

Arabian Cement Company
"An Egyptian Joint Stock Company"
Separate Interim Financial Statements
For the Nine Months Ended September 30, 2015
And the Limited Review Report

Limited Review Report For the Separate Interim Financial Statements

**To: The Board of directors of Arabian Cement Company
"An Egyptian Joint Stock Company"**

Introduction

We have reviewed the accompanying separate interim balance sheet of Arabian Cement Company "An Egyptian Joint Stock Company" as of September 30, 2015 and the related separate interim statements of income, changes in shareholders' equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

The separate financial statements for the year ended December 31, 2014, have been audited by another auditor who issued his unqualified opinion on these financial statements including two emphasis of matters paragraphs dated March 8, 2015, as well as the interim separate financial statements for the period from January 1, 2014 until September 30, 2014 have been reviewed by issuing a limited review report on these financial statements including an emphasis of matter paragraph dated November 13, 2014.

Scope of Review

We conducted our review in accordance with the Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate interim financial position of Arabian Cement Company "An Egyptian Joint Stock Company" as of September 30, 2015, and its separate financial performance and its separate cash flows for the nine months then ended in accordance with the Egyptian Accounting Standards.

Cairo, November 15, 2015


Kamel Magdy Saleh FCA
F.E.S.A.A. (R.A.A. 8510)
CMA Registration No. "69"

Arabian Cement Company
"An Egyptian Joint Stock Company"
Separate Balance Sheet
As of September 30, 2015

	<u>Notes</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
		<u>EGP</u>	<u>EGP</u>
<u>Non-current assets</u>			
Fixed assets (net)	(5)	2 570 292 378	2 665 349 407
Projects under construction	(6)	116 132 802	98 414 243
Intangible assets (net)	(7)	114 818 531	131 662 259
Investment in subsidiary companies	(8)	9 176 307	9 176 307
Investment in joint ventures	(9)	125 000	31 250
Total non-current assets		2 810 545 018	2 904 633 466
<u>Current assets</u>			
Inventory	(10)	216 291 316	201 038 220
Debtors and other debit balances	(11)	50 432 330	48 380 430
Due from related parties	(12)	16 601 164	17 353 443
Cash and bank balances	(13)	289 007 088	156 060 447
Total current assets		572 331 898	422 832 540
<u>Current liabilities</u>			
Provisions	(14)	11 580 532	8 770 069
Current income tax liability	(25)	58 096 302	134 923 345
Creditors and other credit balances	(15)	393 998 412	331 736 904
Dividends payable	(30)	178 894 232	--
Due to related parties	(12)	2 729 923	5 558 323
Current portion of long-term loans	(16)	174 102 000	294 065 338
Current portion of long-term other liabilities	(17)	82 182 000	77 934 000
Total current liabilities		901 583 401	852 987 979
(Deficit in) working capital		(329 251 503)	(430 155 439)
Total investment		2 481 293 515	2 474 478 027
<u>Financed by:</u>			
<u>Shareholders' equity</u>			
Issued and paid up capital	(18)	757 479 400	757 479 400
Legal reserve	(19)	156 093 042	129 447 589
Retained earnings	(30)	178 626 876	35 058 993
Net profit of the period / year		243 998 481	373 130 564
Total shareholders' equity		1 336 197 799	1 295 116 546
<u>Non-current liabilities</u>			
Borrowings	(16)	393 922 975	341 739 770
Deferred income tax liability	(20)	327 565 253	351 118 999
Other liabilities	(17)	423 607 488	486 502 712
Total non-current liabilities		1 145 095 716	1 179 361 481
Total finance of working capital and non-current assets		2 481 293 515	2 474 478 027

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

-Limited review report attached.

Arabian Cement Company
"An Egyptian Joint Stock Company"
Separate Income Statement
For the Nine Month Ended on September 30, 2015

	<u>Notes</u>	<u>For the three months ended</u>		<u>For the nine months ended</u>	
		<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Net sales	(21)	<u>EGP</u> 575 146 278	<u>EGP</u> 642 325 566	<u>EGP</u> 1 710 553 899	<u>EGP</u> 1 788 455 089
Less:					
Cost of sales	(22)	(420 355 461)	(449 636 860)	(1 252 205 907)	(1 225 143 277)
Gross operating profit		<u>154 790 817</u>	<u>192 688 706</u>	<u>458 347 992</u>	<u>563 311 812</u>
(Less) / Add					
General and administration expenses	(23)	(21 311 493)	(26 978 871)	(67 949 283)	(76 548 336)
Provisions		(3 175 842)	--	(3 175 842)	(1 593 959)
Reversal of provision		--	--	--	555 431
Other operating income		509 376	431 787	1 315 775	908 267
Credit interest		524 952	165 180	1 691 106	531 113
Net operating profit		<u>131 337 810</u>	<u>166 306 802</u>	<u>390 229 748</u>	<u>487 164 328</u>
(Less)					
Finance costs	(24)	(23 914 149)	(24 495 750)	(67 773 332)	(71 499 781)
Foreign exchange rate differences		(13 259 321)	(4 691 245)	(44 209 545)	(29 822 001)
Dividends from joint venture		--	--	104 167	--
Capital gain (loss)		10 000	(87 139)	190 000	(87 139)
Net profit of the period before income tax		<u>94 174 340</u>	<u>137 032 668</u>	<u>278 541 038</u>	<u>385 755 407</u>
Income tax	(25)	27 264 983	(43 277 152)	(34 542 557)	(185 323 866)
Net profit of the period after income tax		<u>121 439 323</u>	<u>93 755 516</u>	<u>243 998 481</u>	<u>200 431 541</u>
Earnings per share of the period	(26)	<u>0.32</u>	<u>0.24</u>	<u>0.64</u>	<u>0.52</u>

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Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company

"An Egyptian Joint Stock Company"

