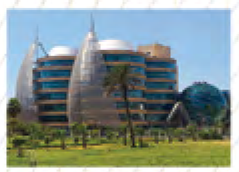
Improving social/economic conditions and building capacity

On the occasion of the Muslim holy month of Ramadan, SCGC distributed in cooperation with the Food Bank 2,000 Ramadan bags containing rice and pasta for the most needy families in Helwan, Tourah and El Minya districts. A charity tent was also set up in front of the Tourah plant to distribute 100 meals daily during the whole month of Ramadan.

Aiming to address unemployment challenges facing marginalized youth, the joint project with NCCM pioneered several income-generating activities to preserve and revive the manufacture of traditional hand-made products such as embroidery and blowing glass. Thanks to the strong cooperation with Japan External Trade Organization (JETRO), a group of blowing glass producers started to make products for the Japanese market and a number of them were invited by JETRO in June, 2011, to exhibit their products at Interior Lifestyle Tokyo, a leading design trade fair for the high end interior design market.


Al-Salam Bridge



Suez Cement Company (S.A.E)

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
TOGETHER WITH AUDITORS' REPORT

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

Report on the Separate Financial Statements
We have audited the accompanying separate financial statements of **Suez Cement Company (S.A.E)**, represented in the separate balance sheet as of 31 December 2011, and the related separate statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the separate financial position of **Suez Cement Company (S.A.E)**, as of 31 December 2011, and of its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

- As indicated in notes (1) and (5) of the notes to the separate financial statements, the company has investments in subsidiaries and prepared consolidated financial statements as of 31 December 2011, for better understanding of the company's financial position as 31 December 2011 and its financial performance, and its cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements

AUDITOR'S REPORT

- As indicated in note (20) of the notes to the separate financial statements, the Company's management has reversed tax authority accruals of Clay development contribution fees amounting to EGP 63,730,958 for the period from 1 December 2010 till 31 December 2011; these accruals have been reversed and recognized among other income in the income statement based on the meeting held at the office of the Tax Authority Chairman on 28 December 2010 with the representatives of the cement companies working in Egypt. The view of the external legal counsel of the company on the subject matter is that the matter is still under negotiation with the internal committees of the Tax Authority and under investigation by the Ministry Committee for Investment Disputes and the Ministry of Finance. The Company's management is informing the Tax authority monthly about the amount settled and the outstanding balance of the excess charges of the clay fee due from the Tax Authority.

Report on Other Legal and Regulatory Requirements

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

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

Cairo: 23 February 2012

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

SEPARATE BALANCE SHEET
AS OF 31 DECEMBER 2011

	Note	2011 LE	2010 LE
Non current assets			
Fixed assets	(2-3,3)	**550,942,777**	559,978,717
Projects under construction	(2-5,4)	**126,394,565**	158,492,696
Investments in subsidiaries	(5-a)	**4,515,247,838**	4,515,247,838
Investment in an associate	(5-b)	**28,334,257**	28,334,257
Available-for-sale investments	(5-c)	**4,463,779**	3,590,722
Amounts paid under investments in subsidiaries and other companies	(5-d)	**636,791**	636,791
Loan to subsidiaries	(6)	**72,000,000**	92,000,000
Total noncurrent assets		**5,298,020,007**	5,358,281,021
Current assets			
Inventory, net	(2-7,7)	**312,756,457**	318,368,705
Accounts receivable	(2-8)	**879,356**	502,879
Due from related parties	(8, 2-16)	**13,289,599**	22,357,757
Prepayments and other receivables, net	(9)	**77,748,293**	671,797,672
Cash on hand and at banks	(10)	**505,841,670**	63,631,531
Total current assets		**910,515,375**	1,076,658,544
Current liabilities			
Provisions	(2-9,11)	**137,146,147**	181,428,866
Credit facilities	(12)	**-**	416
Loan from subsidiary company	(16)	**-**	140,000,000
Accounts payable		**133,804,170**	153,673,250
Due to related parties	(2-16,13)	**22,339,872**	142,031,719
Accrued expenses and other payables	(14)	**278,441,433**	269,784,578
Total current liabilities		**571,731,622**	886,918,829
Working capital		**338,783,753**	189,739,715
Total investment		**5,636,803,760**	5,548,020,736
Financed as follows:			
Equity			
Issued and paid up capital	(15-a)	**909,282,535**	909,282,535
Legal reserve	(15-b)	**454,641,267**	454,641,267
Other reserves	(15-b)	**2,206,689,265**	2,206,600,643
Net unrealized gains on available-for-sale investments		**3,350,779**	2,477,722
Retained earnings		**1,247,818,301**	978,865,041
Profits for the year		**804,933,820**	986,645,334
Total equity		**5,626,715,967**	5,538,512,542
Noncurrent liabilities			
Deferred tax liabilities	(2-12,17)	**10,087,793**	9,508,194
Total noncurrent liabilities		**10,087,793**	9,508,194
Total finance of working capital and current assets		**5,636,803,760**	5,548,020,736

Auditors	Accounting Manager	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Shereif El Masry	Ali Ihsan Kucukoglu	Bruno Michel Carre	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.
- Auditors' report attached.

SEPARATE STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 LE	2010 LE
Sales	(2-13)	**1,578,827,644**	1,965,181,544
Cost of sales		**(1,216,806,674)**	(1,278,656,715)
GROSS PROFIT		**362,020,970**	686,524,829
General and administrative expenses	(2-14,19)	**(61,176,367)**	(53,219,426)
Provisions	(2-9,10)	**(17,683,950)**	(85,476,149)
Provisions no longer required		**3,225,000**	85,191,547
Decline in value of obsolete inventory		**-**	(2,402,337)
Reversal in decline in value of obsolete inventory	(7)	**359,557**	8,586,563
Decline in value of other receivables		**(1,256,834)**	
Reversal in decline in value of other receivables		**-**	416,783
Board of directors' remuneration and allowances		**(129,000)**	(117,750)
Dividends Income	(2-13, 21)	**518,658,565**	463,822,093
Other operating income	(20)	**79,291,085**	26,896,895
OPERATING PROFITS		**883,309,026**	1,130,223,048
Finance expenses	(2-15)	**(5,839,861)**	(22,360,576)
Credit interests		**34,747,135**	13,110,698
Gain from sale of fixed asset	(3)	**2,143,848**	88,623
Foreign exchange differences		**(681,288)**	1,793,449
(Losses) of sale of obsolete inventory		**(1,852,764)**	(1,270,532)
PROFITS BEFORE INCOME TAXES		**911,826,096**	1,121,584,710
Deferred income taxes	(2-12)	**(579,599)**	(6,735,485)
Income taxes expense	(18)	**(106,312,677)**	(128,203,891)
PROFITS FOR THE YEAR		**804,933,820**	986,645,334
EARNINGS PER SHARE	(26)	**4.23**	5.25

Accounting Manager	Chief Financial Officer	Managing Director	Chairman
Shereif El Masry	Ali Ihsan Kucukoglu	Bruno Michel Carre	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Issued and paid up capital	Legal Reserve	Other reserves	Net unrealized gains on available-for-sale investments	Retained earnings	Profits for the year	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2011	909,282,535	454,641,267	2,206,600,643	2,477,722	978,865,041	986,645,334	5,538,512,542
Tax differences adjustments	-	-	-	-	1,193,411	-	1,193,411
Adjusted balance as of 1 January 2011	909,282,535	454,641,267	2,206,600,643	2,477,722	980,058,452	986,645,334	5,539,705,953
Transferred to retained earnings	-	-	-	-	986,645,334	(986,645,334)	-
Dividends and transferred to other reserves	-	-	88,622	-	(718,885,485)	-	(718,796,863)
Net unrealized gain on available for sale investments				873,057			873,057
Profits for the year	-	-	-	-	-	804,933,820	804,933,820
Balance as of 31 December 2011	**909,282,535**	**454,641,267**	**2,206,689,265**	**3,350,779**	**1,247,818,301**	**804,933,820**	**5,626,715,967**
Balance as of 1 January 2010	909,282,535	454,641,267	2,206,482,715	2,477,722	957,580,024	846,995,849	5,377,460,112
Transferred to retained earnings	-	-	-	-	846,995,849	(846,995,849)	-
Dividends and transferred to other reserves	-	-	117,928	-	(621,398,046)	-	(621,280,118)
Interim dividends					(204,312,786)		(204,312,786)
Profits for the year	-	-	-	-	-	986,645,334	986,645,334
Balance as of 31 December 2010	**909,282,535**	**454,641,267**	**2,206,600,643**	**2,477,722**	**978,865,041**	**986,645,334**	**5,538,512,542**

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

	Note	2011 LE	2010 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profits before income taxes		911,826,096	1,121,584,710
Dividends income	(2-13,21)	(518,658,565)	(463,822,093)
Depreciation of fixed assets	(3)	112,065,579	106,266,099
Provisions	(11)	17,683,950	85,476,149
Provisions no longer required	(11)	(3,225,000)	(85,191,547)
Decline in value of obsolete inventory	(7)	-	2,402,337
Reversal in decline in value of obsolete inventory	(7)	(359,557)	(8,586,563)
Decline in value of other receivables	(9)	1,256,834	-
Reversal in decline in value of other receivables		-	(416,783)
Finance expenses	(2-15)	5,839,861	22,360,576
Credit interests		(34,747,135)	(13,110,698)
(Gains) from sale of fixed assets	(3)	(2,143,848)	(88,623)
Foreign exchange differences		681,288	(1,793,449)
Operating profits before changes in working capital		490,219,503	765,080,115
Change in inventory	(7)	5,971,805	(18,686,164)
Change in accounts receivable		(376,477)	(21,671)
Change in due from related parties	(8)	9,068,158	(16,618,941)
Change in prepayments and other receivables *	(9)	569,633,341	5,891,569
Change in accounts payable		(19,869,080)	6,411,995
Change in due to related parties	(13)	(119,691,847)	(6,639,869)
Change in accrued expenses and other payables *	(14)	27,729,153	28,266,110
Cash from operations		962,684,556	763,683,144
Finance expense paid	(2-15)	(5,839,861)	(22,360,576)
Income taxes paid **	(14)	(102,225,771)	(108,209,441)
Provisions used	(11)	(58,741,669)	(57,110,972)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		795,877,255	576,002,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	(3)	2,161,059	106,858
Proceeds from debtors – sale of fixed assets		-	3,652,126
Payments in respect of projects under construction	(4)	(70,948,719)	(122,689,533)
Payments for amounts paid under investments in subsidiaries & other companies		-	(100,000)
Dividends received	(2-13,21)	518,658,565	463,822,093
Credit Interests received		34,747,136	13,110,698
NET CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES		484,618,041	357,902,242
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payments) of credit facilities		(417)	(33,615)
Proceeds of loan from subsidiary company		20,000,000	140,000,000
Payments of medium term loans		-	(225,000,000)
Proceeds of loan from subsidiary company		-	16,000,000
(Payment) of loan to subsidiary company		(140,000,000)	-
Dividends paid		(718,796,863)	(825,592,905)
Adjustments on retained earnings		1,193,411	-
NET CAH FLOWS (USED IN)FINANCING ACTIVITIES		(837,603,869)	(894,626,520)
Net increase in cash and cash equivalent during the year		442,891,427	39,277,877
Foreign exchange differences		(681,288)	1,793,449
Cash and cash equivalent- beginning of the year		63,631,531	22,560,205
Cash and cash equivalent- end of the year		505,841,670	63,631,531

For preparing the statement of cash flow, the cash and cash equivalent comprises of the following:

	Note	2011 LE	2010 LE
Cash on hand and at banks	(10)	505,841,670	63,631,531
Cash and cash equivalent- end of the year		505,841,670	63,631,531

* An amount of EGP 23,159,204 was excluded from calculating the change in prepayments and other receivables and the accrued expenses and other payables which represent non-cash transaction between Accrued income taxes account (note 14) and Tax authority account (Note 9).

