# Arabian Cement Company S.A.E.

Condensed consolidated interim financial statements
Together with limited review's report
For the six months ended June 30, 2017

# Contents

## Arabian Cement Company (condensed consolidated interim financial statements)

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## Limited Review Report
## For the Condensed Consolidated Interim Financial Statements

To: The Board of Directors of Arabian Cement Company
An Egyptian Joint Stock Company

### Introduction

We have conducted our limited review for the accompanying condensed consolidated interim financial position of Arabian Cement Company - An Egyptian Joint Stock Company - as of June 30, 2017 and the related condensed consolidated statements of profits or losses, comprehensive income, changes in equity and cash flows for the six 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 condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard No. (30) - Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of Review

We have conducted our limited 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 condensed consolidated 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 matter that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial are not prepared, in all material respects, in accordance with Egyptian Accounting Standard No. (30) - Interim Financial Reporting.

Cairo, August 10, 2017

Saleh Barsoum Abdel Aziz & Co. Accountants & Auditors

Kamel Magdy Saleh FCA , FESAA
RAA 8510
EFSA 69

Arabian Cement Company S.A.E.
Consolidated statement of financial position at June 30, 2017

| EGP | Notes | June 30, 2017 | December 31, 2016 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 2 794 630 317 | 2 890 580 340 |
| Assets under construction | 11 | 122 002 661 | 17 670 237 |
| Intangible assets | 12 | 75 454 805 | 86 622 259 |
| Investments in a joint venture | 13 | 1 984 420 | 1 445 783 |
| TOTAL NON-CURRENT ASSETS | | 2 994 072 203 | 2 996 318 619 |
| CURRENT ASSETS | | | |
| Inventories | 14 | 358 795 682 | 280 626 750 |
| Trade receivables | 15 | 11 830 476 | 20 165 342 |
| Debtors and other debit balances | 16 | 101 607 250 | 97 645 204 |
| Due from related parties | 27 | -- | 1 910 248 |
| Cash and bank balances | 17 | 106 544 791 | 136 820 111 |
| TOTAL CURRENT ASSETS | | 578 778 199 | 537 167 655 |
| TOTAL ASSETS | | 3 572 850 402 | 3 533 486 274 |

Arabian Cement Company S.A.E.

Consolidated statement of financial position at June 30, 2017

| EGP | Notes | June 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **EQUITY** | | | |
| **CAPITAL AND RESERVES** | | | |
| Issued and paid-up capital | 18 | 757 479 400 | 757 479 400 |
| Legal reserve | 19 | 209 713 200 | 185 127 989 |
| Retained earnings | | 181 130 386 | 339 205 125 |
| **Equity attributable to owners of the Parent Company** | | **1 148 322 986** | **1 281 812 514** |
| Non-controlling interests | 20 | 19 931 | 19 114 |
| **TOTAL EQUITY** | | **1 148 342 917** | **1 281 831 628** |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 21 | 436 087 373 | 463 562 238 |
| Notes payable | 23 | 10 500 000 | -- |
| Deferred tax liabilities | 8.3 | 339 546 925 | 340 285 124 |
| Other liabilities | 25 | 145 329 912 | 196 149 919 |
| **TOTAL NON-CURRENT LIABILITIES** | | **931 464 210** | **999 997 281** |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 22 | 464 367 399 | 353 637 901 |
| Current portion of long-term notes payable | 23 | 11 500 000 | -- |
| Credit facilities | 21 | 201 157 369 | 66 116 749 |
| Current income tax payable | 8.2 | 20 793 158 | 116 577 541 |
| Current portion of long-term borrowings | 21 | 311 961 546 | 371 986 732 |
| Current portion of long-term other liabilities | 25 | 146 462 200 | 146 462 000 |
| Creditors and other credit balances | 26 | 118 437 689 | 179 279 676 |
| Dividends payable | | 200 732 041 | -- |
| Due to related parties | 27 | 6 190 704 | 8 413 626 |
| Provisions | 24 | 11 441 369 | 9 183 140 |
| **TOTAL CURRENT LIABILITIES** | | **1 493 043 275** | **1 251 657 365** |
| **TOTAL LIABILITIES** | | **2 424 507 485** | **2 251 654 646** |
| **TOTAL EQUITY AND LIABILITIES** | | **3 572 850 402** | **3 533 486 274** |