Separate Statement of Changes in Equity

For the Nine Month Ended on September 30, 2015

<u>Description</u>	<u>Notes</u>	<u>Capital</u>		<u>Legal reserve</u>		<u>Retained earnings</u>		<u>Net profit of the period</u>		<u>Total</u>	
		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>	
Balance as of January 1, 2014		757 479 400		118 779 986		213 095 391		--			1 089 354 777
Transferred to legal reserve		--		11 642 160		(11 642 160)		--			--
Dividends distributed		--		--		(65 894 142)		--			(65 894 142)
Net profits for the period		--		--		--		200 431 541			200 431 541
Balance as of September 30, 2014		757 479 400		130 422 146		135 559 089		200 431 541			1 223 892 176
Balance as of January 1, 2015		757 479 400		129 447 589		408 189 557		--			1 295 116 546
Transferred to legal reserve	(30)	--		26 645 453		(26 645 453)		--			--
Dividends distributed	(30)	--		--		(202 917 228)		--			(202 917 228)
Net profits for the period		--		--		--		243 998 481			243 998 481
Balance as of September 30, 2015		757 479 400		156 093 042		178 626 876		243 998 481			1 336 197 799

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
"An Egyptian Joint Stock Company"
Separate Statement of Cash Flows
For the Nine Month Ended on September 30, 2015

	<u>Notes</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
		<u>EGP</u>	<u>EGP</u>
<u>Cash flows from operating activities</u>			
Net profits for the period before tax		278 541 038	385 755 407
<u>Adjusted by:</u>			
Fixed assets' depreciation	(5)	129 960 560	125 401 775
Intangible assets' amortization	(7)	16 843 728	16 843 727
Provisions		3 175 842	1 593 959
Reversal of provision		--	(555 431)
Provisions used	(14)	(365 379)	(369 693)
Credit interest		(1 691 106)	(531 113)
Finance cost		67 773 332	71 499 781
Dividends from joint venture		(104 167)	--
Capital (gain) loss		(190 000)	87 139
Operating profit before changes in working capital		493 943 848	599 725 551
(Increase) in inventory		(15 253 096)	(90 345 403)
(Increase) in debtors and other debit balances *		(5 449 295)	(64 752 599)
Decrease in due from related parties		752 279	157 115
increase in creditors and other credit balances		57 770 235	72 718 337
(Decrease) / increase in due to related parties		(2 828 400)	3 369 165
Income tax paid *		(131 525 949)	(518 278)
Net cash flows generated from operating activities		397 409 622	520 353 888
<u>Cash flows from investing activities</u>			
Proceeds from dividends from joint venture		104 167	--
Proceeds from sale of assets		190 000	--
Payments for investments in joint venture		(93 750)	--
Payments for fixed assets ***	(5)	(8 403 581)	(10 471 946)
Payments for projects under construction ***	(6)	(44 218 509)	(93 106 105)
Interest income		1 691 106	531 113
Net cash flows (used in) investing activities		(50 730 567)	(103 046 938)
<u>Cash flows from financing activities</u>			
Payments of operation and electricity license		(58 647 224)	(65 827 917)
Interest paid		(63 282 059)	(83 753 147)
Net change in the loans		(67 780 133)	(157 458 056)
Dividends paid **	(30)	(24 022 998)	(99 087 346)
Net cash flows (used in) financing activities		(213 732 414)	(406 126 466)
Net change in cash and cash equivalents during the period		132 946 641	11 180 484
Cash and cash equivalents at the beginning of the period		156 060 447	157 924 145
Cash and cash equivalents at the end of the period	(13)	289 007 088	169 104 629

Non-cash transactions

* Non-cash transactions represented in the income tax paid and the other debit balances of EGP 3 397 395 have been eliminated.
** Non-cash transactions represented in the unpaid dividends of EGP 178 894 232 have been eliminated.
*** Non-cash transactions represented in the transferred from projects under construction to fixed assets of EGP 26 499 950 have been eliminated.

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
An Egyptian Joint Stock Company
Notes to the Separate Interim Financial Statements
For the Period Ended September 30, 2015

1. Incorporation and purpose

1.1 Incorporation

The Arabian Cement Company, an Egyptian Joint Stock Company ("the company") was established as a joint stock company on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the Chairman of General Authority for Investment and Free Zone (GAFI) under No. 167 of 1997.

The company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011, as the company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt.

The main shareholder of the company is Aridos Jativa – Spanish Company and it owns 60% of the company's share capital.

The separate interim financial statements were approved by the Board of Directors and authorized for issue on November 15, 2015.

1.2 Company's term

The company's term is 25 years starting from the date of its registration at the Commercial Register.

1.3 Activities

The company's objective is the manufacturing and sale of clinker, cement and the other related products and usage of mines and extraction of all mining materials required for the production of construction materials and road transportation for all the company's product. The company may carry out other projects or amend its purpose according to the Investment Incentives and Guarantees Law.

1.4 Registration at the stock market

Registration of company shares at the stock market

The shares of the company's capital were registered at the Egyptian Stock Market according to the approval of the Registration Committee held on March 24, 2014. The company's shares were included in the database on March 25, 2014. The company's shares registration data were adjusted after stock splitting by the par value on April 17, 2014.

Registering the company's shares in the central security

The company's shares were registered according to central depository and registry system in Misr for Central Clearing on January 19, 2014 and were adjusted as a result of stock splitting share's par value on April 17, 2014.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these separate interim financial statements are summarized below:

2-1 Basis of preparing

The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) and applicable laws and regulations. The separate financial statements have been prepared under the historical cost measurement basis.

The preparation of separate financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Note No. (4) discloses the significant accounting estimates used and professional judgment applied in the preparation of the financial statements.

The company has prepared these separate financial statements in accordance with local regulations. The company prepares consolidated financial statements in accordance with the EASs for the company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from the Head Office of the company. In these separate financial statements, subsidiaries are accounted for and presented using the cost method.