** Income tax paid during the year amounted to EGP 102,225,771 represents net of the change in accrued expenses and other payables amounted 125,384,975 (note 14) and the non-cash transaction amounted to EGP 23,159,204 which was settled with Tax authority account (Note 9).

- The accompanying notes from (1) to (29) are an integral part of these separate financial statements.

1- BACKGROUND

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

Italcementi Group (through Cement Francis) acquired with consortium of other investors 80.80% of the company's shares starting from 24 March 2005.

The main objective of the Company is to produce all types of cement and other products stemming from the cement industry and related thereto and the production of other building materials and construction requirements and trading therein, utilization the mines and quarries except sand and gravels. The company may have an interest or participate in any manner in organization caring out activities which are similar to the company's activities, or which may contribute to the fulfilment of the Company's objects in Egypt or abroad. The company may also be merged in any of the aforementioned organizations, or may buy or have them subsidiary to the company, subject to the approval of the General Authority for Investment and Free Zones.

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

The financial statements of the Company for the year ended 31 December 2001 were authorized for issuance in accordance with a resolution of the directors on 22 February 2012.

2- SIGNIFICANT ACCOUNTING POLICIES

2–1 Basis of preparation

The financial statements have been prepared under the going concern assumption on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

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

2–2 Changes in accounting policies

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

2–3 Foreign currency translation

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

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

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

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

2–4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings, constructions, infrastructure and roads	6 to 20
Machinery, equipment and Tools	5 to 20
Motor Vehicles	5
Furniture and office equipment	5 to10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income when the asset is derecognized.

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

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

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

2–5 Projects under construction

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

2–6 Investments

Investments in subsidiaries

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

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

Investments in associates

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

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

Available for sale investments

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

Available for sale investments are initially recognized at cost inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

a) Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

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

2–7 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and Consumables, rolling and packing materials: at the lower of cost (using the moving average method) or net realizable value.
- Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value
  Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs
- Work in process: at the lower of the cost of production (of the latest completed phase based on the costing sheets) or net realizable value.
  Cost of work in process includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in the statement of income in the period the write down or loss occurs according to an authorized study takes into consideration all technical and market bases to estimate any write down. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized in the statement of income in the period in which the reversal occurs.

2–8 Accounts receivable and other debit balances

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

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

2–9 Provisions

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

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2–10 Legal reserve

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

2–11 Borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the income statement.

2–12 Income taxes

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

Current income tax

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

Deferred income tax

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

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

Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

2–13 Revenue recognition

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

- **Sale of goods**
  Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods

- **Rendering of services**
  Revenue from xxx services is recognized by reference to the stage of completion.
  Stage of completion is measured by (add the way the stage of completion is measured for example :)
  a. surveys of work performed; or
  b. services performed to date as a percentage of total services to be performed; or
  c. the proportion that costs incurred to date bear to the estimated total costs of the transaction.

  When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

- **Interest income**
  Interest income is recognized as interest accrues using the effective interest method. Interest income is included in finance revenue in the statement of income.

- **Dividends**
  Revenue is recognized when the company's right to receive the payment is established.

- **Rental income**
  Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

2–14 Expenses

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

2–15 Borrowing costs

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

2–16 Related party transactions

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

2–17 Accounting estimates

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

2–18 Impairment

Impairment of financial assets

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

Impairment of non financial assets

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

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

2–19 Statement of cash flows

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

2–20 Cash and cash equivalent

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

3- FIXED ASSETS

	Lands	Buildings, constructions, infrastructure and roads	Machinery, equipment and Tools	Motor Vehicles	Furniture and office equipment	Total
	LE	LE	LE	LE	LE	LE
Cost						
As of 1 January 2011	398,503	468,855,684	1,195,888,322	42,238,986	46,833,322	**1,754,214,817**
Transfer from Projects under construction		12,161,878	74,364,045	4,507,888	12,013,039	**103,046,850**
Disposals	-	-	(5,126,492)	(3,005,552)	(178,373)	**(8,310,417)**
As of 31 December 2011	**398,503**	**481,017,562**	**1,265,125,875**	**43,741,322**	**58,667,988**	**1,848,951,250**
Accumulated depreciation						
As of 1 January 2011	**-**	**(321,767,239)**	**(792,442,305)**	**(40,158,694)**	**(39,867,862)**	**(1,194,236,100)**
Depreciation for the year	-	(18,681,955)	(87,878,239)	(1,798,066)	(3,707,319)	**(112,065,579)**
Disposals	-	-	5,126,492	3,005,553	161,161	**8,293,206**
As of 31 December 2011	**-**	**(340,449,194)**	**(875,194,052)**	**(38,951,207)**	**(43,414,020)**	**(1,298,008,473)**
Net book value as of 31 December 2011	**398,503**	**140,568,368**	**389,931,823**	**4,790,115**	**15,253,968**	**550,942,777**
Net book value as of 31 December 2010	398,503	147,088,445	403,446,017	2,080,292	6,965,460	559,978,717

First:

	L.E
Proceeds from sale of fixed assets	**2,161,059**
Cost of fixed assets sold	8,310,417
Accumulated depreciation of fixed assets sold	(8,293,206)
Net book value	(17,211)
Gain from sale of fixed assets	**2,143,848**

Second:

- Fixed Assets include assets that are fully depreciated and still in use. The acquisition cost for these assets are as follows:

Assets	**Cost**
	L.E
Building, construction, infrastructure and roads	158,944,285
Machinery, equipment and tools	413,876,002
Motor vehicles	36,189,212
Furniture and office equipment	33,366,916
Total	**642,376,415**

- No pledged assets against loans and credit facilities offered for the company.
- No temporarily idle assets and the fair value of assets are not materially different from its carrying amount.

4- PROJECTS UNDER CONSTRUCTION

Balance at 1 January 2011	Additions during the year	Transferred into assets during the year	Balance at 31 December 2011
LE	LE	LE	LE
158,492,696	70,948,719	(103,046,850)	126,394,565

5- INVESTMENTS

A) Investments in subsidiaries

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Subsidiary companies				
Helwan Cement Company S.A.E	99.466	5	2,832,496,952	2,832,496,952
Tourah Portland Cement Company S.A.E	66.12	5	1,287,617,992	1,287,617,992
EL Helal Cement Company-Kuwait (Kuwaiti Joint Stock Company)	51	15.29	270,415,816	270,415,816
Universal For Ready Mix Production (RMPU)- S.A.E (Previously Ready Mix Beton Egypt) "RMBE"	52	10	55,154,993	55,154,993
Ready Mix Production (RMP) S.A.E (Previously Ready Mix Beton) "RMB"	52	10	26,277,866	26,277,866
Suez Bags Company S.A.E	53.3	10	22,438,108	22,438,108
Development for Industries Company S.A.E	90	100	225,000	225,000
Axim Egypt Company S.A.E	90	100	13,500,000	13,500,000
Subsidiary companies through indirect investments *				
Suez Lime Company S.A.E	49.66	100	3,621,100	3,621,100
Suez For Transport and Trade S.A.E	96.32	100	3,500,000	3,500,000
Development and Construction Materials Company (DECOM) S.A.E	52	10	11	11
			4,515,247,838	4,515,247,838

* In addition to the company's share in the subsidiary companies. The company owns indirect shares through its subsidiaries qualify these companies to be subsidiary companies; consequently it has been included in investments in subsidiaries item. These indirect shares comprise the following:

- Suez cement company indirect share (through Tourah Portland Cement Company S.A.E – subsidiary company by 66.12%) in Suez Lime Company (S.A.E) by 49.66%.
- Suez cement company indirect share (through Helwan Cement S.A.E – subsidiary company by 98.69% and Tourah Portland Cement Company S.A.E – subsidiary company by 66.12%) in Suez for Transport and Trade (S.A.E) by 96.32%.
- Suez cement company indirect share (through Ready Mix Beton Egypt (RMBE) S.A.E – subsidiary company by 52%) in Development and Construction Materials Co (DECOM) (S.A.E) by 52%.
- Suez cement company indirect share (through Development for Industries Company S.A.E – subsidiary company by 98.28% and Axim Egypt Company S.A.E – subsidiary company by 98.28% and Suez For Transport and Trade S.A.E – subsidiary company by 96.32%) in Suez for import and export (S.A.E) by 97.88%.

NOTES TO THE SEPERATE FINANCIAL STATEMENTS
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B) Investment in an associate

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Techno Gravel For Quarries-Egypt S.A.E	45	10	28,334,257	28,334,257
			28,334,257	28,334,257

C) Available-for-sale investments

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Lafarge Cement Company – Egypt S.A.E (Previously : Egyptian company for Cement S.A.E) – quoted in stock exchange in an inactive market	0.137	1000	1,113,000	1,113,000
Reserve of gain from changes in the fair value of investments available-for-sale			3,350,779	2,477,722
			4,463,779	3,590,722

D) Amounts paid under investments in subsidiaries and other companies

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Suez Bosphorus Cimento Sanayi Ve Ti	99.9	3.64	186,791	186,791
Italgin Egypt For Energy S,A,E	1	100	450,000	450,000
			636,791	636,791

6- LOAN TO SUBSIDIARIES

On 20 October 2006, Suez Cement Company's Board of Directors had approved to lend Univesal for Ready Mix Production (previously Ready Mix Beton Egypt "RMBE") (SAE) (subsidiary) an amount of LE 300 Million at annual interest10.54%, The loan's balance as of 31 December 2011 amounting to LE 37 Million from Univesal for Ready Mix Production (SAE) and LE 35 Million from Development and Construction Materials Company (DECOM) SAE.

7- INVENTORY, NET

	31/12/2011	31/12/2010
	LE	LE
Raw materials	6,038,642	8,195,923
Fuel, Spare parts and Consumables	232,976,981	236,055,507
Rolling and packing Material	4,813,422	4,900,881
Work in progress	79,399,517	85,672,346
Finished Products	33,554,970	30,583,996
Letters of credit	4,835,394	2,182,078
	361,618,926	367,590,731
Less:		
Decline in value of obsolete spare parts inventory	(47,427,639)	(48,557,336)
Decline in value of obsolete (packing -bags) inventory	(1,434,830)	(664,690)
	(48,862,469)	(49,222,026)
	312,756,457	318,368,705

8- DUE FROM RELATED PARTIES

	31/12/2011	31/12/2010
	LE	LE
Ready Mix Production (RMP) SAE (Previously Ready Mix Beton) "RMB"	179,999	374,571
Universal For Ready Mix Production (RMPU) SAE (Previously Ready Mix Beton Egypt) "RMBE"	1,622,465	1,401,736
Suez Lime Company SAE	169,650	1,328,041
Tourah Portland Cement Company SAE	9,920,116	18,196,604
Techno Gravel For Quarries-Egypt SAE	366	400
Development and Construction Materials Company (DECOM) SAE	1,397,003	1,056,405
	13,289,599	22,357,757

9- PREPAYMENTS AND OTHER RECEIVABLES, NET

	31/12/2011	31/12/2010
	LE	LE
Prepaid expenses	6,991,513	9,571,489
Advances to suppliers	13,065,938	13,158,764
Deposits with others	29,884,267	18,474,690
Debtors - sale of assets	1,500,000	1,500,000
Tax authority	9,271,763	29,206,951
Tax Refunded	10,278,052	16,750,817
Accrued amounts from decrease of investments *	-	580,758,310
Other debit balances	8,891,382	3,254,439
	79,882,915	672,675,460
Less: Impairment in value of other debit balances	(2,134,622)	(877,788)
	77,748,293	671,797,672

* The decrease represents Suez Cement Company share in decreasing Helwan Cement Company S,A,E (Subsidiary) issued capital and par value as of 31 December 2010, This amount collected during 2011.