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

**Sergio Alcantarilla Rodriguez**
Chief Executive Officer

**Allan Hestbech**
Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of profit or loss for the six month ended June 30, 2017

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| EGP | Notes | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Sales revenue | 3 | 540 829 076 | 573 913 248 | 1 227 662 204 | 1 126 387 441 |
| Cost of sales | 4 | (494 644 462) | (374 696 729) | (1 067 718 960) | ( 768 393 815) |
| GROSS PROFIT | | 46 184 614 | 199 216 519 | 159 943 244 | 357 993 626 |
| General and administration expenses | 5 | (25 859 963) | (17 709 857) | (49 564 828) | (33 947 829) |
| Provisions | 24 | (4 450 000) | (350 000) | (6 690 757) | (700 000) |
| Impairment in other debt | | -- | -- | -- | (334 615) |
| Impairment no longer needed | | -- | 101 856 | -- | 101 856 |
| Interest income | | 235 081 | 5 939 207 | 448 776 | 6 633 528 |
| Other income | | 720 990 | (49 028) | 1 205 892 | 137 569 |
| Finance costs | 6 | (28 162 827) | (19 972 166) | (51 970 628) | (40 271 854) |
| Share of profit of a joint venture | 13 | 257 630 | 137 030 | 538 637 | 321 694 |
| Foreign exchange gain / (losses) differences | | 5 847 216 | (27 823 179) | 15 775 111 | (103 728 848) |
| (LOSS) / PROFIT FOR THE PERIOD BEFORE TAX | | (5 227 259) | 139 490 382 | 69 685 447 | 186 205 127 |
| Income tax | 8.1 | 17 202 852 | (30 561 780) | 2 031 774 | (43 131 204) |
| PROFIT FOR THE PERIOD AFTER TAX | | 11 975 593 | 108 928 602 | 71 717 221 | 143 073 923 |
| **Profit attributable to:** | | | | | |
| Owners of the Parent Company | | 11 976 213 | 108 926 228 | 71 716 404 | 143 069 869 |
| Non-controlling interests | 20 | (620) | 2 374 | 817 | 4 054 |
| | | 11 975 593 | 108 928 602 | 71 717 221 | 143 073 923 |
| **Earnings per share (Basic and diluted)** | | | | | |
| Basic and diluted (EGP / Share) | 9 | 0.03 | 0.29 | 0.18 | 0.37 |

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

**Sergio Alcantarilla Rodrigues**
Chief Executive Officer

**Allan Hestbech**
Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of comprehensive income for the six month ended June 30, 2017

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| EGP | Notes | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| PROFIT FOR THE PERIOD, NET OF INCOME TAX | | 11 975 593 | 108 928 602 | 71 717 221 | 143 073 923 |
| OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX | | | | | |
| TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX | | -- | -- | -- | -- |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 11 975 593 | 108 928 602 | 71 717 221 | 143 073 923 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Parent Company | | 11 976 213 | 108 926 228 | 71 716 404 | 143 069 869 |
| Non-controlling interests | 20 | (620) | 2 374 | 817 | 4 054 |

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

**Sergio Alcantarilla Rodrigues**
Chief Executive Officer

**Allan Hestbech**
Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of changes in equity for the six month ended June 30, 2017

| EGP | Issued Capital | Legal reserve | Retained earnings | Attributable to owners of the Parent Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | 757 479 400 | 156 109 072 | 458 392 531 | 1 371 981 003 | 13 702 | 1 371 994 705 |
| Total comprehensive income for the period after income tax | -- | -- | 143 069 869 | 143 069 869 | 4 054 | 143 073 923 |
| Transferred to legal reserve | -- | 28 982 519 | (28 982 519) | -- | -- | -- |
| Dividends distributed | -- | -- | (204 902 658) | ( 204 902 658) | -- | ( 204 902 658) |
| Reclassification from retained earnings to legal reserve | -- | 22 124 | (22 124) | -- | -- | -- |
| **Balance at June 30, 2016** | 757 479 400 | 185 113 715 | 367 555 099 | 1 310 148 214 | 17 756 | 1 310 165 970 |
| **Balance at January 1, 2017** | 757 479 400 | 185 127 989 | 339 205 125 | 1 281 812 514 | 19 114 | 1 281 831 628 |
| Total comprehensive income for the period after income tax | -- | -- | 71 716 403 | 71 716 404 | 817 | 71 717 220 |
| Transferred to legal reserve | -- | 24 585 211 | (24 585 211) | -- | -- | -- |
| Dividends distributed | -- | -- | (205 205 932) | (205 205 932) | -- | (205 205 932) |
| **Balance at June 30, 2017** | 757 479 400 | 209 713 200 | 181 130 386 | 1 148 322 986 | 19 931 | 1 148 342 917 |