User of these separate financial statements should read them together with the company's consolidated financial statements as of and for the period ended September 30, 2015 in order to obtain full information on the financial position, results of operations and changes in equity of the company as a whole.

The EASs require referral to International Financial Reporting Standards (IFRSs), when no EASs or legal requirements exist to address certain types of transactions and events.

2-2 Foreign currency exchange

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Egyptian Pounds, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of the period-end exchange rates of monetary assets and monetary liabilities denominated in foreign currencies are recognized in the income statement as of the balance sheet date.

2-3 Fixed assets and their depreciation

Fixed assets are stated at historical cost less accumulated depreciation, historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for use condition.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated useful lives of assets excluding land, which is not depreciated.

Estimated useful lives of assets are as follows:

<u>Asset description</u>	<u>Estimated useful lives</u>
Machinery and equipment	20 years
Technical installations	20 years
Buildings	10 : 20 years
Vehicles	5 : 7 years
IT equipment and software and other installations	3 : 5 years
Office furniture and fixtures	16 years

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are included in income from operations in the income statement.

Repairs and maintenance are charged to the income statement during the financial period during which they are incurred. The cost of major overhauling is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company, and it is depreciated over its estimated useful life or the remaining useful life of the related asset, whichever is less.

Cost of machinery and equipment included operating license cost, issued by Industrial Development Authority, for each production line separately according to the estimated useful life for the line.

2-4 Projects under construction

Projects under construction are carried at cost and are recognized as fixed assets when they meet the conditions of recognition of fixed assets, and when the value of project under construction exceeds the carrying amount. The cost of project under construction is impaired to the excepted recoverable amount, and the difference is recognized in the income statement.

2-5 Intangible assets

The expenditure directly attributable to the Electricity Generation fees agreement and with a finite useful life is capitalized. Such expenditure is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate these costs over 10 years.

2-6 Investment in subsidiaries

Subsidiaries are entities over which the company owns more than 50% of the voting rights, or over which the company has power to govern the financial and operating policies. Such investments are presented and carried at cost in the financial statements including the acquisition cost, in case there is impairment in investment value than its book value (impairment), the book value is adjusted by the impairment amount and charged to the income statement for each investment.

2-7 Investment in joint ventures

Investment in joint ventures is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the cost method whereby the investment is recognized at cost less impairment. Impairment is determined on an individual basis for each type of investment, and is recognized in the income statement.

2-8 Impairment of non-financial assets

Fixed assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement when the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separate identifiable cash flows.

Reversal of impairment losses recognized in prior years, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (net after depreciation) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

2-9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The required provision is determined to write down the value of the slow moving, obsolete and damaged inventory items, according to the management' s estimates.

The company evaluates inventory elements as follows:

- a. Raw materials : cost (moving average)
- b. Spare parts : cost (moving average)
- c. Finished goods : is measured at the lower of manufacturing cost and net realizable value, the manufacturing cost comprises raw materials, direct labour and cost includes an appropriate share of overheads based on normal operation capacity.

2-10 Cash and cash equivalents

For the purpose of cash flows statement, cash and cash equivalent comprise cash on hand and demand deposits with original maturities of three months or less.

2-11 Capital

Ordinary shares are classified as equity.

2-12 Borrowing

Borrowings are recognized initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the separate income statement over the borrowing period.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2-13 Current and deferred income tax liability

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using the tax rates in accordance with the tax laws that have been enacted or substantially enacted at the balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2-14 Trade payables

Trade payables are generally carried at the fair value of goods or services received from others, whether invoiced or not.

2-15 Lease

Finance lease

Leases are accounted for under Law 95 of 1995 if the lessee is not obliged to purchase the asset at end of the lease period, the lease contract is recorded in the relevant register with the Companies Authority. The contract gives the option to the lessee to buy the asset at a specific date and the amount and the period of the contract represents at least 75% of the useful life of the asset or if the present value of total leases payments represents at least 90% of the asset value.

For leases within the scope of Law 95 of 1995, the lease costs including maintenance expense of leased assets, are recognized in the income statement in the period incurred.

If the company elects to exercise the purchase option on the leased asset, the option cost is capitalized as fixed assets and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

Operating lease

Operating lease contracts represents any lease contract where the lessor has ownership risks and benefits.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2-16 Employee benefits

Profit sharing

The company pays the littlest of 10% of its cash dividends as profit sharing to its employees or the employees annual basic salary. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

Pension obligations

For defined contribution plans, the company pays contributions to the General Social Insurance Authority -under Law No. 79 of 1975 and its amendments - plans on a mandatory basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute the net periodic costs for the period during which they are due and as such are included in staff costs.

2-17 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time value of the money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2-18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of sales tax, returns or rebates.

The company recognizes revenue when significant risks and rewards of ownership of the goods are transferred to the buyer and when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The company makes its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a- Sales of goods

Sales of goods are recognized when the company has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products, delivery does not occur until the products are delivered either from the company's warehouse or locations as specified in the agreements, and accordingly, the risks and benefits are transferred to the wholesaler, and if the wholesaler has accepted the products in accordance with the sales contract, the company has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the payments of the majority of sales are collected in advance.

b- Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on timely basis, by reference to the effective interest rate applicable. When a financial asset is impaired, the company reduces the carrying amount to its recoverable amount.

c- Dividends income

Dividend income from investment is recognized when the shareholder's right to receive payment has been established.

2-19 Borrowing cost

The borrowing cost is charged as expenses in the income statement for the period during which the company has incurred this cost, with the exception of those costs directly related to the acquisition, construction or production of qualifying assets, which are capitalized on the cost of these assets.

2-20 Transactions with related parties

The transactions between the company and its related parties are made at the company's usual list prices in accordance with the terms as approved by the Board of Directors.

2-21 Cash flows statement

Cash flows statement is prepared in accordance with the indirect method.

2-22 Dividends

Dividends are recognized in the company's financial statements in the year during which they are approved by the company's shareholders.