10- CASH AT ON HAND AND AT BANKS

	31/12/2011	31/12/2010
	LE	LE
a- Egyptian Pound		
Current accounts	64,319,574	58,227,210
Time deposits and treasury bills (maturing in three months)	45,105,930	-
	-	
b- Foreign currencies		
Current accounts	675,929	5,404,321
Time deposits (maturing in three months)	395,740,237	-
	505,841,670	63,631,531

11- PROVISIONS

	Balance as of 1 January 2011	Charged during the period	Utilized during the period	Provisions no longer required	Balance as of 31 December 2011
	LE	LE	LE	LE	LE
Tax claims	115,150,000	9,036,770	(55,036,770)	-	69,150,000
Juridical disputes	9,397,709	3,281,252	(749,064)	(225,000)	11,704,897
Early pension funds	8,104,742	1,351,093	(2,955,835)	(3000,000)	3,500,000
Training support fund	47,526,415	4,014,835	-	-	51,541,250
Other claims	1,250,000	-	-	-	1,250,000
	181,428,866	17,683,950	(58,741,669)	(3,225,000)	137,146,147

12- CREDIT FACILITIES

The balance of credit facilities represents short term facilities from several Egyptian banks with a maximum limit amounted to LE 670 million, nothing used during the year ended at 31 December 2011.

13- DUE TO RELATED PARTIES

	31/12/2011	31/12/2010
	LE	LE
Ciments Francais (major shareholder)	7,669,128	8,299,325
Italcementi S,P,A	3,447,352	1,019,463
Suez Bags Company S,A,E,	7,188,501	7,504,935
Helwan Cement Company S,A,E,	2,752,021	123,574,536
Suez Export & Emport	112,002	
Suez For Transport and Trade S,A,E	1,170,868	1,633,460
	22,339,872	142,031,719

14- ACCRUED EXPENSES AND OTHER PAYABLES

	31/12/2011	31/12/2010
	LE	LE
Accrued expenses	22,625,246	13,546,990
Advances from customers	82,274,748	58,049,423
Accrued taxes and insurances	3,480,213	3,938,731
Deposits from others	3,275,392	4,590,370
Tax Authority – Clay development contribution fees	-	5,100,660
Other payables	57,654,241	56,354,513
	169,309,840	141,580,687
Accrued income taxes	2,818,916	128,203,891
Income taxes for the period	106,312,677	-
	278,441,433	269,784,578

15- CAPITAL AND RESERVES

15/a- CAPITAL

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

On 30 June 2005, Minister of investment's decree was issued to approve the extra ordinary General Assembly Meeting dated 17 April 2005 to approve stock split (1:2), consequently, the Company's issued and paid up capital reached 128000000 shares of par value LE 5 each.

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

15/b- RESERVES

	31/12/2011	31/12/2010
	LE	LE
Legal reserve	454,641,267	454,641,267
Special reserve – Share premium	2,013,865,903	2,013,865,903
Special reserve	185, 853,347	185, 853,347
Capital reserve	6,970,015	6,881,393
Total other reserves	2,206,689,265	2,206,600,643
Legal reserve	2,661,330,532	2,661,241,910

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

Special reserve – Share premium
The special reserve – Share premium represents the amount collected at the last capital increase dated 10 November 2005 after the legal reserve reached 50% of the issued capital.

Special reserve
The special reserve represents profits transferred in accordance with the resolutions of the General Assembly Meetings of the company until year 2004.

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

16- LOAN FROM SUBSIDARY

In October 2009, the Board of Directors of Helwan Cement Company S,A,E approved to grant Suez Cement Company S,A,E a loan amounting to LE 500 million with annual interest rate of 1% plus return on treasury bills for 3 months, the loan had paid full during the year ended 31 December 2011.

17- DEFERRED INCOME TAXES

	31/12/2011	31/12/2010
	LE	LE
Depreciation of fixed assets	(39,586,103)	(32,983,930)
Provisions	29,498,310	23,475,736
Net deferred income tax asset (liability)	(10,087,793)	(9,508,194)

18- RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	31/12/2011
	LE
Net profits before income taxes	911,826,096
Add:	
Provisions	19,710,925
Board of directors' allowance	1,021,538
Donations	7,394,226
Depreciation	112,065,579
Other expenses	5,182,250
Less:	
Depreciation	(105,744,994)
Provisions used	(3,704,899)
Dividends income	(510,964,471)
Donations	(2,109,725)
Other	(7,425,818)
Taxable income	427,250,707

Income tax using tax rate (20%) - 10,000,000 X 20%		2,000,000
Income tax using tax rate (25%) - 417,250,707X 25%		104,312,677
Income Tax at the effective tax rate	**11.7%**	**106,312,677**
Income tax using tax rate (20%) - 10,000,000 X 20%		2,000,000
Income tax using tax rate (25%) - 901,826,096X 25%		225,456,524
Income Tax at the effective tax rate	**24.9%**	**227,456,524**

19- GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2011	31/12/2010
	LE	LE
Technical assistance fees (note 27-a)	**11,349,411**	14,917,299
Salaries	**14,136,811**	10,566,699
Club and social services	**7,485,133**	8,097,579
Insurance	**5,429,077**	4,534,465
Other general and administrative expenses	**22,775,935**	15,103,384
	61,176,367	53,219,426

20- OTHER INCOME

	31/12/2011	31/12/2010
	LE	LE
Management fees	**6,524,834**	12,935,868
Settlement of clay development contribution fees*	**63,730,958**	-
Other income	**9,035,293**	13,961,027
	79,291,085	26,896,895

* This amount represents tax authority accruals of Clay development contribution fees for the period from 1 December 2010 till 31 December 2011; these accruals have been reversed and recognized among other income in the income statement based on the meeting held at the office of the Tax Authority Chairman on 28 December 2010 with the representatives of the cement companies working in Egypt. The view of the external legal counsel of the company on the subject matter is that the matter is still under negotiation with the internal committees of the Tax Authority and under investigation by the Ministry Committee for Investment Disputes and the Ministry of Finance. The Company's management is informing the Tax authority monthly about the amount settled and the outstanding balance of the excess charges of the clay fee due from the Tax Authority.

21- DIVIDENDS INCOME

	31/12/2011	31/12/2010
	LE	LE
Helwan Cement Company S.A.E	**252.060.614**	237.372.214
Tourah Portland Cement Company S.A.E	**203.359.870**	189.171.972
EL Helal Cement Company-Kuwait - (Kuwaiti Joint Stock Company)	**7,694,094**	-
Universal For Ready Mix Production (RMPU)- S.A.E - (Previously Ready Mix Beton Egypt) "RMBE"	**11.180.000**	4.160.000
Ready Mix Production (RMP) S.A.E - (Previously Ready Mix Beton) "RMB"	**3.120.000**	4.680.000
Suez Bags Company S.A.E	**28.300.536**	22.361.850
Suez For Transport and Trade S.A.E	**463.400**	-
Lafarge Cement Company – Egypt S.A.E - (Previously : Egyptian company for Cement S.A.E)	**1.680.051**	2.476,057
Techno Gravel For Quarries-Egypt S.A.E	**10,800,000**	3,600,000
	518,658,565	463,822,093

22- CONTINGENT LIABILITIES

The letters of guarantee issued at the Company's request by Alex Bank in favor of third parties as of 31 December 2011 amounted to LE 1,680,350 whereas; the cash margin of these letters amounted to LE 29,763 as follows:

	Amount in issued currency	Equivalent in LE	Cash margin LE
Letters of guarantee - Egyptian pound	1,680,350	1,680,350	29,763
	1,680,350	**1,680,350**	**29,763**

23- TAX SITUATION

a) Corporate taxes

- The Company's records were inspected till year 2004 and all the taxes due were paid after agreement with internal committee.
- The Company's records were inspected for the years 2005 and 2006 and the taxes had paid after agreement with internal committee.
- No tax inspection took place for year 2007 till 2010.

b) Sales tax

- The Company's records were inspected till year 2007 and all the taxes due were paid.
- Company's records under inspection for years 2008 and 2009.
- No tax inspection took place for year 2010.

c) Salary tax

- The Company's records were inspected till year 1998, and all the taxes due were paid and the company had obtained receipt in full discharge from Tax Authority for these years.
- The Company's records were inspected for the years from 1999 till 2004 and there is no claims till the date of financial statements.
- No tax inspection took place for the years from 2005 till 2010.

d) Stamp duty tax

- The Company's records were inspected till year 2005 and all the taxes due were paid.
- Company's records under inspection for years 2006 and 2010.

24- FAIR VALUE OF FINANCIAL INSTRUMENTS

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, due from related parties and other debit balances, The financial liabilities include credit facilities, accounts payable, due to related parties and other payables,

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 the notes to the financial statements.

The fair value of the financial assets and liabilities are not materially different from their carrying amounts.

25- RISK MANAGEMENT

a) Interest rate risk

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

b) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates, The total financial assets denominated in foreign currencies amount to LE 404,650,765 whereas, the total financial liabilities denominated in foreign currencies amount to LE 23,193,725.

c) 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,

26- EARNING PER SHARE

Earnings per share were calculated by dividing the net profits for the period by the weighted average number of shares outstanding during the period as follows:

	31/12/2011	31/12/2010
	LE	LE
Net profits for the year	804,933,820	986,645,334
Board of directors' dividends (estimated)	(3,000,000)	(3,000,000)
Employees' dividends (estimated)	(33,340,360)	(29,012,763)
Net profit available for shareholders	768,593,460	954,632,571
The weighted average number of outstanding shares	181856507	181856507
Earnings per share	4.23	5.25

27- RELATED PARTY TRANSACTIONS

a) Ciment Français (major shareholder)

- The amount of the technical assistance fees offered by Cements Frances (major shareholder) for the period from 1 January 2011 to 31 December 2011 amounting to LE 28,373 Million which represents 1 % of sales revenues of the group of Cement products excluding intra – Suez Cement Group transactions (the maximum fees are 1% according to the agreement), The portion of the claims for these fees amounting to LE 11,349 Million charged to statement of income (Note 19).

b) Italcementi S.P.A (The parent company of Ciment Français (major shareholder of Suez Cement Company S.A.E)

- The balance due to Italcementi S.P.A amounting to LE 3,447 million represents amounts associated to services provided by Italcementi S.P.A to Suez Cement Company S.A.E for supplies and other services for the period from 1 January 2011 to 31 December 2011.

c) Suez Bags Company S.A.E (subsidiary)

- **The value of the supplied bags offered by Suez Bags S.A.E (subsidiary) amounting** to LE 96,697million for the period from 1 January 2011 to 31 December 2011.
- The Suez Bags portion from the fees of Suez Cement Group amounting to LE 4,313million for the period from 1 January 2011 to 31 December 2011.

d) Tourah Portland Cement Company S.A.E (subsidiary)

- The value of the supplied clinker for Tourah Cement S.A.E(subsidiary) amounting to LE 8,781 million for the period from 1 January 2011 to 31 December 2011.
- The value of the supplied clinker for Suez Cement (Holding Company) amounting to LE 2,798 million for the period from 1 January 2011 to 31 December 2011.
- The value of Axim sold to Tourah Cement S.A.E(subsidiary) amounting to LE 7,458 million for the period from 1 January 2011 to 31 December 2011.
- Tourah Cement Company S.A.E. (subsidiary) portion from the fees of Suez Cement Group amounting to L.E 30,214million for the period from 1 January 2011 to 31 December 2011.