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

**Sergio Alcantarilla Rodrigues**
Chief Executive Officer

**Allan Hestbech**
Chief Financial Officer

Arabian Cement Company S.A.E.
Consolidated statement of cash flows for the six month ended June 30, 2017

| EGP | Notes | June 30, 2017 | June 30, 2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit for the period** | | **71 717 220** | **143 073 923** |
| **Adjusted by:** | | | |
| Income tax recognized in profit or loss | 8.1 | (2 031 774) | 43 131 204 |
| Finance costs recognized in profit or loss | 6 | 51 970 628 | 40 271 854 |
| Interest income | | (448 776) | (6 633 530) |
| Share of profit of a joint venture | 13 | (538 637) | (321 694) |
| Depreciation of property, plant and equipment | 10 | 106 062 671 | 87 998 635 |
| Amortization of intangible assets | 12 | 11 167 454 | 11 198 471 |
| Foreign exchange (gain) / losses differences | | (11 776 540) | 69 225 348 |
| (Increase) in inventories | | (78 168 932) | (219 278) |
| (Increase) in debtors and other debit balances | | (3 962 046) | (14 935 512) |
| Decrease in trade receivables | | 8 334 866 | -- |
| Decrease / (increase) in due from related parties | | 1 910 248 | (644 515) |
| (Decrease) in creditors and other credit balances | | (57 420 881) | (95 976 481) |
| Increase / (decrease) in trade payables | | 110 729 498 | (56 444 411) |
| (Decrease) in due to related parties | | (2 222 922) | (319 895) |
| Impairment in other debt | | -- | 334 615 |
| Impairment not used | | -- | (101 856) |
| Provisions formed | 24 | 6 690 757 | 700 000 |
| Provisions used | 24 | (4 432 528) | (1 000 000) |
| **Cash generated by operations** | | **207 580 306** | **219 336 878** |
| Interest paid | | (55 391 734) | (48 997 686) |
| Income taxes paid | | (94 490 808) | (67 435 433) |
| **Net cash generated by operating activities** | | 57 697 764 | **102 903 759** |

Arabian Cement Company S.A.E.

Consolidated statement of cash flows for the six month ended June 30, 2017

| EGP | Notes | June 30, 2017 | June 30, 2016 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | 10 | (10 112 648) | (5 741 285) |
| Payments for assets under construction * | 11 | (82 332 424) | (13 561 669) |
| Interest income | | 448 776 | 6 633 530 |
| **Cash (used in) investing activities** | | **(91 996 296)** | **(12 669 424)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (75 723 511) | (45 683 091) |
| Proceeds from credit facilities | | 135 040 620 | 306 585 |
| Payment of dividends | | (4 473 890) | (125 918 555) |
| Repayment of other liabilities | | (50 820 007) | (47 463 000) |
| **Cash generated by (used in) financing activities** | | **4 023 212** | **(218 758 061)** |
| (Decrease) in cash and cash equivalents | | (30 275 320) | (128 523 726) |
| Cash and cash equivalents at the beginning of the period | | 136 820 111 | 378 286 894 |
| **Cash and cash equivalents at the end of the period** | 17 | **106 544 791** | **249 763 168** |

**Non- cash transaction from investment activities**

* Non-cash transactions represented in the net changes in the projects under constructions and the notes payables of EGP 22 000 000 have been eliminated.

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

**Sergio Alcantarilla Rodrigues**
Chief Executive Officer

**Allan Hestbech**
Chief Financial Officer

# 1. The Company's general information

Arabian Cement Company S.A.E. (The Company or the Parent Company), a joint stock Company incorporated in Cairo, Egypt, is a public company whose shares are traded at the EGX Egyptian Exchange. The Company was established on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the President of General Authority for Investment and Free Zone (GAFI) 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 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.