2-23 Comparatives figures

Where necessary, comparative figures have been reclassified to conform to changes in the current period's presentation.

3. Financial risk management

1) Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's efforts are addressed to minimize potential adverse effects of such risks on the company's financial performance.

The company does not use derivative instruments to hedge specific risks.

a. Market risk

1. Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions and assets and liabilities in foreign currencies at the date of the financial statements.

The below table shows the foreign currency positions:

<u>Description</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net value at</u>	<u>Net value at</u>
	<u>EGP</u>	<u>EGP</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
			<u>EGP</u>	<u>EGP</u>
USD	3 048 967	(512 585 503)	(509 536 536)	(437 595 664)
EURO	967 573	(16 120 521)	(15 152 948)	(22 907 453)

The exchange rate during the period / year was as follows:

	<u>Actual price</u>	
	<u>September 30, 2015</u>	<u>December 31, 2014</u>
EGP : USD	7.8301	7.1801
EGP : EURO	8.8558	8.6150

2. Price risk

The company has no investment in quoted equity securities. Therefore, company is not exposed to the fair value risk due to changes in prices.

3. Interest rate risk

Interest risk represents the change in the interest rate of the company's obligations represented by loans and operating license, with variable interest rates, amounting to EGP 977 184 975 as of September 30, 2015 against EGP 1 078 949 108 as of December 31, 2014.

Credit risk

The company has no significant concentrations of credit risk. The company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Financial institutions that the company deals with are only those enjoying high credit quality.

b. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient level of cash.

2) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

The company's management maintains the best financial structure of capital by changing the value of dividends paid to shareholders, or by reducing the capital, or issuing new shares of capital or by reducing the outstanding debt on the company.

The company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other liabilities and borrowings, less cash and cash equivalents. Total capital is calculated as equity in addition to total loans.

The gearing ratio was as follows:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Loans (Note No.16)	568 024 975	635 805 108
Other liabilities (Note No.17)	505 789 488	564 436 712
Less: Cash and equivalent	(289 007 088)	(156 060 447)
Net Debt	784 807 375	1 044 181 373
Equity	1 336 197 799	1 295 116 546
Capital	2 121 005 174	2 339 297 919
Net Debt / Capital	37%	45%

3) Fair value estimation

The company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair value.

4. Critical accounting estimates and judgments

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. Actual results may differ from these estimates.

a) Fixed assets - useful life

The fixed assets owned by the company have long lives that extend to 20 years. To ensure the use of reliable estimates, management has benchmarked the useful lives of its owned assets with estimates made by other entities and with those estimates developed internally by its technical resources. In line with the requirements of Egyptian Accounting Standards, management reviews the useful lives of fixed assets regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate.

b) Income tax

The company is subject to corporate income tax, and it estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax and deferred tax provision in these years.

c) Intangible assets - useful life

The company capitalizes the expenditure that is directly attributable to the electricity generation fees agreement. This expenditure has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate these costs over 10 years.

5. Fixed assets (net)

	<u>Lands</u>		<u>Buildings</u>		<u>Vehicles</u>		<u>Machinery and equipment</u>		<u>Other installations</u>		<u>Computer and software</u>		<u>Furniture, fixtures and office equipment</u>		<u>Total</u>	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<u>Cost:</u>																
Balance as of January 1, 2015	50 243 436	519 041 986	9 734 584	2 598 648 716	255 222 623	9 528 000	6 080 870	3 448 500 215								
Additions	--	5 429 348	61 525	--	1 737 217	742 425	433 066	8 403 581								
Disposals	--	--	(617 026)	--	--	--	--	(617 026)								
Transferred from projects under construction	--	6 248 392	--	10 455 152	9 796 406	--	--	--								
Balance as of September 30, 2015	50 243 436	530 719 726	9 179 083	2 609 103 868	266 756 246	10 270 425	6 513 936	3 482 786 720								
<u>Accumulated depreciation:</u>																
Balances as of January 1, 2015	--	93 198 200	3 779 687	630 829 999	45 765 198	8 178 246	1 399 478	783 150 808								
Depreciation charge	--	20 830 897	987 431	97 256 389	9 881 815	610 185	393 843	129 960 560								
Disposals of accumulated depreciation	--	--	(617 026)	--	--	--	--	(617 026)								
Balance as of September 30, 2015	--	114 029 097	4 150 092	728 086 388	55 647 013	8 788 431	1 793 321	912 494 342								
Net book value as of September 30, 2015	50 243 436	416 690 629	5 028 991	1 881 017 480	211 109 233	1 481 994	4 720 615	2 570 292 378								
Net book values of December 31, 2014	50 243 436	425 843 786	5 954 897	1 967 818 717	209 457 425	1 349 754	4 681 392	2 665 349 407								

* There is a first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank to the company's land, all current and future buildings and constructions, and the tangible and intangible elements of the company's factory as disclosed in details in (Note No.16).

** According to the loans contracts granted by the National Bank of Egypt, the company insured for the benefit of the bank an insurance policy against all potential risks on the company's factory and the production lines by 110% of the full amount of the loans, and the bank is the first and only beneficiary of this policy.

*** The company has insured for its benefit on cars, and the Katamia Villa.

Fixed assets (continued)

The company has assets related to finance lease based on contracts under Law No. 95 of 1995, which states that these assets should not be classified as fixed assets according to the accounting policies (No. 2-15).

<u>Five years contracts</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Total contracted lease payments	49 543 120	49 549 083
Bargain purchase value	1	1
Average useful life	5 years	5 years
Lease payments during the period / year	6 470 203	9 516 691

6. Projects under construction

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Balance as of January 1	98 414 243	138 435 045
Additions	42 089 463	120 556 382
Advance to suppliers	2 129 046	3 826 056
Transfer to fixed assets	(26 499 950)	(164 403 240)
Total	116 132 802	98 414 243

- Projects under construction are represented in the following categories:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Buildings	6 683 747	12 748 477
Machinery and equipment	104 114 518	80 756 169
Technical and other installations	3 205 491	1 083 541
Advance to suppliers	2 129 046	3 826 056
Total	116 132 802	98 414 243

- Projects under construction represents the additions made for buildings, machinery and equipment, which will be used in the installation of the alternative energy generation lines, which are expected to be capitalized during the upcoming six months.