e) Helwan Cement Company S.A.E (subsidiary)

- The value of the supplied clinker for Suez Cement (Holding Company) amounting to LE 12,587 million for the period from 1 January 2011 to 31 December 2011.
- The value of the supplied clinker for Helwan Cement S.A.E(subsidiary) amounting to LE 13,992 million for the period from 1 January 2011 to 31 December 2011.
- The value of Axim sold to Helwan Cement Company S.A.E(subsidiary) amounting to LE 7,564 million for the period from 1 January 2011 to 31 December 2011.
- Helwan Cement Company S.A.E. (subsidiary) portion from the fees of Suez Cement Group amounting to LE 33,883 million for the period from 1 January 2011 to 31 December 2011.

f) Universal for Ready Mix Production (RMPU) (Previously Ready Mix Beton Egypt "RMBE" S.A.E (subsidiary)

- The value of cement sold to Universal for Ready Mix Production (RMPU) (subsidiary) amounting to LE 0.977 million for the period from 1 January 2011 to 31 December 2011.

g) Development and Construction Materials Company (DECOM) S.A.E (subsidiary)

- The value of cement sold to for Development and Construction Materials Company (DECOM) S.A.E (subsidiary) amounting to LE 1,372 million for the period from 1 January 2011 to 31 December 2011.

h) Suez for Transport And Trade S.A.E (subsidiary)

- The value of cement sold to Suez for Transport and Trade S.A.E (subsidiary) amounting to LE 0.204 million for the period from 1 January 2011 to 31 December 2011.
- The value of transportation services offered by Transport and Trade S.A.E (subsidiary) amounting to LE 6,827 million for the period from 1 January 2011 to 31 December 2011.

28- CURRENT EVENTS

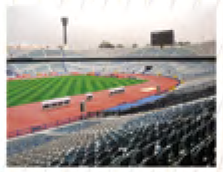
During the year ended 31 December 2011, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Companies to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

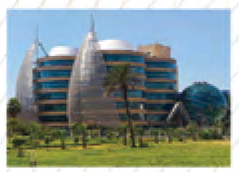
It is difficult to conclude any impact for the said year.

29- COMPARATIVE FIGURES

Certain comparative figures for the year 2010 have been reclassified to conform to the year presentation of these separate financial statements.

Cairo International Airport



Suez Cement Company (S.A.E)

CONSOLDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 TOGETHER WITH THE AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Suez Cement Company (S.A.E) , represented in the consolidated balance sheet as of 31 December 2011, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements, give a true and fair view, in all material respects, of the consolidated financial position of Suez Cement Company (S.A.E), as of 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations

AUDITOR'S REPORT

- As indicated in note (18) of the notes to the consolidated interim financial statements, the Company's management has reversed tax authority accruals of Clay development contribution fees amounting to EGP 161,783,734 for the period from 1 December 2010 till 31 December 2011; these accruals have been reversed and recognized among other income in the income statement based on the meeting held at the office of the Tax Authority Chairman on 28 December 2010 with the representatives of the cement companies working in Egypt. The view of the external legal counsel of the company on the subject matter is that the matter is still under negotiation with the internal committees of the Tax Authority and under investigation by the Ministry Committee for Investment Disputes and the Ministry of Finance. The Company's management is informing the Tax authority monthly about the amount settled and the outstanding balance of the excess charges of the clay fee due from the Tax Authority.

Cairo: 23 February 2012

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

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2011

	Note	2011 LE	2010 LE
Non current assets			
Fixed assets	(4)	**3,568,958,291**	3,520,887,296
Projects under construction	(5)	**361,764,942**	440,285,233
Goodwill		**2,684,523,061**	2,684,523,061
Investment in an associate	(6 a)	**32,487,264**	40,992,920
Available-for-sale investments	(6 b)	**4,484,340**	3,611,283
Held to maturity investments	(6 c)	**8,429,279**	8,429,279
Amounts paid under investments in subsidiaries and other companies	(6 d)	**43,094,289**	43,094,289
Total non current assets		**6,703,741,466**	6,741,823,361
Current assets			
Inventory, net	(7)	**997,770,696**	951,808,911
Accounts and notes receivable , net	(8)	**246,829,117**	245,074,820
Prepayments and other receivables , net	(9)	**264,621,718**	344,227,132
Cash on hand and at banks	(10)	**1,447,869,987**	1,757,745,865
Total current assets		**2,957,091,518**	3,298,856,728
Current liabilities			
Provisions	(12)	**476,093,412**	508,481,242
Credit facilities		**-**	12,521,988
Current portion of medium term loans	(15)	**24,496,765**	8,217,171
Current portion of long term liabilities	(16)	**4,154,218**	12,462,651
Accounts payable		**441,986,295**	486,954,718
Accrued expenses and other payables	(11)	**662,294,921**	776,763,155
Total current liabilities		**1,609,025,611**	1,805,400,925
Working capital		**1,348,065,907**	1,493,455,803
Total investment		**8,051,807,373**	8,235,279,164
Financed as follows			
Equity			
Issued and paid up capital	(13 a)	**909,282,535**	909,282,535
Reserves	(13 b)	**2,661,330,532**	2,661,241,910
Net unrealized gains on available-for-sale investments	(6b)	**3,350,779**	2,477,722
Cumulative foreign currencies translation differences		**15,622,769**	7,557,502
Retained earnings		**2,977,818,670**	2,507,852,021
Profits for the year		**568,642,009**	1,236,399,137
Total equity		**7,136,047,294**	7,324,810,827
Non-controlling interest	(14)	**635,233,282**	714,408,516
Non current liabilities			
Medium term loans	(15)	**81,318,226**	33,688,322
Other long term liabilities	(16)	**6,086,704**	20,619,607
Deferred tax liabilities	(22)	**193,121,867**	141,751,892
Total non current liabilities		**280,526,797**	196,059,821
Total finance of working capital and non current assets		**8,051,807,373**	8,235,279,164

Auditors	Consolidation Manager	Chief Financial Officer	Managing Director	Chairman
Emad H. Ragheb Nabil A.Istanbouli	Nagah Khider Abu Zeid	Ali Ihsan Kucukoglu	Bruno Michel Carre	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements.
- Auditors' report attached.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 LE	2010 LE
Sales		**4,820,438,094**	6,152,157,416
Cost of sales		**(3,733,723,773)**	(4,032,157,844)
GROSS PROFIT		**1,086,714,321**	2,119,999,572
General and administrative expenses		**(356,158,935)**	(314,505,868)
Provisions	(12)	**(57,566,686)**	(316,993,530)
Provisions no longer required		**6,745,370**	201,009,014
Impairment in value of accounts and notes receivable		**(7,385,138)**	(6,354,996)
Reversal of impairment in value of accounts and notes receivable		**85,703**	687,935
Decline in value of obsolete inventory		**(20,172,546)**	(29,492,688)
Reversal of decline in value of obsolete inventory		**2,348,918**	23,737,705
Board of directors' remuneration and allowances		**(596,991)**	(530,734)
Investment income in an associate company	(6a)	**5,157,738**	8,680,727
Dividends income		**5,718,889**	2,755,632
Other operating income	(18)	**210,012,152**	53,782,352
OPERATING PROFITS		**874,902,795**	1,742,775,121
Finance expenses	(19)	**(5,444,550)**	(19,777,407)
Credit interests		**122,034,685**	140,368,787
(loss) from sale of fixed assets		**3,739,770**	(443,152)
Foreign exchange differences		**(7,404,076)**	(3,179,916)
Other expenses	(20)	**(22,937,277)**	(16,531,177)
Other expenses-(loss) from sale of obsolete inventory		**(7,420,143)**	(11,943,787)
PROFITS BEFORE INCOME TAXES		**957,471,204**	1,831,268,469
Deferred income taxes		**(51,369,975)**	7,840,508
Estimated income taxes for the year		**(230,239,136)**	(381,240,936)
PROFITS FOR THE YEAR BEFORE NON-CONTROLLING INTEREST		**675,862,093**	1,457,868,041
Non-controlling interest	(26)	**(107,220,084)**	(221,468,904)
PROFITS FOR THE YEAR		**568,642,009**	1,236,399,137

Consolidation Manager	Chief Financial Officer	Managing Director	Chairman
Nagah Khider Abu Zeid	Ali Ihsan Kucukoglu	Bruno Michel Carre	Omar A. Mohanna

- The accompanying notes from (1) to (29) are an integral part of these consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Issued and paid up capital	Reserves	Net unrealized gains on available-for-sale investments	Cumulative foreign currencies translation differences	Retained Earnings	Profits for the year	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2010	909,282,535	2,661,123,982	2,477,722	(10,256,728)	2,112,268,104	1,299,715,958	**6,974,611,573**
Adjustments on retained earnings - Majority share in the capital decrease of Helwan Cement Company	-	-	-	-	(18,049,456)	-	**(18,049,456)**
Adjustments on retained earnings- Tax differences	-	-	-	-	(4,578,394)	-	**(4,578,394)**
Adjusted balance as of 1 January 2010	909,282,535	2,661,123,982	2,477,722	(10,256,728)	2,089,640,254	1,299,715,958	**6,951,983,723**
Transferred to retained earnings	-	117,928	-	-	1,299,598,030	(1,299,715,958)	**-**
Dividends and transferred to reserves	-	-	-	-	(670,447,547)	-	**(670,447,547)**
Interim dividends	-	-	-	-	(210,938,716)	-	**(210,938,716)**
Foreign currencies translation differences for the year	-	-	-	17,814,230	-	-	**17,814,230**
Profits for the year	-	-	-	-	-	1,236,399,137	**1,236,399,137**
Balance as of 31 December 2011	909,282,535	2,661,241,910	2,477,722	7,557,502	2,507,852,021	1,236,399,137	**7,324,810,827**
Balance as of 1 January 2011	909,282,535	2,661,241,910	2,477,722	7,557,502	2,507,852,021	1,236,399,137	**7,324,810,827**
Adjustments on retained earnings - Majority interest in the capital decrease of Helwan Cement Company (Subsidiary)	-	-	-	-	(71,121)	-	**(71,121)**
Adjustments on retained earnings- Tax differences	-	-	-	-	(3,126,884)	-	**(3,126,884)**
Adjusted balance as of 1 January 2011	909,282,535	2,661,241,910	2,477,722	7,557,502	2,504,654,016	1,236,399,137	**7,321,612,822**
Transferred to retained earnings	-	-	-	-	1,236,399,137	(1,236,399,137)	**-**
Dividends and transferred to reserves	-	88,622	-	-	(763,234,483)	-	**(763,145,861)**
Net unrealized gain on available for sale investments	-	-	873,057	-	-	-	**873,057**
Foreign currencies translation differences for the year	-	-	-	8,065,267	-	-	**8,065,267**
Profits for the year	-	-	-	-	-	568,642,009	**568,642,009**
Balance as of 31 December 2011	**909,282,535**	**2,661,330,532**	**3,350,779**	15,622,769	**2,977,818,670**	**568,642,009**	**7,136,047,294**

- The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements.