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

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

The principal activities of the Company and its subsidiaries (the Group) are as follows:

- Arabian Cement Company: a cement producer with a clinker capacity of 4.2 million tons per annum that can produce 5 million tons per annum of cement.
- Andalus Concrete Company: a producer of concrete products and other constructions materials. The company owns 99.99% of the issued and paid up capital of Andalus Concrete Company.
- ACC Management and Trading Company: providing managerial restructuring services for companies, transportation of goods, projects management, general trading and preparation of feasibility studies. The Company owns 99% of the issued and paid up capital of ACC Management and Trading Company.
- Evolve for Investment and Project Management Principal Activities is Alternative Fuel - Construct and operate factories for recycling. The Company owns 99.99% of the issued and paid up capital of Evolve for Investment and Project Management.
- The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on August 10, 2017.

# 2. SIGNIFICANT ACCOUNTING POLICIES

## 2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) No. (30) Interim financial reporting. These condensed consolidated interim financial statements does not include all the information required in the preparation of the full set annual consolidated financial statements and must be read in conjunction with the annual consolidated financial statements as of December 31, 2016.

## 2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

## 2.3 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of a group entity to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. Sales revenue

An analysis of the Group's revenue for the period is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Local sales | 485 327 290 | 557 336 013 | 1 076 351 590 | 1 090 697 535 |
| Export sales | 34 758 800 | 87 912 | 105 562 733 | 87 912 |
| Services | 20 742 986 | 16 489 323 | 45 747 881 | 35 689 994 |
| TOTAL | 540 829 076 | 573 913 248 | 1 227 662 204 | 1 126 387 441 |

## 4. Cost of sales

An analysis of the Group's cost of sales for the period is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Raw materials | 386 834 719 | 292 141 359 | 851 559 059 | 619 036 247 |
| Manufacturing depreciation | 53 399 211 | 44 226 942 | 106 062 140 | 88 222 759 |
| Electricity supply agreement amortization | 5 614 575 | 5 599 235 | 11 167 452 | 11 198 470 |
| Transportation cost | 14 378 251 | -- | 30 973 475 | -- |
| Overhead cost | 34 417 706 | 32 729 193 | 67 956 834 | 49 936 339 |
| TOTAL | 494 644 462 | 374 696 729 | 1 067 718 960 | 768 393 815 |

- The increase in the cost of sales in the current period compared to comparative period is due to the increased purchase price of local and imported raw materials which led to decrease in the gross profit compared to comparative period.

## 5. General and administration expenses

An analysis of the Group's General and administration expenses for the period is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Professional fees | 6 760 102 | (295 692) | 7 397 970 | 1 786 153 |
| Salaries and wages | 11 074 689 | 11 307 052 | 26 170 498 | 20 092 468 |
| Security and cleaning services | 163 586 | 943 397 | 282 802 | 1 710 624 |
| Rentals | 2 532 087 | 1 193 397 | 5 241 084 | 2 393 806 |
| Transportation | 544 577 | 820 162 | 1 371 670 | 1 152 783 |
| Advertising | 932 628 | 143 739 | 982 032 | 750 067 |
| Other expenses | 3 852 294 | 3 597 802 | 8 118 772 | 6 061 928 |
| TOTAL | 25 859 963 | 17 709 857 | 49 564 828 | 33 947 829 |

## 6. Finance costs

An analysis of the Group's finance costs for the period is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Loan interest expense | 13 234 300 | 5 045 978 | 25 928 420 | 10 683 650 |
| Operation licence interest expense | 1 871 861 | 11 256 000 | 4 549 892 | 22 512 000 |
| Electricity agreement interest expense | 3 070 500 | 3 070 500 | 6 141 000 | 6 141 000 |
| Bank overdraft interest expense | 9 986 166 | 56 220 | 15 351 316 | 119 249 |
| Long-term notes payable interest expense | -- | 543 468 | -- | 815 955 |
| TOTAL | 28 162 827 | 19 972 166 | 51 970 628 | 40 271 854 |

## 7. Compensation of key management personnel

An analysis of the Group's compensation of key management personnel for the period is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Board of directors allowance | 7 692 978 | 4 583 200 | 16 183 173 | 8 810 094 |
| Board of directors salaries | 4 552 800 | 2 237 760 | 8 584 800 | 4 163 948 |
| TOTAL | 12 245 778 | 6 820 960 | 24 767 973 | 12 974 042 |