7. Intangible assets (net)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cost	225 200 000	225 200 000
<u>Accumulated amortization</u>		
Balance as of January 1	(93 537 741)	(71 017 742)
Amortization for the period/year	(16 843 728)	(22 519 999)
Balance	(110 381 469)	(93 537 741)
Net book value	114 818 531	131 662 259

* Intangible assets represent the value of the contract with the Ministry of Electricity, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranges their needs, either through the establishment of new stations or already established ones. The cost of investments will be paid by the company according to what has been determined by the Ministry, which amounted to EGP 217.2 Million where payment has been agreed to be paid as follows:

- a) 15% advance payment equivalent to EGP 32.58 million.
- b) 120 monthly installments due on the first of every month from April 2010 amounting to EGP 1.220 million per each installment.
- c) 120 monthly installments due on the first of every month from February 2011 amounting to EGP 1.342 million per each installment.
- d) In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid over four quarterly installments and the last installment is due on February 1, 2011.

8. Investments in subsidiaries

<u>Company</u>	<u>Country of incorporation</u>	<u>Share %</u>	<u>September 30, 2015</u> <u>EGP</u>	<u>December 31, 2014</u> <u>EGP</u>
Andalus Concrete Company	Egypt	99.96%	9 126 807	9 126 807
ACC for Management and Trading Company	Egypt	99%	49 500	49 500
Total			9 176 307	9 176 307

- On September 2, 2015, the Extraordinary General Assembly of Andalus Concrete Company decided to increase its capital in the amount of EGP 11 800 000 (only eleven million, and eight hundred thousand Egyptian pounds), and this increase allocated to Arabian Cement Company, and therefore its capital share will be 99.98%. Payment of the capital increase and registration at the Commercial Register are currently in process.

9. Investments in joint ventures

<u>Company</u>	<u>Country of incorporation</u>	<u>Ownership</u>	<u>September 30, 2015</u> <u>EGP</u>	<u>December 31, 2014</u> <u>EGP</u>
Andalus Reliance for Mining Company	Egypt	50%	125 000	31 250
Total			125 000	31 250

* On June 2, 2015, the company completed its share in the capital of Andalus Reliance Mining Company by depositing the amount of EGP 93 750 at the Commercial International Bank (CIB). This amount represents 75% of its share in the issued capital and therefore, the capital becomes fully paid, and it was registered at the Commercial Register on July 8, 2015.

10. Inventory

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Raw materials	103 085 043	118 911 620
Packing materials	24 197 315	26 249 417
Spare parts	30 290 499	26 920 189
WIP	2 516 915	484 977
Finished goods	56 201 544	28 472 017
Total	<u>216 291 316</u>	<u>201 038 220</u>

11. Debtors and other debit balances

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Advance to suppliers	24 468 102	23 145 030
Deposits with others	18 532 389	18 532 389
Withholding taxes	1 696 582	3 397 395
Letter of credit	1 728 782	532 986
Employees' dividends in advance	3 271 570	2 185 184
Imprest – employee's loan	700 856	357 130
Other debit balances	--	196 267
Letter of guarantee cover	34 049	34 049
Total	<u>50 432 330</u>	<u>48 380 430</u>

12. Related parties transactions**Due from subsidiaries and related parties:**

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Andalus Concrete Company	14 475 588	15 061 875
Cementos La Unión Chile, S.A. Company	420 637	420 637
Cementos Santo Domingo Company	407 078	407 078
ACC for Management and Trading Company	1 297 861	1 463 853
Total	<u>16 601 164</u>	<u>17 353 443</u>

Due to subsidiaries and related parties

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cementos La Union – Spain Company	--	2 156 734
Aridos Jativa Company	211 946	95 204
Andalus Reliance for Mining Company	2 517 977	3 306 385
Total	<u>2 729 923</u>	<u>5 558 323</u>

- The following represents the nature and value of main transactions between related parties during the period:

<u>Company</u>	<u>Relation type</u>	<u>Transaction</u>	<u>Volume of transactions</u>	
		<u>nature</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Andalus Concrete Company	Subsidiary	Sales	13 773 674	10 093 875
		Expenses	--	1 216 631
Aridos Jativa Company	Main shareholder	Services	928 405	1 068 904
ACC for Management and Trading Company	Subsidiary	Services	25 824 461	19 912 904
Cementos La Union-Spain company	Subsidiary of the parent	Purchase	---	14 406
Andalus Reliance for Mining Company	Joint Ventures	Purchase	23 432 748	14 189 751
Hormiunion, S.L.	Subsidiary of the parent	Purchase	--	767 685
Cementos Santo Domingo company	Subsidiary of the parent	Sales	--	387 725

- Andalus for Concrete Company purchases cement materials and products from Arabian Cement Company which are used for manufacturing and trading concrete and construction materials.
- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- ACC for Management and Trading Company renders managerial services for Arabian Cement Company.
- Cementos La Union – Spain renders technical support services and supplying assets for Arabian Cement Company.
- Andalus Reliance for Mining Company supplied the raw materials for Arabian Cement Company.
- Hormiunion, S.L. Company supplied new batch plant for Andalus Concrete and Arabian Cement Company paid on its behalf, while Andalus Concrete paid this amount to Arabian Cement Company during 2014.
- Arabian Cement Company sold silos to Cementos Santo Domingo.