	Note	2011 LE	2010 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before income taxes		**957,471,204**	1,831,268,469
Depreciation of fixed assets	(4)	**361,267,095**	417,241,185
Impairment in value of accounts and notes receivables	(8,9)	**7,385,138**	6,354,996
Reversal of impairment in value of accounts and notes receivables	(8,9)	**(85,703)**	(687,935)
Decline in value of obsolete inventory	(7)	**20,172,546**	29,492,688
Reversal of decline in value of obsolete inventory	(7)	**(2,348,918)**	(23,737,705)
Provisions	(12)	**57,566,686**	316,993,530
Provision no longer required	(12)	**(6,745,370)**	(201,009,014)
Investment income in an associate company		**(5,157,738)**	(8,680,727)
Finance expenses		**5,444,550**	19,777,407
Credit interests		**(122,034,685)**	(140,368,787)
(Gain) / loss from sale of fixed assets	(4)	**(3,739,770)**	443,152
Foreign exchange differences		**7,404,076**	3,179,916
Operating profits before changes in working capital		**1,276,599,111**	2,250,267,175
Change in inventory	(7)	**(63,785,413)**	(94,827,005)
Change in accounts receivable, and prepayments and other receivables	(8,9)	**69,781,102**	(47,949,033)
Change in accounts payables, and accrued expenses and other payables *	(11)	**33,999,123**	111,957,497
Cash from operations		**1,316,593,923**	2,219,448,634
Finance expenses paid		**(5,444,550)**	(19,777,407)
Income taxes paid	(11)	**(423,674,916)**	(294,342,067)
Tax differences paid		**(3,126,884)**	(4,578,394)
Provisions paid	(12)	**(83,209,146)**	(84,281,503)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		**801,138,427**	1,816,469,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(4)	**(35,913,550)**	(17,883,957)
Proceeds from debtors – sale of assets	(9)	**770,580**	3,652,127
Proceeds from sale of fixed assets	(4)	**6,430,030**	1,676,923
Payments in respect of projects under construction	(5)	**(292,318,652)**	(397,878,180)
Proceeds from investment in an associate company	(6a)	**13,663,394**	6,353,637
Payments / proceeds from amounts paid under investment in subsidiaries and other companies		**-**	(11,743,972)
Credit interests received		**122,034,685**	140,368,787
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(185,333,513)**	(275,454,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of medium term loans and other long term liabilities	(15,16)	**41,068,162**	(209,193,905)
Dividends paid		**(763,145,861)**	(881,386,263)
Change in credit facilities		**(12,521,988)**	(9,726,745)
Dividends paid to non-controlling interest		**(155,934,178)**	(150,521,968)
(Decrease) increase in minority interest	(14)	**(30,461,140)**	(6,237,757)
Adjustments on retained earnings		**(71,121)**	(18,049,456)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(921,066,126)**	(1,275,116,094)
Net Increase in cash and cash equivalent during the year		**(305,261,212)**	265,898,534
Foreign exchange differences		**(7,404,076)**	(3,179,916)
Foreign currencies translation differences related to fixed assets		**(5,275,857)**	(8,573,103)
Change in Cumulative foreign currencies translation differences		**8,065,267**	17,814,230
Cash and cash equivalent - beginning of the year		**1,757,745,865**	1,485,786,120
CASH AND CASH EQUIVALENT – END OF THE YEAR		**1,447,869,987**	1,757,745,865

For preparing the statement of cash flow, the cash and cash equivalent comprises of the following:

Cash on hand and at banks	(10)	**1,447,869,987**	1,757,745,865
CASH AND CASH EQUIVALENT – END OF THE YEAR		**1,447,869,987**	1,757,745,865

* The change in the accounts payable, accrued expenses and other payables adjusted with the change in the accrued taxes, as it is considered income tax paid during the period. The effect of income tax for the period not considered, as the profit for the period before income taxes is used in the consolidated statement of cash flows.

- The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements.

1- BACKGROUND

Suez Cement Company S.A.E.

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

Italcementi Group (through Cement Francis) acquired with consortium of other investors 80.80 % of the company's shares starting from 24 March 2005.

The main objective of the Company is to produce all types of cement and other products stemming from the cement industry and related thereto and the production of other building materials and construction requirements and trading therein, utilization of mines and quarries except sand and gravels. The company may have an interest or participate in any manner in organization caring out activities which are similar to the company's activities, or which may contribute to the fulfilment of the Company's objects in Egypt or abroad. The company may also be merged in any of the aforementioned organizations, or may buy or have them subsidiary to the company, subject to the approval of the General Authority for Investment and Free Zones.

The financial statements of the Company for the year ended 31 December 2001 were authorized for issuance in accordance with a resolution of the directors on 22 February 2012.

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

	2011	2010
	%	%
Egyptian Tourah Portland Cement Company S.A.E.	**66.12**	66.12
Suez Bags Company S.A.E.	**56.31**	56.31
Helwan Cement Company S.A.E.	**99.52**	99.47
Ready Mix Production (RMP) S.A.E	**52**	52
Hilal Cement Company (K.S.C.C.) – Kuwait	**51**	51
Universal For Ready Mix Production (RMPU) S.A.E.	**52**	52
Development and Construction Material Company (DECOM) S.A.E. – subsidiary of Universal For Ready Mix Production (RMPU) S.A.E. by 99,99%	**52**	52
Suez Transport and Trade Company S.A.E. – subsidiary of Helwan Cement Company S.A.E. by 55%	**96.35**	96.32
Suez Lime Company S.A.E.	**49.66**	49.62
Development for Industries Company S.A.E	**98.28**	98.28
Axim for industries Company S.A.E Formerly, Upper Egypt For Industries Company S.A.E	**98.28**	98.28
Suez For import and Export	**97.89**	97.89

Egyptian Tourah Portland Cement Company S.A.E.

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

On 26 January 2000 the Holding Company for Mining and Refractory sold 81.4% of its shares in the company. Accordingly, the company became subject to the Law 159 of 1981 rather than Law 203 of 1991 and its executive regulation.

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

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

Suez Cement Company S.A.E. ownership in Egyptian Tourah Portland Cement Company's share capital amounted to 66.12% as of 26 January 2000, the date at which Egyptian Tourah Portland Cement Company S.A.E. became a subsidiary.

The cost of acquisition amounted to LE 1,287 billion which resulted in goodwill amounting to LE 746,008,413, the goodwill treated as Suez Cement Company's share in the fair value of the Egyptian Tourah Portland Cement Company S.A.E. assets. In accordance to that Egyptian Tourah Cement Company S.A.E., fixed assets are stated at the historical cost in addition to the share of Suez Cement Company S.A.E. in the excess of the fair value for these assets over its historical cost. This excess is depreciated over its estimated useful life using the straight-line method (note 3-4). The total accumulated depreciation as of 31 December 2011 amounting to LE 277,419,455 in addition to writes down the value of certain productions lines of Egyptian Tourah Portland Cement Company S.A.E. that are currently out of operation amounted to LE 21,082,486.The net fair value as of 31 December 2011 amounting to LE 447,506,472.

Suez Bags Company S.A.E.

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

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

Suez Cement Company S.A.E. ownership in Suez Bags Company's share capital amounted to 51% starting from 1999, resulted in goodwill amounted to LE 12,445 Million and which was amortized over five years started in from 1 January 1999.

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

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

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

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

Helwan Cement Company S.A.E. – (Previously: ASEC Cement Company S.A.E.)

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

Based on a decree from the Extraordinary General Assembly Meeting dated 14 September 2000, the Company's name was changed to ASEC Cement Company S.A.E. The Extraordinary General Assembly Meeting On 29 November 2001 approved the merger with Helwan Portland Cement Company S.A.E. effective on 1 October 2001. The Extraordinary General Assembly Meeting on 17 March 2003 approved the evaluation of assets and liabilities according to the Capital Market Authority Committee decision No. 540 formed in 2002 and the Ministry decree No. 1699 which stated that ASEC Cement Company will own all assets and liabilities of Helwan Portland Cement Company S.A.E.

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

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

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

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

The goodwill was recorded as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
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On 28 October 2007 Helwan Cement Company S.A.E. contributed in establishing **Suez Transport and Trade Company S.A.E** with a contribution in the capital by 55%, in addition to the contribution of Suez Cement Company S.A.E and Egyptian Tourah Portland Cement Company S.A.E. by 35% and 10% respectively. Accordingly, the direct and indirect share of Suez Cement Company S.A.E. in the capital of Suez Transport and Trade Company S.A.E. is 96.32%.

During year 2010, Helwan Cement Company S.A.E. purchased 921,690 shares of its outstanding shares at LE 34,063,566.

On 6 December 2010 the, Extraordinary General Assembly Meeting decided to decrease issued capital by 921690 shares, and to decrease par value by LE 5 instead of LE 10 , consequently, the Company's outstanding shares reached 116775085 shares.

Suez Transport and Trade Company S.A.E. was established in 28 October 2007 as a S.A.E. company under the law 159 for the year 1981; the company's main objective is to manage the operations of transporting, trading cement and construction materials and acquiring the vehicles needed for this operations.

Ready Mix Production (RMP) S.A.E. – (Previously: Ready Mix Beton S.A.E.)

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

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

On 1 October 2006, Suez Cement Company S.A.E. acquired 260000 shares from the shares of Ready Mix Beton Company S.A.E., Suez Cement Company S.A.E. share is 52 % (260000 shares) with a par value of LE 10, which resulted in goodwill, amounted to LE 23,113,779, which represents the difference between acquisition costs amounted to LE 26,277,866 and 52% of Ready Mix Beton Company S.A.E. net assets in acquisition date amounted to LE 3,164,087.

The goodwill was recorded as 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.

Based on a decree from the Extraordinary General Assembly Meeting dated 25 September 2008, the Company's name was changed to Ready Mix Production (RMP) S.A.E.

Universal For Ready Mix Production (RMPU) S.A.E. – (Previously: Ready Mix Beton – Egypt Company S.A.E.)

Universal For Ready Mix Production (RMPU) S.A.E. – (Previously: Ready Mix Beton – Egypt Company S.A.E.) was established on 14 April 1996 as a Joint Stock Company under investments Guarantees and Incentives Law 8 of 1997.
The objective of the company is to manufacture cement and construction materials specially manufacture ready mix.

On 1 October 2006, Suez Cement Company S.A.E. acquired 520000 shares from the shares of Ready Mix Beton – Egypt Company S.A.E., Suez Cement Company S.A.E. share is 52% (520000 shares) with a par value of LE 10, which resulted in goodwill, amounted to LE 46,308,524, which represents the difference between acquisition costs amounted to LE 52,554,993, and 52% of Ready Mix Beton – Egypt Company S.A.E. net assets in acquisition date amounted to LE 6,246,469.

Based on a decree from the Extraordinary General Assembly Meeting dated 25 September 2008, the Company's name was changed to Universal for Ready Mix Production (RMPU) S.A.E.

On 5 July 2007, Universal For Ready Mix Production (RMPU) S.A.E. Company S.A.E. acquire 99.99 % of **Development and Construction Material Company (DECOM) S.A.E.** shares, represents 7364524 shares with a par value of LE 10,

which resulted in goodwill, amounted to LE 43,548,446, which represents the difference between acquisition costs amounted to LE 63,565,568, and 99.99% of Development and Construction Material Company – (DECOM) – S.A.E. net assets in acquisition date amounted to LE 20,017,122.

Accordingly, the indirect share of Suez Cement Company S.A.E. in Development and Construction Material Company (DECOM) S.A.E. is 52%. The goodwill amounted to LE 43,548,446 was recorded as long term asset in the consolidated financial statements.

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.

On 19 September 2007, Suez Cement Company S.A.E. acquired 16,830,000 shares from the shares of Hilal Cement Company (K.S.C.C.) – Kuwait, Suez Cement Company S.A.E. share is 51% (16830000 shares) with a par value of KD 0, 10 which resulted in goodwill, amounted to KD 5,434,286 equivalent to LE 108,641,431, which represents the difference between acquisition costs amounted to KD 13,128,213 equivalent to LE 262,457,272 and 51% of Hilal Cement Company (K.S.C.C.) – Kuwait net assets in acquisition date amounted to KD 7,693,927 equivalent to LE 153,815,841.