## 8. Income taxes

### 8.1 Income tax recognised in profit or loss

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| CURRENT TAX | | | | |
| Current tax expense for the current period | 3 695 708 | 31 096 889 | 19 208 221 | 41 666 313 |
| Adjustments recognized in the current period related to current tax of prior year | (20 501 796) | -- | (20 501 796) | -- |
| DEFERRED TAX | | | | |
| Net deferred tax recognized in the current period | (396 764) | (535 109) | (738 199) | 1 464 891 |
| TOTAL INCOME TAX RECOGNIZED IN THE CURRENT PERIOD | (17 202 852) | 30 561 780 | (2 031 774) | 43 131 204 |

### 8.2 Current tax liabilities

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Current tax liabilities | 19 208 221 | 115 020 127 |
| Adjustments recognized in the current period / year in relation to the current tax of prior year | (20 501 796) | 1 557 414 |
| Current tax liability for the year ended in 31 Dec 2016 | 116 577 541 | -- |
| Adjustments made to current income tax for the year ended 31 Dec 2016 | (94 490 808) | -- |
| CURRENT TAX LIABILITIES | 20 793 158 | 116 577 541 |

## 8.3 Deferred tax balances

Deferred tax liabilities arise from the following:

| 30 June 2017<br>EGP | Opening balance | Recognized in profit or loss | Closing balance |
|---|---|---|---|
| (LIABILITIES) | | | |
| *Temporary differences* | | | |
| Property, plant & equipment | 340 285 124 | (738 199) | 339 546 925 |
| NET DEFERRED TAX LIABILITY | 340 285 124 | (738 199) | 339 546 925 |

| 31 December 2016<br>EGP | Opening balance | Recognized in profit or loss | Closing balance |
|---|---|---|---|
| (LIABILITIES) | | | |
| *Temporary differences* | | | |
| Property, plant & equipment | 330 621 736 | 9 663 388 | 340 285 124 |
| NET DEFERRED TAX LIABILITY | 330 621 736 | 9 663 388 | 340 285 124 |

# 9. Earnings per share

Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As the company does not have any dilutive potential, the basic and diluted earnings per share are the same.

The earnings from continuing operations and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| EGP | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| EARNINGS (for basic and diluted earnings per share) | | | | |
| profit for the period attributable to owners of the parent | 11 976 213 | 108 926 228 | 71 716 404 | 143 069 869 |
| Employees share in distributable profits | (1 588 065) | (766 102) | (3 138 526) | (2 059 288) |
| **Distributable profit for the period** | 10 388 148 | 108 160 126 | 68 577 878 | 141 010 581 |
| NUMBER OF SHARES (for basic and diluted earnings per share) | | | | |
| Weighted average number of ordinary shares for the purposes of EPS | 378 739 700 | 378 739 700 | 378 739 700 | 378 739 700 |
| EARNINGS PER SHARE | 0.03 | 0.29 | 0.18 | 0.37 |