Amounts paid for the Board of Directors members during the period / year:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Board of Directors allowance	13 012 788	16 111 169
Board of Directors Salaries and wages	5 766 304	7 173 556
Total	18 779 092	23 284 725

13. Cash and bank balances

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cash on hand	5 206 867	2 026 922
Current Account – local currency	279 771 858	110 564 286
Current account – foreign currency	3 024 200	21 669 734
Bank deposits	1 004 163	21 799 505
Total	289 007 088	156 060 447

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Average interest rates for bank deposits – USD	0.45%	0.06%
Average interest rates for bank deposits – EGP	5.63%	7%
Maturity period for bank deposits	214 Days	243 Days

Cash and cash equivalents include restricted cash as follows:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cash and bank balances	206 004 000	101 483 766
Restricted cash*	83 003 088	54 576 681
Total	289 007 088	156 060 447

* The restricted cash represents the installments for the loans payments to be paid during 2015, after rescheduling the due installments related to the facilities granted to the company. The bank has restricted a balance covering the foreign currency installment, until the foreign currency is available.

14. Provisions

	<u>Balance at</u> <u>December 31, 2014</u>	<u>Additions</u> <u>during the</u> <u>period</u>	<u>Reversal</u> <u>during the</u> <u>period</u>	<u>Used</u> <u>during the</u> <u>period</u>	<u>Balance at</u> <u>September 30, 2015</u>
Provisions	8 770 069	3 175 842	--	(365 379)	11 580 532
Total	8 770 069	3 175 842	--	(365 379)	11 580 532

- The provisions related to the expected claims from some parties, relates to the activities of the company. The company's management reviews these provisions periodically and adjusts the amount allocated in accordance with the latest developments, discussions and agreements with these parties.

15. Creditors and other credit balances

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Trade payable	202 659 392	133 688 153
Advance payment from customers	96 315 596	118 570 719
Accrued development fees	11 564 023	35 771 621
Accrued customers rebates	30 044 055	177 631
Taxes	13 254 681	14 592 633
Accrued interest	24 096 383	15 853 110
Retention	4 602 524	6 224 626
Accrued expenses	11 461 758	6 858 411
Total	393 998 412	331 736 904

Accrued development fees

As per Law No. 147 of 1984, a fee for development of the country's resources is imposed as a license to use these mines. This fee is represented in EGP 27 for each ton of clay used by the cement production factory at the rate of 1/3 ton for each ton of cement at a minimum of EGP 15 for each ton of cement produced and this represents the minimum amount to be paid pursuant to the law.

16. Borrowings

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Current portion from loans	174 102 000	294 065 338
Non- current portion from loans	393 922 975	341 739 770
Total	568 024 975	635 805 108

- These loans are represented in the following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
First loan	246 507 527	227 188 125
Second loan	253 237 593	335 159 098
Third loan	--	22 578 914
Fourth loan	68 279 855	50 878 971
Total	568 024 975	635 805 108

First loan

- On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the Bank agreed to increase the loan to be USD 149 million to cover the increase in the investment cost, in addition to finance 15% of the operating license cost.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.6%, plus Libor during the first five years, of the loan and an interest rate of 1.7% plus Libor during the following five years.

- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.

Second loan

- On January 31, 2008, the company obtained a loan from the National Bank of Egypt amounting to USD 142 million to finance the second production, and 25% of the second line's operating license cost. The loan included a portion in Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.

Third loan

- On February 22, 2010, the company obtained a loan from the National Bank of Egypt amounting to EGP 265 million to finance around 70% of the investment cost of the clinker mill.
- The loan duration is five years including a grace period of 18 months at an interest rate of 2% plus the corridor rate.
- On February 19, 2015, the full loan balance was paid.

Fourth loan

- On June 20, 2013, the company obtained a loan from the National Bank of Egypt amounting to EGP 70 million, to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for the company's new project for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors accruals.
- The loan duration is six years starting from the first withdrawal, at the rate of 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.
- The company shall enjoy a grant amounting to 20% of the value of the financing amount from the bank, provided that the following conditions are met:
 - * The utilization of the finance for its intended purpose.
 - * Commitment to the financing conditions including the payments terms.
 - * Issuing the required certificate from the Environmental Affairs Department, which indicates the pollution reduction according to the prepared study.

Bank overdraft

- On May 27, 2015, it has been also approved to increase the current overdraft limit amounting to EGP 50 million to become EGP 120 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate. The indebtedness was fully paid on September 30, 2015.

The loans guarantees

- There is a first degree real estate mortgage with excellence in favor of the National Bank of Egypt as a guarantee for all loans and facilities granted by the bank. The mortgage is on the company's land and all current and future buildings and constructions, and the company should not sell, mortgage, waive, lease, or provide power of attorney to sell or mortgage unless there is a prior written consent from the bank.
- There is a first degree commercial mortgage with excellence in favor of the National Bank of Egypt on the company's plant tangible and intangible assets.
- The company is committed not to allow exit of the major shareholders in the project (especially the Spanish Company) until the payment of the loan (the third loan) granted to the bank by the company, while allowing the Egyptian side to increase the share capital through the purchase of the Spanish party however, the Spanish party share should not be less, at any time, than 51% of company's capital. Also, the company should not perform any changes to the nature of its activities or its legal form or structure of ownership until obtaining the prior written consent from the bank.
- The company is committed to issue insurance policies against the dangers of fire, physical damage, business interruptions and machinery failures on all assets owned by the company subjected to this loan contract within 110 % of the full loan's amount, and concede these policies to the bank as first and sole beneficiary.