According to the Share purchase agreement (SPA), a provision setting forth the shareholders to agree unanimously to settle the litigation between Hilal Cement Company and Kuwait international investment company. Suez Cement Company transferred its share (51%) in settlement for the subject provision mentioned in Share purchase agreement (SPA) amounted to KD 409,779 equivalent to LE 7,958,544. This amount has been added to the goodwill and consequently, goodwill of Hilal Cement Company (K.S.C.C.) – Kuwait amounted to LE 116,599,975.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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 2), the cumulative foreign currencies translation differences resulted from the translation which belong to the parent company's equity amounting to LE 15,622,769 as of 31 December 2011 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 LE 15,010,111 as of 31 December 2011 have been treated as a part of minority interests (Note 14).

Suez Lime Company S.A.E.

Suez Lime Company S.A.E. was established on 2 October 2007 as a Joint Stock Company under Law No. 159 of 1981; the main objectives of the company are producing and trading lime with all its different types inside and outside Arab Republic of Egypt.

On 2 October 2007, Suez Cement Company S.A.E. contributed in establishing the company with a contribution in the capital by 49%, in addition to the contribution of Egyptian Tourah Portland Cement Company S.A.E. by 1%.

Accordingly, the direct and indirect share of Suez Cement Company S.A.E. in Suez Lime Company S.A.E is 49.66 %.

Axim for Industries Company (S.A.E)

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

- Investing in all types of industries fields and its commercialization.
- Establishing plant for the purpose of manufacturing construction materials.
- Importing all materials, products and equipments necessary for helping the Company to achieve its purpose.
- Buy aid grind liquid at intensive figure, store and mitigate and distributed for use for grinding cement.

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

Development for Industries Company (S.A.E)

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

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

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

Suez for Import and Export Company (S.A.E)

Suez for Import and Export Company was established on 8 July 2009 under Corporate Law No. 159 of 1981 and its amendments. The Company was registered in the commercial registry on 9 July 2009 by number 39989.

The purpose of the Company is Importing & Exporting Cement and all kind of building materials.

On 08 July 2009, Axim industries Company S.A.E contributes in the capital of Suez for import and Export S.A.E by 40% (Direct Share), Development for Industries Company S.A.E contributes in the capital by 40% (Direct share), Suez Transport and Trade Company S.A.E contributes in the capital by 20% (Direct Share), accordingly, The total indirect share of Suez Cement Company S.A.E is 97.89%.

2- FINANCIAL STATEMENTS CONSOLIDATION PRINCIPLES

The accompanying consolidated financial statements of Suez Cement Company S.A.E. have been prepared from the standalone financial statements of Suez Cement Company S.A.E. and its subsidiaries (note 1), In preparing the consolidated financial statements of Suez Cement Company S.A.E., an entity combines the financial statements of the parent and its subsidiaries line by line adding assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of the single economic entity, the following steps are then taken:

- The carrying amount of the parent's investments in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The excess of parent company's investments in subsidiary company over the parent's share in subsidiary's equity are recognized as goodwill and recorded as asset in the consolidated financial statements, Tested for impairment frequently; an impairment loss of goodwill is recorded in the consolidated statement of income.
- Minority interests on the net of assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them; Minority interests in the net of assets consist of:
  (1) The amount of those minority interest at the date of the original combination.
  (2) The minority's share of changes in equity since the date of the combination.

- Intra group balances and transactions, including income, expense and dividends, are eliminated in full, Profits and losses resulting from 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 date.
  (b) Translate the income and expense items of each statement of income presented in the consolidated statement of income (including the comparative figures) at exchange rates at the dates of the transactions.
  (c) All resulting foreign currencies translation differences should be classified separately in the consolidated equity until the disposal of the net investment.

Cumulative foreign currencies translation differences arising from translation and attributable to 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 recognized as income or as expenses in the same year in which the gain or loss on disposal is recognized.

3- SIGNIFICANT ACCOUNTING POLICIES

3–1 Basis of preparation

The financial statements have been prepared under the going concern assumption on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

Statement of compliance

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

3–2 Changes in accounting policies

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

3–3 Foreign currency translation

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

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date. All differences are recognized in the statement of income.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

3–4 Fixed assets and depreciation

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.
Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings, constructions, infrastructure and roads	6 to 20
Machinery, equipment and Tools	5 to 20
Motor Vehicles	5
Furniture and office equipment	5 to10

Fixed assets of Egyptian Tourah Cement Company S.A.E (Subsidiary) are stated at 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 depreciated using the straight-line method according to the estimated useful life of the asset as mentioned above.

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end the Company assesses at each reporting date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

3–5 Projects under construction

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

3–6 Investments

Investments in associates
The investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognize 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. This is according to equity method to account the investments in associates in the consolidated financial statements.

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

Available for sale investments are initially recognized at cost inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

a) Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in the fair value after impairment are recognized directly in equity.

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

Held to maturity investments
Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process.

3–7 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and Consumables, rolling and packing materials: at the lower of cost (using the moving average method) or net realizable value.
- Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value.
  Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs
- Work in process: at the lower of the cost of production (of the latest completed phase based on the costing sheets) or net realizable value.
  Cost includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in the statement of income in the year the write down or loss occurs according to an authorized study takes into consideration all technical and market bases to estimate any write down. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized in the statement of income in the year in which the reversal occurs.

3–8 Accounts receivable and other debit balances

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

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

3–9 Provisions

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

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3–10 Legal reserve

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

3–11 Borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

3–12 Income taxes

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

Current income tax
Current income tax assets and liabilities for the current and prior year years are measured at the amount expected to be recovered from or paid to the tax authority.
Deferred income tax
Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

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

Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity.

3–13 Revenue recognition

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

- Sale of goods
  Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods
- Rendering of services
  Revenue from xxx services is recognized by reference to the stage of completion.
  Stage of completion is measured by (add the way the stage of completion is measured for example :
  a. surveys of work performed; or
  b. services performed to date as a percentage of total services to be performed; or
  c. the proportion that costs incurred to date bear to the estimated total costs of the transaction.

  When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

- **Interest income**

Interest income is recognized as interest accrues using the effective interest method. Interest income is included in finance revenue in the statement of income.

- **Dividends**

Revenue is recognized when the company's right to receive the payment is established.

- **Rental income**

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

3–14 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.

3–15 Borrowing costs

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

3–16 Related party transactions

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

3–17 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 periods. Actual results could differ from these estimates.

3–18 Impairment

Impairment of financial assets

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

Impairment of non financial assets

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

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

3–19 Statement of cash flows

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

3–20 Cash and cash equivalent

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

4- FIXED ASSETS

	Lands	Buildings, constructions, infrastructure and roads	Machinery, equipment and Tools	Motor Vehicles	Furniture and office equipment	Total
	LE	LE	LE	LE	LE	LE
Cost						
As of 1 January 2011	499,321,354	1,425,498,318	4,901,729,895	262,266,459	104,525,653	**7,193,341,679**
Foreign currencies translation differences	-	8,405,525	2,350,547	162,522	150,308	**11,068,902**
As of 1 January/2011	**499,321,354**	**1,433,903,843**	**4,904,080,442**	**262,428,981**	**104,675,961**	**7,204,410,581**
Additions	-	39,631,242	344,191,298	7,730,666	15,199,287	**406,752,493**
Disposals	-	(2,140,218)	(16,708,076)	(9,025,754)	(305,919)	**(28,179,967)**
As of 31 December 2011	499,321,354	1,471,394,867	5,231,563,664	261,133,893	**119,569,329**	**7,582,983,107**
Accumulated depreciation						
As of 1 January 2011	-	**(744,906,414)**	**(2,628,012,038)**	**(219,164,648)**	**(80,371,283)**	**(3,672,454,383)**
Foreign currencies translation differences	-	(4,117,535)	(1,427,055)	(140,430)	(108,025)	**(5,793,045)**
As of 1 January 2011	-	**(749,023,949)**	**(2,629,439,093)**	**(219,305,078)**	**(80,479,308)**	**(3,678,247,428)**
Depreciation for the year	-	(60,867,615)	(281,314,107)	(10,825,633)	(8,259,740)	**(361,267,095)**
Disposals	-	112,005	16,069,647	9,022,155	285,900	**25,489,707**
As of 31 December 2011	-	**(809,779,559)**	**(2,894,683,553)**	**(221,108,556)**	**(88,453,148)**	**(4,014,024,816)**
Net book value as of 31 December 2011	**499,321,354**	**661,615,308**	**2,336,880,111**	**40,025,337**	**31,116,181**	**3,568,958,291**
Net book value as of 31 December 2010	499,321,354	680,591,904	2,273,717,857	43,101,811	24,154,370	3,520,887,296

First:

	L.E
Proceeds from sale of fixed assets	**6,430,030**
Cost of sold fixed assets	28,179,967
Accumulated depreciation of sold fixed assets	(25,489,707)
Net book value	**2,690,260**
Gain from sale fixed assets	**3,739,770**

Second:

- Fixed Assets as of 31 December 2011 includes assets that are fully depreciated and still in use, and the acquisition cost for these assets was as follows:

Assets	**Cost**
	L.E
Building, constructions, infrastructure and roads	221,407,041
Machinery, equipment and tools	1,133,474,477
Motor vehicles	75,686,694
Furniture and office equipment	53,194,980
Total	**1,483,763,192**

Third:

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

Fourth:

Lands include acre of lands belongs to Egyptian Tourah Portland Cement Company S.A.E (Subsidiary). The company has the right of 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 LE 1,355,955, which was recorded as fixed assets - land.

Fifth:

Restrictions on the fixed assets of Universal For Ready Mix Production (RMPU) S.A.E. (Subsidiary) with carrying value amounting to LE 48,666,831 as of 31 December 2011 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.(Note 16/2)
- 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.

Sixth:

No temporarily idle assets and the fair value of assets are not materially different from its carrying amount.

Seventh:

Additions during the year 2011 amounting to L.E 406,759,493 included an amount of L.E 370,838,943 represents the assets transferred from projects under construction (Note 5).

5- PROJECTS UNDER CONSTRUCTION

Balance at 1 January 2011	Additions during the year	Transferred into assets during the year Note 4	**Balance at 31 December 2011**
LE	LE	LE	**LE**
440,285,233	292,318,652	(370,838,943)	**361,764,942**

6- INVESTMENTS

A) Investment in an associate

	% of Ownership	**Par value**	**31/12/2011**	**31/12/2010**
		LE	**LE**	LE
Techno Gravel For Quarries-Egypt S.A.E*	**45**	**10**		
Investment cost– Beginning of the year			**40,992,920**	38,665,830
Plus: The Company's share in profit for the year			**5,157,738**	8,680,727
Deduct: Dividends			**(13,663,394)**	(6,353,637)
Investment balance - End of the year			**32,487,264**	40,992,920

* Investments in associates are accounted for in separate financial statements at cost. Investments cost in Techno Gravel For Quarries-Egypt S.A.E amounted to LE 28,334,257.