## 10. Property, plant and equipment

| EGP | Freehold land | Buildings | Machinery and equipment | Vehicles | Furniture, fixtures and office equipment | Other installations | Computer and software | Total |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| Balance at January 1, 2016 | 50 243 436 | 531 314 250 | 2 616 043 243 | 21 314 390 | 7 847 114 | 272 085 413 | 11 137 860 | 3 509 985 706 |
| Additions | -- | 1 740 797 | 26 536 028 | 1 841 969 | 672 386 | 501 848 | 623 945 | 31 916 973 |
| Balance at June 30, 2016 | 50 243 436 | 533 055 047 | 2 642 579 271 | 23 156 359 | 8 519 500 | 272 587 261 | 11 761 805 | 3 541 902 679 |
| Balance at January 1, 2017 | 50 243 436 | 559 840 220 | 3 095 421 498 | 25 603 262 | 9 933 512 | 278 033 895 | 14 266 035 | 4 033 341 858 |
| Additions | -- | 3 137 781 | 2 408 293 | 991 453 | 185 149 | 890 271 | 2 499 701 | 10 112 648 |
| Balance at June 30, 2017 | 50 243 436 | 562 978 001 | 3 097 829 791 | 26 594 715 | 10 118 661 | 278 924 166 | 16 765 736 | 4 043 454 506 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| Balance at January 1, 2016 | -- | 121 114 312 | 761 953 346 | 9 764 587 | 2 081 957 | 59 140 349 | 9 778 189 | 963 832 740 |
| Depreciation expense | -- | 13 973 525 | 65 205 299 | 996 778 | 398 039 | 6 915 859 | 509 135 | 87 998 635 |
| Balance at June 30, 2016 | -- | 135 087 837 | 827 158 645 | 10 761 365 | 2 479 996 | 66 056 208 | 10 287 324 | 1 051 831 375 |
| Balance at January 1, 2017 | -- | 147 868 331 | 896 952 154 | 10 818 723 | 2 785 408 | 73 290 467 | 11 046 435 | 1 142 761 518 |
| Depreciation expense | -- | 14 348 363 | 81 085 745 | 1 568 672 | 531 706 | 7 435 387 | 1 092 798 | 106 062 671 |
| Balance at June 30, 2017 | -- | 162 216 694 | 978 037 899 | 12 387 395 | 3 317 114 | 80 725 854 | 12 139 233 | 1 248 824 189 |
| CARRYING AMOUNT | | | | | | | | |
| At June 30, 2017 | 50 243 436 | 400 761 307 | 2 119 791 892 | 14 207 320 | 6 801 547 | 198 198 312 | 4 626 503 | 2 794 630 317 |
| At June 30, 2016 | 50 243 436 | 397 967 210 | 1 815 420 626 | 12 394 994 | 6 039 504 | 206 531 053 | 1 474 481 | 2 490 071 304 |
| At December 31, 2016 | 50 243 436 | 411 971 889 | 2 198 469 344 | 14 784 539 | 7 148 104 | 204 743 428 | 3 219 600 | 2 890 580 340 |

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.

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 Silos.

## 11. Assets under construction

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Balance at the beginning of the period / year | 17 670 237 | 124 756 807 |
| Additions | 45 508 789 | 22 111 253 |
| Advance to suppliers | 58 823 635 | 5 441 250 |
| Transfer to fixed assets | -- | (118 463 015) |
| Transfer to debtors and other debit balances | -- | (15 988 871) |
| Others | -- | (187 187) |
| **Total** | 122 002 661 | 17 670 237 |
| Projects under construction are represented in the following categories: | | |
| Buildings | 44 987 005 | 2 040 710 |
| Machinery and equipment | 9 484 646 | 6 980 949 |
| Other installations | 1 947 113 | 1 888 316 |
| Advance to suppliers * | 65 583 897 | 6 760 262 |
| TOTAL | 122 002 661 | 17 670 237 |

* The increase in the current period compared to comparative period is due to down payments of contracts for constructing a new coal mill.

## 12. Intangible assets

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Cost | 225 200 000 | 225 200 000 |
| Accumulated amortization | | |
| Balance at the beginning of the period / year | (138 577 741) | (116 057 741) |
| Amortization for the period / year | (11 167 453) | (22 520 000) |
| **Total accumulated amortization of the period / year** | (149 745 194) | (138 577 741) |
| TOTAL | 75 454 806 | 86 622 259 |

Intangible assets represent the value of the contract concluded with the Ministry of Electricity on March 11, 2010, 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:

15% advance payment equivalent to EGP 32.58 million.

120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each instalment.

120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each instalment.

In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment was due on 1 February 2011.

## 13. Investments in a joint venture

Details of the Group's associates at the end of the reporting period are as follows:

| Name of associate<br>EGP | Place of incorporation | Proportion of ownership interest and voting power held by the Group | June 30, 2017 | December 31, 2016 |
|---|---|---|---|---|
| Andalus Reliance for mining Company | Egypt | 50% | 1 984 420 | 1 445 783 |
| TOTAL | | | 1 984 420 | 1 445 783 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in ASA recognised in the consolidated financial statements:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Net assets of the joint venture over Group level | 3 968 840 | 2 891 565 |
| Proportion of the Group's ownership interest in joint venture | 50% | 50% |
| **Carrying amount of the Group's interest in joint venture** | 1 984 420 | 1 445 783 |