17. Long term liabilities

Current portion

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Operating license*	63 720 000	59 472 000
Electricity contract**	18 462 000	18 462 000
Total	82 182 000	77 934 000

Long-term portion

Operating license*	345 440 000	383 672 000
Electricity contract**	72 309 500	86 156 000
Notes payable***	5 857 988	16 674 712
Total	423 607 488	486 502 712

*Operating license

- As per the country's policies to obtain a license for the cement factory, the General Industrial Development Association approved the issuing of a license to the company in the amount of EGP 281.4 million for the 1st production line with the related liability on the company to pay 15% as an advance payment, and the residual amount will be paid over five equal annual installments after one year from the production date at a maximum of 18 months at an interest rate determined by Central Bank of Egypt - CBE.
- The above mentioned value will be also applied for the second line and a 25% will be paid as an advance payment, and the residual amount will be settled over a period of three years at the interest rate determined by Central Bank of Egypt - CBE.
- On January 22, 2015, the Industrial Development Authority accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently at court.
- As of September 30, 2015, the overdue installments and not paid amounted to EGP 24 million included the interest, presented as current liabilities.

**** Electricity contract**

- Arabian Cement Company operating license stipulates that the company should provide its own power generation facility. The Ministry of Electricity suggested that instead of building a separate plant, a fee of EGP 217.2 million should be paid to the Ministry to allow the new cement plant to be connected to the national station.
- 15% down payment amounting to EGP 32.580 million was paid by the company, and the remaining 85% will be paid as follows:
- 120 monthly installments amounting to EGP 1.220 million per installment including interest, and the first installment will start in April 2010.
- 120 monthly installments amounting to EGP 1.342 million per installment including interest, and the 1st installment will start in February 2011.
- In addition to EGP 8 million representing the amount of two ordinary cells, which will be paid over four quarterly installments and the last installment was due on February 1, 2011.

***** Notes payable**

- The long-term notes payable represent the value of the installment due after more than one year. These amounts are due to the suppliers who are working on the construction of the alternative fuel which will be used in cement production operation.
- The installments will be paid over equal semi-annual installments, and the last installment will be due in December 2016. An interest rate of 7% is calculated for the alternative fuel generation line and 9.5% for the coal project.

18. Capital

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Authorized capital	757 479 400	757 479 400
Issued capital	757 479 400	757 479 400
Number of shares	378 739 700	378 739 700
Par value per share	<u>2</u>	<u>2</u>
Issued and paid-up capital	<u>757 479 400</u>	<u>757 479 400</u>

- On January 23, 2014, the company's management held an Extraordinary General Assembly Meeting where a decision was approved for the stock split through modifying the par value of the company's share as a prelude of listing the company in the Egyptian Stock Exchange Market. The Extraordinary General Assembly approved the modification of the par value of the share to be EGP 2 instead of EGP 100.
- In addition to the mentioned above, the Extraordinary General Assembly Meeting approved the updating of Article No. (6) of the Articles of Association which states that the capital of the company amounted to EGP 757 479 400 distributed among 7 574 794 shares, and the par value for each share is EGP 100 to be distributed among 378 739 700 shares, and the par value for each share is EGP 2.

- On September 1, 2015, the Ordinary General Assembly agreed on selling all or part of the shares owned by shareholders whose shares are pledged according to the listing rules, provided that the sale is realized according to the 7th item of Article (7) of the rules of entry and the write-off of securities in the Egyptian Stock Exchange issued by the Decree of the Board of Directors of the Egyptian Financial Supervisory Authority No. 170 of 2014 dated December 21, 2014, to amend the Authority's Board of Directors Decree No. (11) of 2014, after the approval of the Egyptian Financial Supervisory Authority and provided that the buyer is a bank, or an insurance company or a direct investment fund or one of the specialized entities in investment or a juridical person who has previous experience in the field of the company's activity, and provided that the buyer undertakes to abide by the condition of retaining the pledged shares until the end of the prescribed period.

19. Legal reserve

In accordance with the Companies' Law No. 159 of 1981, and the company's Articles of Association, 10% of annual net profit is transferred to legal reserve. Upon the recommendation of the Board of Directors, the company may cease such transfers when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

20. Deferred income tax generating an asset or a liability

Deferred income tax represents tax expenses on the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the separate financial statements

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Fixed assets and intangible assets	327 565 253	351 118 999
Total	327 565 253	351 118 999

The movement of the deferred tax liability is as follows

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Balance as of January 1	351 118 999	336 991 446
Deferred tax charged to the income statement (Note No. 25)	(23 553 746)	14 127 553
Total	327 565 253	351 118 999

- With reference to (Note No. 31), related to the modification of the tax rate, if the new tax rate was applied at the rate of 22.5% instead of 25%, then the deferred tax balance at the beginning of the year would become EGP 316 007 099 instead of EGP 351 118 999.

21. Net sales

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Local sales	703 254 613	729 976 547	2 090 935 008	1 952 861 527
Export sales	--	--	--	4 045 800
Services	13 636 830	11 257 020	35 187 862	29 435 993
Total sales	716 891 443	741 233 567	2 126 122 870	1 986 343 320
Less				
Sales discount and returns	(141 745 165)	(98 908 001)	(415 568 971)	(197 888 231)
Net sales	575 146 278	642 325 566	1 710 553 899	1 788 455 089

22. Cost of sales

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Raw material	364 415 125	435 374 659	1 065 876 602	1 123 442 959
Manufacturing depreciation	43 870 776	42 363 374	129 960 560	125 401 775
Electricity supply agreement amortization	5 676 275	5 676 274	16 843 727	16 843 727
Overhead cost	18 239 018	15 981 411	54 778 114	49 800 220
Change in inventory	(11 845 733)	(49 758 858)	(15 253 096)	(90 345 404)
Total	420 355 461	449 636 860	1 252 205 907	1 225 143 277

23. General and administrative expenses

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Professional services	6 983 044	8 213 025	23 522 085	31 423 403
Salaries and wages	10 173 059	7 674 643	27 670 691	24 485 237
Security and cleaning services	1 128 983	1 550 401	2 979 449	3 382 648
Rentals	1 013 671	932 388	3 152 010	2 394 424
Transportation	442 840	584 750	1 630 843	1 836 816
Advertising and public relations	700 183	6 458 795	3 697 603	9 258 046
Real estate tax	--	--	1 000 674	--
Other expenses	869 713	1 564 869	4 295 928	3 767 762
Total	21 311 493	26 978 871	67 949 283	76 548 336