B) Available-for-sale investments

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Investment available-for-sale				
Measured at fair value				
Lafarge Cement Company – Egypt S.A.E - Quoted in the stock exchange in an inactive market	0.137	1000	1,113,000	1,113,000
Net unrealized gains on available-for-sale investments			3,350,779	2,477,722
			4,463,779	3,590,722
Investments available-for-sale -Measured at cost				
Iron and Steel Company (Al Hadid Wal Solb) – Quoted in the stock exchange			20,500	20,500
Al Tour Investment Company – Unquoted in the stock exchange			61	61
			20,561	20,561
			4,484,340	3,611,283

C) Held to maturity investments

	31/12/2011	31/12/2010
	LE	LE
Bonds 5% National Bank for Investment deposit	807,715	807,715
Bonds 5% Central Bank of Egypt deposit	2,453,620	2,453,620
Bonds 3.5% Central Bank of Egypt deposit	5,167,944	5,167,944
	8,429,279	8,429,279

D) Amounts paid under investments in subsidiaries and other companies

	% of Ownership	Par value	31/12/2011	31/12/2010
		LE	LE	LE
Suez Bosphorus Cimento Sanayi Ve Ti	100	3.64	186,794	186,794
Helwan Bags S.A.E	71	100	177,500	177,500
Italgin Egypt for Energy Company S.A.E	2	100	900,000	900,000
Al Mahaliya Readymix Company (K.S.C.C)	51	99822	41,829,995	41,829,995
			43,094,289	43,094,289

7- INVENTORY, NET

	31/12/2011	31/12/2010
	LE	LE
Raw materials	84,863,666	55,544,793
Fuel, Spare parts and Consumables	742,236,139	714,980,784
Rolling and packing Material	22,011,476	22,745,863
Work in progress	231,000,494	217,362,578
Finished Products	109,276,213	114,435,120
Letters of credit	14,000,596	14,534,033
	1,203,388,584	1,139,603,171
Less:		
Decline in value of obsolete and slow moving inventory	(205,617,888)	(187,794,260)
	997,770,696	951,808,911

8- ACCOUNTS AND NOTES RECEIVABLE, NET

	31/12/2011	31/12/2010
	LE	LE
Accounts receivable	300,230,950	288,245,995
Notes receivable	10,243,681	15,366,487
	310,474,631	303,612,482
Less :		
Impairment in value of accounts and notes receivable.	(63,645,514)	(58,537,662)
	246,829,117	245,074,820

9- PREPAYMENTS AND OTHER RECEIVABLES, NET

	31/12/2011	31/12/2010
	LE	LE
Other debtors – Gazelle Ltd. Inc	-	14,273,303
Other debtors – Tax Authority	48,284,344	97,322,096
Deposits with others	113,372,206	102,217,388
Prepaid expenses	20,505,859	30,336,167
Accrued revenue	17,520,795	17,734,483
Checks under collection	7,093,400	2,403,413
Advance to suppliers	32,619,601	53,874,787
Margin on letters of guarantee	444,812	386,000
Other receivables *	30,011,817	27,948,448
	269,852,834	351,872,989
Debtors - sale of fixed assets	4,606,324	5,376,904
	274,459,158	353,872,989
Less:		
Impairment in value of other debit balances.	(9,837,440)	(7,645,857)
	264,621,718	344,227,132

* Other receivables included an amount of LE 9,564,210 represents cash balances belong to Helwan Cement Company S.A.E. (subsidiary) in National Bank of Egypt (NBE) and Bank du Caire which were blocked in favour of Social Insurance Authority in accordance to the first degree court decision no. 542 on 3 August 2008.

10- CASH ON HAND AND AT BANKS

	31/12/2011	31/12/2010
	LE	LE
a- Egyptian Pound		
Cash on hand	706,227	302,346
Current accounts	171,804,062	219,321,753
Time deposits and treasury bills (mature in 3 months)	372,267,250	1,505,009,075
b- Foreign currencies		
Current accounts	30,087,164	16,555,298
Time deposits (mature in 3 months)	873,005,284	16,557,393
	1,447,869,987	1,757,745,865

11- ACCRUED EXPENSES AND OTHER PAYABLES

	31/12/2011	31/12/2010
	LE	LE
Shareholders - credit balance	27,881,348	22,670,327
Advances from customers	214,617,459	168,370,845
Deposits from others	10,184,342	9,559,531
Accrued salaries	16,999,105	26,592,734
Accrued expenses	45,133,140	17,989,186
Other credit balances	91,216,169	81,881,394
	406,031,563	327,064,017
Accrued income taxes	26,024,222	449,699,138
Income taxes for the year	230,239,136	-
	662,294,921	776,763,155

12- PROVISIONS

	Balance as of 1 January 2011	Charged during the period	Utilized during the period	Provisions no longer required	Balance as of 31 December 2011
	LE	LE	LE	LE	LE
Tax claims	207,635,000	29,836,770	(58,328,204)	(260,000)	178,883,566
Site restoration	48,844,137	-	(5,247,103)	-	43,597,034
Judicial disputes	68,051,082	6,870,029	(7,442,451)	(485,370)	66,993,290
Employee training support	113,918,904	9,508,794	-	-	123,427,698
Environment provision	3,194,000	-	-	-	3,194,000
Early pension refunds	23,838,119	3,351,093	(12,191,388)	(6,000,000)	8,997,824
Gas claims for Tourah Plant	43,000,000	8,000,000	-	-	51,000,000
	508,481,242	57,566,686	(83,209,146)	(6,745,370)	476,093,412

13- CAPITAL AND RESERVES

13/a- CAPITAL

The company's authorized capital amounted to LE 1,000 million, while the Company's issued and paid up capital amounted to LE 640 million divided over 64000000 shares of par value LE 10 each.
On 30 June 2005, Minister of investment's decree was issued to approve the extra ordinary General Assembly Meeting dated 17 April 2005 to approve stock split (1:2), consequently, the Company's issued and paid up capital reached 128000000 shares of par value LE 5 each.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

13/b- RESERVES

	31/12/2011	31/12/2010
	LE	LE
Legal reserve	454,641,267	454,641,267
Special reserve – Share premium	2,013,865,903	2,013,865,903
Capital reserve	6,970,015	6,881,393
Special reserve	185,853,347	185,853,347
	2,661,330,532	2,661,241,910

Legal reserve

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

Special reserve – Share premium

The special reserve – Share premium represents the amount collected at the last capital increase dated 10 November 2005 after the legal reserve reached 50% of the issued capital.

Capital reserve

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

Special reserve

The special reserve represents profits transferred in accordance with the resolutions of the General Assembly Meetings of the company until year 2004.

14- NON-CONTROLLING INTEREST

Changes in non-controlling interest

	31/12/2011	31/12/2010
	LE	LE
Beginning balance for the year	714,408,516	649,699,284
Non-controlling interest in the net profits for the period	107,220,084	221,468,957
Non-controlling interest in Foreign currencies translation differences	15,010,111	7,261,130
Adjustments on retained earnings	(45,471,251)	(13,498,887)
Dividends Paid	(155,934,178)	(150,521,968)
Ending balance for the year	635,233,282	714,408,516

The balance of non-controlling interest in subsidiaries

	Ownership	31/12/2011	31/12/2010
	%	LE	LE
Egyptian Tourah Portland Cement Company S.A.E.	33.88	320,797,148	363,064,415
Suez Bags Company S.A.E.	43.69	52,206,316	61,423,959
Helwan Cement Company S.A.E.	0.48	9,522,450	13,988,956
Ready Mix Production (RMP) S.A.E.	48	9,879,922	12,734,650
Hilal Cement Company (K.S.C.C.) – Kuwait	49	165,802,079	161,198,025
Cumulative foreign currencies translation differences - Hilal Cement Company (K.S.C.C) – Kuwait (Note 2-6)		15,010,111	7,261,130
Universal For Ready Mix Production (RMPU) S.A.E	48	40,332,183	42,184,613
Development and Construction Material Company– (DECOM) –S.A.E.	48	19,266,691	48,952,092
Suez for Transport and Trade Company S.A.E.	3.65	515,336	513,316
Industries Development Company S.A.E	1.72	4,190	4,486
Axim for industries Company S.A.E Formerly, Upper Egypt For Industries Company S.A.E	1.72	281,135	271,282
Suez For import and Export Company S.A.E	2.11	89,934	87,294
Suez Lime Company S.A.E.	50.34	1,525,787	2,724,298
		635,233,282	714,408,516

15- MEDIUM TERM LOANS

	31/12/2011	31/12/2010
	LE	LE
MEDIUM TERM LOANS		
Universal For Ready Mix Production (RMPU) S.A.E		
Audi Bank - Egypt	3,100,552	8,461,723
Egyptian Tourah Portland Cement Company S.A.E.		
National Bank of Egypt	87,941,066	19,163,770
Helwan Cement Company S.A.E.		
National Bank of Egypt	14,773,373	14,280,000
TOTAL MEDIUM TERM LOANS	105,814,991	41,905,493
CURRENT PORTION OF MEDIUM TERM LOANS		
Universal For Ready Mix Production (RMPU) S.A.E		
Audi Bank – Egypt	(3,100,552)	(5,361,171)
Egyptian Tourah Portland Cement Company S.A.E.		
National Bank of Egypt	(17,588,213)	-
Helwan Cement Company S.A.E.		
National Bank of Egypt	(3,808,000)	(2,856,000)
TOTAL CURRENT PORTION OF MEDIUM TERM LOANS	(24,496,765)	(8,217,171)
	81,318,226	33,688,322

15/1 Universal For Ready Mix Production (RMPU) S.A.E.:

Audi Bank – Egypt Loan

On 31 July 2006, a long-term loan contract signed between Universal For Ready Mix Production (RMPU) S.A.E and Audi Bank – Egypt amounted to LE 25 Millions to finance for purchasing fixed assets.

On 14 December 2006, Audi Bank – Egypt approved to increase the loan to LE 28 Millions with the same terms and grantees.
The long term loan will be paid on 60 monthly instalments started on 31 July 2007.

15/2 Egyptian Tourah Portland Cement S.A.E

National Bank of Egypt Loan

The company received a medium – term loan (five years) with amount USD 19,850,000 (only nineteen million eight hundred and fifty USD or equivalent in Egyptian pound), In accordance with the loans provided by some international donors in the framework of industrial pollution control project phase 2 EPAP11. In order to use the funding to open letters of credit without a cover cash local- external for the Suppliers or in the form of direct cash transfers or copies of invoices or certified extracts from suppliers.

15/3 Helwan Cement S.A.E

National Bank of Egypt Loan

On 17 March 2010 the Company obtained a medium term loan from National bank of Egypt for Anti industrial pollution project - second stage amounted to LE 14.28 million.

16- OTHER LONG TERM LIABILITIES

	31/12/2011	31/12/2010
	LE	LE
OTHER LONG TERM LIABILITIES		
Long term creditors – Land purchasing	1,857,255	2,198,785
Production lines sales tax	1,146,155	1,146,155
Long term creditors – Gazelle Ltd. Inc.	-	10,486,760
Long term employee benefits – Hilal Cement Company (K.S.C.C.) – Kuwait	3,083,294	2,633,687
Petroleum Cooperative Association*	4,154,218	16,616,871
TOTAL OTHER LONG TERM LIABILITIES	10,240,922	33,082,258
CURRENT PORTION OF LONG TERM LIABILITIES		
Petroleum Cooperative Association*	(4,154,218)	(12,462,651)
TOTAL CURRENT PORTION OF LONG TERM LIABILITIES	(4,154,218)	(12,462,651)
	6,086,704	20,619,607

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

17- GENERAL AND AMINISTRATIVE EXPENSES

	31/12/2011	31/12/2010
	LE	LE
Technical assistance fees	72,700,067	92,094,693
Salaries	107,294,415	79,743,482
Club and social services	14,485,133	8,097,579
Insurance	19,097,572	16,697,682
Other general and administrative expenses	142,581,748	117,872,432
	356,158,935	314,505,868

18- OTHER INCOME

	31/12/2011	31/12/2010
	LE	LE
Settlement of clay development contribution fees*	161,783,734	-
Management fees	6,524,834	-
Salvage sold income	11,518,376	21,989,435
Other income	30,185,208	31,792,917
	210,012,152	53,782,352

* This amount represents tax authority accruals of Clay development contribution fees for the period from 1 December 2010 till 31 December 2011; these accruals have been reversed and recognized among other income in the income statement based on the meeting held at the office of the Tax Authority Chairman on 28 December 2010 with the representatives of the cement companies working in Egypt. The view of the external legal counsel of the company on the subject matter is that the matter is still under negotiation with the internal committees of the Tax Authority and under investigation by the Ministry Committee for Investment Disputes and the Ministry of Finance. The Company's management is informing the Tax authority monthly about the amount settled and the outstanding balance of the excess charges of the clay fee due from the Tax Authority.

19- FINANCE EXPENSES

	31/12/2011	31/12/2010
	LE	LE
Finance interests	1,988,275	14,587,062
Other Finance Expenses	3,456,275	5,190,345
	5,444,550	19,777,407

20- OTHER EXPENSES

	31/12/2011	31/12/2010
	LE	LE
Indemnities and Penalties Expenses	-	3,561,366
Rent for unused quarries	11,701,695	8,354,755
Other Expenses	11,235,582	4,615,056
	22,937,277	16,531,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

21- RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

		31/12/2011
		LE
Net profits before income taxes		957,471,204
Add:		
Provisions		75,944,379
Board of directors' allowance		1,483,279
Donations		7,422,791
Depreciation		361,267,095
Other expenses		8,238,381
Less:		
Depreciation		(376,313,897)
Provisions used		(83,209,146)
Dividends income		(5,718,889)
Donations		(2,109,725)
Other		(8,858,723)
Income taxes at the effective tax rate		935,616,749
Income tax at the effective rate (20%) 73,301,026 X 20%		14,660,205
Income tax at the effective rate (25%) 862,315,723 X 25%		215,578,931
Income Tax at the effective rate	% 24.05	230,239,136
Income tax at the effective rate (20%) 75,740,286 X 20%		15,148,057
Income tax at the effective rate (25%) 881,730,918 X 25%		220,432,730
Income Tax at the applicable tax rate	% 24.6	235,580,787

22- DEFERRED INCOME TAXES

	31/12/2011	31/12/2010
	LE	LE
Depreciation of fixed assets	(324,801,122)	(244,646,570)
Provisions	131,679,255	102,894,678
Net deferred income tax (liability)	(193,121,867)	(141,751,892)

23- TAX SITUATION

a) Corporate tax

- The Company's records were inspected till year 1998 and all the taxes due were paid.
- The Company's records were inspected till year 2004, the company objected on the assessment results during the legal period and the issue was ended in Tax Authority till year 2004 and the company is waiting decision of appeal commission for years from 1999 to 2003.
- The Company's records were inspected for the years 2005 and 2006 and the taxes had paid after agreement with internal committee.
- No tax inspection took place for year 2007 till 2010.
- The estimated income taxes of the Group for the period from 1 January 2011 till 31 December 2011 amounting to LE 230,239,136.

b) Sales tax

- The Company's records were inspected till year 2007 and all the taxes due were paid.
- No tax inspection took place for the years 2008-2010.

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 and there is no claims till the date of financial statements.
- No tax inspection took place for the years from 2005 till 2010.

d) Stamp duty tax

- The Company's records were inspected till year 2005 and all the taxes due were paid.
- Company's records under inspection for years 2006 and 2010.

24- CONTINGENT LIABILITIES

Suez Cement Group contingent liabilities amounted to LE 61,054,775 as of 31 December 2011, which represents letter of guarantees and letters of credit issued by the banks of parent's company and its subsidiaries as follows:

	Contingent Liabilities
	LE
Suez Cement Company S.A.E.	**1,680,350**
Egyptian Tourah Portland Cement Company S.A.E.	**10,009,000**
Suez Bags Company S.A.E.	**13,158,156**
Hilal Cement Company (K.S.C.C.) Kuwait	**4,406,500**
Helwan Cement Company S.A.E.	**31,800,769**
	61,054,775

25- FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks, accounts and noted receivable and other debit balances. The financial liabilities include current portion of medium and long term loans, current portion of long term liabilities, accounts payable 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 financial statements.

The fair value of the financial assets and liabilities are not materially different from their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

26- RISK MANAGEMENT

A) Interest rate risk

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

B) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to LE 1,103,284 millions whereas, the total financial liabilities denominated in foreign currencies amount to LE 85,677 millions.

C) Fair Value

The carrying amounts of the financial assets and liabilities referred to in note (3) above are not materially different from their fair values.

27- RELATED PARTY TRANSACTIONS

The transactions with related parties during the period from 1 January 2011 to 31 December 2011 are representing in transactions between group companies. Intra group balances and transactions, including income, expense and dividends, are eliminate in full, Profits and losses resulting from intra group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

In addition, the transactions with related parties included transactions with some of the shareholders of the group companies.

A- Cement, Clinker, Bags sales and cement transport services excluding sales tax between Suez Cement Group Companies during from 1 January 2011 to 31 December 2011 as follows:

	Sales/ service revenue	Purchases/ service cost
	LE	LE
Suez Cement Company S.A.E.	**40,347,677**	118,571,566
Egyptian Tourah Portland Cement Company S.A.E.	**57,989,428**	157,426,197
Helwan Cement Company S.A.E.	**77,078,567**	45,137,234
Ready Mix Production (RMP) S.A.E.	**-**	1,079,512
Universal For Ready Mix Production (RMPU) S.A.E	**-**	9,576,372
Development and Construction Material Company (DECOM) S.A.E.	**-**	23,218,393
Suez Bags Company S.A.E.	**168,243,813**	-
Suez Lime Company S.A.E.	**-**	342,000
Suez for Transport and Trade Company S.A.E.	**29,519,465**	17,827,676
	373,178,950	373,178,950

B- The technical assistance from Suez Cement Company S.A.E. to Suez Cement Group Companies during from 1 January 2011 to 31 December 2011 as follows:

	Technical assistance – revenues	Technical assistance – expenses
	LE	LE
Suez Cement Company S.A.E.	68,410,713	-
Egyptian Tourah Portland Cement Company S.A.E.	-	30,214,064
Helwan Cement Company S.A.E.	-	33,883,205
Suez Bags Company S.A.E.	-	4,313,444
	68,410,713	68,410,713

C- Loans and its interest transactions between Suez Cement Group Companies during from 1 January 2011 to 31 Decemebr 2011 as follows:

	Ownership	31/12/2011	31/12/2010
	%	LE	LE
Suez Cement Company S.A.E.	72,000,000	200,000,000	(4,191,376)
Helwan Cement Company S.A.E.	200,000,000	-	(3,736,594)
Universal For Ready Mix Production (RMPU) S.A.E	-	37,000,000	3,780,344
Development and Construction Material Company (DECOM) S.A.E.	-	35,000,000	4,147,626
	272,000,000	272,000,000	

D- Ciments Francais (Strategic partnership) (Main shareholder):

The amount of the technical assessment fees offered by Ciments Francais the main shareholder of Suez Cement Company S.A.E. during the period from 1 January 2011 to 31 December 2011 amounted to L.E 28,373 Millions, which represents 1% of sales revenues of the group of cement products exclude intra – Suez Cement 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 11,349 Million and L.E 17,024 Million respectively.

E- Interbulk Company - One of the subsidiaries of Italcementi Group (the parent company of Ciments Francais Company) – the main shareholder of Suez Cement Company S.A.E.:

- The sales of Suez Cement Company S.A.E. to Interbulk Company during the period from 1 January 2011 To 31 December 2011 amounted to L.E 535 KEGP.
- The Purchase of Suez Cement Company S.A.E. From Interbulk Company during the period from 1 January 2011 to 31 December 2011 amounted to L.E 50 KEGP.
- The sales of Egyptian Tourah Portland Cement Company S.A.E. to Interbulk Company during the period from 1 January 2011 To 31 December 2011 amounted to L.E 1,579 MEGP.
- The Purchase of Egyptian Tourah Portland Cement Company S.A.E. From Interbulk Company during the period from 1 January 2011 to 31 December 2011 amounted to L.E 4,494 MEGP.
- The sales of Helwan Cement Company S.A.E. - to Interbulk Company during the period from 1 January 2011 to 31 December 2011 amounted to LE 66,812 MEGP.

F- Interbulk Egypt for Export Company - One of the subsidiaries of Interbulk Company one of the subsidiaries of Italcementi Group (the parent company of Ciments Francais Company) – the main shareholder of Suez Cement Company S.A.E. :

- The Sales of Suez Cement Cement Company S.A.E. To Interbulk Egypt for Export Company during the year ended 31 December 2011 amounted to L.E 22,019 MEGP.
- The Sales of Egyptian Tourah Portland Cement Company S.A.E. To Interbulk Egypt for Export during the year ended 31 December 2011 amounted to L.E 15,020 MEGP.
- The sales of Helwan Cement Company S.A.E. - to Interbulk Egypt for Export during the year ended 31 December 2011 amounted to L.E 38,382 MEGP.

28- CURRENT EVENTS

During the year ended 31 December 2011, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Companies to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.
It is difficult to conclude any impact for the said year.

29- COMPARATIVE FIGURES

Certain consolidated comparatives figures for year 2010 have been reclassified to conform to the year presentation of these consolidated financial statements.

Legal Information about Suez Cement group of Companies

Company/ Docket		SCC	TPCC	HCC	SBC
Company Name		**Suez Cement**	**Tourah Portland Cement**	**Helwan Cement**	**Suez Bags**
Form		Joint stock company, governed by the Egyptian Law no. 8/1997	Egyptian stock company, governed by Egyptian Law no. 159/1981	Egyptian stock company, governed by Egyptian Law no. 159/1981	Joint stock company, governed by Egyptian Law no. 8/1997
Registered Office		Nile City Towers, South Tower, 10th floor, Corniche El Nil, Cairo, Egypt	Tourah Portland Cement, Corniche El Nil, Tourah	Kafr El Elw, Helwan	Kattameya, K 30 Maadi/ Ein Sokhna Road
Registration Number		181134 investment Cairo	1587 Giza	4451 investment Cairo	254876 investment Cairo
Date of Incorporation		06/03/1977	1927	February 1929	14/12/1988
Term		50 years from date of incorporation.	Amended for 50 years starting 12/05/2001.	Amended for 25 years starting 03/10/2000 to 02/10/2025.	25 years from the incorporation date. Expired on 05/12/2013.
Purpose		Producing all kinds of cement. Expires on 05/03/2027 Producing all kinds of cement.	Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	Producing all kinds of cement and lime; owning terrestrial and river transportation; manufacturing spare parts and bags; land possession; selling and exploitation of quarries.	Producing all kinds of paper bags.
Legal Information		By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports	By-laws, minutes of general meetings, statutory audit reports
Financial Year		January 1st to December 31st	January 1st to December 31st	January 1st to December 31st	January 1st to December 31st
Shares		Italcementi Group 55.08% Arab investors 20.23% Public Banks and companies & Public Enterprise Sector Co. 15.04% GDR 2.23% Private foundations and individuals 7.42%	Suez Cement 66.12% Menaf 5.81% Metallurgical Industries CO. 18.64% Public Banks, Funds and companies 2.16% Private foundations and individuals 7.27%	Suez Cement Co. 99.52% Others 0.48%	Suez Cement Co. 53.32% Depeco Ltd. 29.89% Tourah Portland Cement 4.52% Private foundations and individuals 12.27%
Voting Powers for Decision Making		Majority	Majority	Majority	Majority
Capital	Authorized	LE 1,300 million	LE 800 million	LE 2000 million	LE 24 million
	Paid	LE 909,282,535	LE 357,621,000	LE 583,834,725	LE 20,250,000