## 14. Inventories

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Raw materials | 197 660 861 | 153 608 914 |
| Packing materials | 30 720 734 | 16 286 445 |
| Spare parts | 11 738 794 | 8 203 464 |
| Work in progress | 2 924 545 | 1 630 552 |
| Finished goods | 74 642 483 | 58 649 456 |
| Advanced to suppliers | 41 108 265 | 42 247 919 |
| TOTAL | 358 795 682 | 280 626 750 |

## 15. Trade receivables

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Trade receivables | 12 519 657 | 20 854 523 |
| Less:- Impairment in trade receivables | (689 181) | (689 181) |
| TOTAL | 11 830 476 | 20 165 342 |

**Movement in the allowance for doubtful debt:**

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Balance at beginning of period / year | 689 181 | 543 141 |
| Impairment losses recognised on receivables | -- | 497 896 |
| Impairment losses reversed (allowance no longer required) | -- | (351 856) |
| **Balance at end of period / year** | 689 181 | 689 181 |

## 16. Debtors and other debit balances

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Advance to suppliers | 53 603 380 | 55 069 866 |
| Withholding tax | 2 169 225 | 5 099 949 |
| Deposit with others | 26 831 204 | 26 831 204 |
| Employees dividends in advance | 3 138 526 | 4 473 890 |
| Letter of credit | 6 877 000 | 1 605 353 |
| Letters of guarantee – cash margin | 34 049 | 34 049 |
| Cash imprest | 2 928 017 | 2 936 807 |
| Other debit balances | 11 596 260 | 7 164 497 |
| Less : Impairment in other debit balance | (5 570 411) | (5 570 411) |
| TOTAL | 101 607 250 | 97 645 204 |

## 17. Cash and bank balances

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Cash on hand | 2 883 581 | 673 435 |
| Current account – local currency | 83 847 219 | 118 339 633 |
| Current account – foreign currency | 17 521 938 | 15 615 926 |
| Bank deposits | 2 292 053 | 2 191 117 |
| **Total** | **106 544 791** | **136 820 111** |
| Average interest rates for bank deposits – USD | 0.38% | %0.70 |
| Average interest rates for bank deposits – EGP | 9.83% | %8.94 |
| Maturity period for bank deposits | 103 Days | 112 Days |
| **Cash and cash equivalents include restricted cash as follows :** | | |
| Restricted cash at banks (due loans instalments in US Dollar) | 20 357 271 | 357 382 |

## 18. Capital

### 18.1 Authorized and Issued capital

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Par value per share | 2 | 2 |
| Number of ordinary shares authorized, issued and fully paid | 378 739 700 | 378 739 700 |
| **Issued capital** | 757 479 400 | 757 479 400 |

## 19. Legal reserve

In accordance with the Companies' Law No.159 of 1981 and the Company's Articles of Incorporation, 10% of annual net profit is transferred to legal reserve. The entity shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders. The applied percentage of legal reserve is as follow:

| Company | % |
|---|---|
| Arabian Cement Company | 10% |
| Andalus Concrete Company | 10% |
| ACC for Management and Trading Company | 5% |

## 20. Non-controlling interests

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Balance at beginning of period / year | 19 114 | 13 702 |
| Share of profit for the period / year | 817 | 5 412 |
| **Balance at end of period / year** | 19 931 | 19 114 |

## 21. Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| EGP | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| Credit facilities * | 201 157 369 | 66 116 749 | -- | -- |
| Bank loans | 311 961 546 | 371 986 732 | 436 087 373 | 463 562 238 |
| TOTAL | 513 118 915 | 438 103 481 | 436 087 373 | 463 562 238 |

* On June 19, 2017, it has been also approved to increase the current credit facility limit amounting to EGP 240 million to become EGP 300 million for Arabian Cement Company, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate for a period of one year, and may be renewed for the similar period or periods by mutual consent at an interest rate of 2 % plus corridor borrowing rate.

## 22. Trade payables

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Local trade payables | 153 034 416 | 168 555 378 |
| Foreign trade payables | 311 332 983 | 185 082 523 |
| TOTAL | 464 367 399 | 353 637 901 |

## 23. Notes payable

| | Current | | Non-current | |
|---|---|---|---|---|
| EGP | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| Credit facilities | 11 500 000 | -- | 10 500 000 | -- |
| TOTAL | 11 500 000 | -- | 10 500 000 | -- |

Represent the remaining due instalments for the company's new office at Gamal Abdel Nasser square, Fifth Settlement, fifth floor, New Cairo, Egypt which will be handed over on November 1, 2017 as per the contract and the last instalment will be paid on August 1,2019.

## 24. Provisions

| EGP | Provision for claims |
|---|---|
| **Balance at January 1, 2017** | **9 183 140** |
| Additional provisions recognized | 6 690 757 |
| Used during the period | (4 432 528) |
| **Balance at June 30, 2017** | **11 441 369** |

Management annually reviews and adjusts these provisions based on the latest developments, discussions and agreements with the involved parties.

## 25. Other liabilities

| | Current | | Non-current | |
|---|---|---|---|---|
| EGP | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| Operating license | 128 000 000 | 128 000 000 | 105 328 912 | 146 917 919 |
| Electricity contract | 18 462 000 | 18 462 000 | 40 001 000 | 49 232 000 |
| TOTAL | 146 462 000 | 146 462 000 | 145 329 912 | 196 149 919 |

## 26. Creditors and other credit balances

| EGP | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Advances from customers | 51 633 168 | 58 971 190 |
| Accrued development fees | 9 642 723 | 16 038 783 |
| Accrued customers rebates | 18 922 043 | 44 778 227 |
| Accrued expenses | 967 177 | 2 226 819 |
| Retention | 4 020 191 | 4 020 191 |
| Accrued interest | 13 483 475 | 16 904 581 |
| Accrued taxes | 19 768 912 | 36 339 885 |
| TOTAL | 118 437 689 | 179 279 676 |

## 27. Related party transactions

During the period, group entities entered into the following transactions with related parties:

| EGP | Nature of relationship | Nature of transaction | Amount of transaction | |
|---|---|---|---|---|
| | | | June 30, 2017 | June 30, 2016 |
| Aridos Jativa Company | Main Shareholder | Services | -- | 576 535 |
| Andalus Reliance for Mining Company | Joint Venture | Purchases | 34 966 588 | 30 144 022 |

The following balances were outstanding at the end of the reporting period / year:

| EGP | Due from related parties | | Due to related parties | |
|---|---|---|---|---|
| | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| Cementos la Union – Spain Company | -- | -- | 883 368 | 2 596 769 |
| Andalus Reliance for Mining Company | -- | -- | 5 307 336 | 5 816 857 |
| Aridos Jativa Company | -- | 1 910 248 | -- | -- |
| Total | -- | 1 910 248 | 6 190 704 | 8 413 626 |

## 28. Operating lease arrangements

### 28.1 The Group as lessee

#### 28.1.1 Leasing arrangements

Operating leases relates to car lease with lease terms of between 2 to 4. The Group (as a lessee) does have an option to purchase these leased assets at the expiry of the lease periods.

#### 28.1.2 Payments recognised as an expense in the period

| EGP | June 30, 2017 | June 30, 2016 |
|---|---|---|
| Minimum lease payments | 2 799 100 | 5 755 862 |
| TOTAL | 2 799 100 | 5 755 862 |

#### 28.1.3 Non-cancellable operating lease commitments

| EGP | Total of future minimum lease payments | |
|---|---|---|
| | June 30, 2017 | December 31, 2016 |
| No longer than 1 year | 4 977 318 | 3 965 148 |
| Longer than 1 year and not longer than 2 years | 3 292 678 | 2 205 883 |
| Longer than 2 years | 3 210 291 | 1 496 701 |
| TOTAL | 11 480 287 | 7 667 732 |

## 29. Commitments for expenditure

The capital commitment as of June 30, 2017 amounted to EGP 127 883 983 in relation to fixed assets acquisition.

## 30. Events after the reporting period

On June 20, 2017, the company obtained a loan(D) from the National bank of Egypt amounted to EGP 231 million to finance 100% of the total investment cost, which is needed for the construction of a coal mill and Bucket elevator and a Bypass dust to suck cement dust and insert it in the production process again.

The loan duration is 7 years starting from the first withdrawal including six months of grace period and one year for withdrawal, where the first instalment will be paid after three months from the grace period over 22 instalments with a total value EGP 10 500 000 per each instalment at the rate by 2.5% plus corridor, in addition to a monthly commission.

On July 5, 2017, the company used an amount of EGP 60 million.

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Allan Hestbech**

Chief Financial Officer