24. Finance costs

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Loan interest expense	6 097 389	9 652 718	19 389 207	27 379 102
Operation licence interest expense	11 256 000	11 256 000	33 768 000	33 768 000
Electricity agreement interest expense	3 070 500	3 070 500	9 211 500	9 211 500
Overdraft expense	1 814 253	--	2 276 243	--
Long-term notes payable interest expense	1 676 007	516 532	3 128 382	1 141 179
Total	23 914 149	24 495 750	67 773 332	71 499 781

25. Income tax

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Deferred income tax (Note No. 20)	33 407 472	(11 633 296)	23 553 746	(85 292 375)
Current income tax	(6 142 489)	(31 643 856)	(58 096 302)	(100 031 491)
Total	27 264 983	(43 277 152)	(34 542 557)	(185 323 866)

26. Earnings per share

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit of the period	121 439 323	93 755 516	243 998 481	200 431 541
Employees share in the dividends*	(1 024 910)	(1 095 286)	(3 271 570)	(3 359 079)
Distributable net profit of the period	120 414 413	92 660 230	240 726 911	197 072 462
Weighted average number of shares during the period	378 739 700	378 739 700	378 739 700	378 739 700
Earnings per share of the period	0.32	0.24	0.64	0.52

* Employees' share in the dividends of the nine months ended September 30, 2015 was estimated based on average dividends paid to the employee during 2013 and 2014.

27. Tax position

- Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority.
- Below is a summary for the company's tax position:

Corporate income tax

- The company enjoys a tax exemption for a period of five years starting from the fiscal year following the startup of the production of the company's operation. This date was determined by the General Authority for Free Zones and Investments to start as of April 22, 2008 and consequently, the company is exempted from corporate tax for the period from January 1, 2009 until December 31, 2013.
- The company prepares tax return according to income tax laws and regulations and submits them on a timely basis pursuant to the law.

Sales tax

- The sales tax was inspected and taxes were settled until December 2013.
- The company submits its tax returns on a timely basis.

Stamp tax

The company's books were inspected till 2011, and the company paid the final settlement.

Payroll tax

Payroll tax was inspected till 2010 by the Tax Authority, and the company paid the final settlement.

Development fees

The company pays the due development fees for the cement produced from local clinker only. However, the company did not pay the development fees for the cement produced from imported clinker, and there is a dispute at the General Authority for Development Fees for years 2013/2014. The amount due for previous years has been referred to the Appeal Committee, and a decision was issued whereby the dispute has been transferred to court. The clay levied fees for the produced cement from the imported clinker according to claim received from the Tax Authority amounted to EGP 6 949 242, in addition to a delay penalty amounting to EGP 18 016 093. The company's management did not form any provision concerning this issue, based on its assessment of the court ruling results.

28. Capital commitment

The capital commitment as of September 30, 2015, related to fixed assets acquisition, amounted to EGP 5 712 045, also, the capital commitment related to the unpaid portion of the company's share in Andalus Concrete Company's capital increase amounted to EGP 11 800 000, according to the Extraordinary General Assembly resolution of Andalus Concrete Company dated September 2, 2015.

29. Contingent liabilities

On September 30, 2015, the company had contingent liabilities in respect to the banks and other guarantees in addition to other aspects arising from the ordinary course of business, and it is not anticipated that material liabilities will arise concerning this issue. The uncovered portion of letter of credit amounted to EGP 1 441 857.

30. Dividends distributed

On March 25, 2015, the company's General Assembly Meeting approved the profits distribution for the financial year ended December 31, 2014 as follows:

Description	Amount EGP
Net profit for the year ended December 31, 2014	373 130 564
Retained earnings from 2013	213 095 391
Dividends to shareholders during 2014	(164 027 396)
Dividends to employees during 2014	(3 341 399)
Legal reserve*	(37 313 056)
Available profit for distribution	<u>381 544 104</u>
Distributed as follows:	
Shareholders' share in dividends	(200 732 041)
Employees' share in dividends	(2 185 187)
Carried forward retained earnings	<u><u>178 626 876</u></u>
Paid dividends	<u>(24 022 998)</u>
Dividends payable	<u><u>178 894 232</u></u>

* During year 2014, the company allocated 10% of the net profit for the period from January 1, 2014 until June 30, 2014 in the amount of EGP 10 667 603, as part of the legal reserve for the year 2014.

31. Tax law amendments

The Ministry of Finance's decision No. 172 of 2015 issued on April 6, 2015 cancelled the Article No. 70 of the executive regulation of income tax law.

New tax laws

- On August 20, 2015 the Law No.96 of 2015 was issued to amend certain provisions of the Income Tax Law issued by Law No. 91 of 2005 and decision No. 44 of 2014. The Law was published in the same date of issuance to be effective the day following its publishing date.
- The most important amendments to this law as follows:
 1. Confining the another bracket of the income tax of 5% for only one year for taxable profits exceeding 1 MEGP, which represent YE 2014.
 2. The tax rate will be 22.5% instead of 25% of the annual taxable profits.
- The impact of this amendment has been given effect for the corporate tax as well as the tax consequences of temporary differences as of September 30, 2015.

32. Egyptian accounting standards amendments

The Minister of Investment's Decree No. (110) of 2015, was issued on July 9, 2015. It has been decided to replace and supersede the former Egyptian Accounting Standards for the preparation and presentation of financial statements with the new version of Egyptian Accounting Standards. The application of the former Egyptian Accounting Standards issued by Ministerial Decree No. 243 of 2006 was cancelled, effective as of the date of applying this Decree. This Decree was published in the Official Gazette, and shall be effective as of January 1, 2016, and will be applied on the entities whose fiscal year starts on or after this date.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina