

ORASCOM CONSTRUCTION INDUSTRIES COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2007 TO 30 JUNE 2007
AND REVIEW REPORT**

REVIEW REPORT
TO THE MEMBERS OF BOARD OF DIRECTORS OF
ORASCOM CONSTRUCTION INDUSTRIES COMPANY
(EGYPTIAN JOINT STOCK COMPANY)

We have reviewed the accompanying consolidated balance sheet of Orascom Construction Industries Company – an Egyptian Joint Stock Company – as of 30 June 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. We did not review the financial statements of some of the Company's subsidiaries which statements reflect total assets amounted to approximately LE 11.2 billion and total revenues amounted to approximately LE 4.3 billion of the related consolidated totals. These financial statements were reviewed by other auditors whose reports have been furnished to us, and our review insofar as it relates to the amounts included for the said subsidiaries, is based solely on the review reports of those auditors.

We conducted our review in accordance with Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus it is less in scope than an audit which is performed in accordance with the Egyptian Standards on Auditing. We have not performed an audit, and accordingly we do not express an audit opinion.

Based on our review of the consolidated financial statements of Orascom Construction Industries Company and the review reports of the other auditors for the six months period ended 30 June 2007 we are not aware of any material modifications that should be made to the consolidated financial statements in order for them to be in conformity with Egyptian Accounting Standards.

Without considering the following a qualification, we draw attention to note (6) to the notes to the consolidated financial statements, certain subsidiaries of the Company apply International Accounting Standard No. (17) – Accounting for Leases – to record its capital leases transactions, which were concluded since the start of the lease contracts for some fixed assets instead of applying the Egyptian Accounting Standard No. (20) to record such transactions.

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, 2 October 2007

ORASCOM CONSTRUCTION INDUSTRIES
CONSOLIDATED BALANCE SHEET

(in millions of LE)	Notes	30 June 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment (net)	(5)	9,416.4	9,104.1
Assets under construction		8,984.9	6,441.2
Payments for purchase of investments	(9)	745.0	738.7
Goodwill		531.2	502.4
Other intangible assets	(10)	370.4	317.7
Investment in associated companies	(11)	2,898.9	168.1
Investments available for sale		15.7	20.4
Deferred tax assets		114.7	93.3
Long-term receivables		254.9	222.1
Total non-current assets		23,332.1	17,608.0
Current assets			
Inventories	(12)	1,827.8	1,512.0
Marketable securities	(13)	138.2	473.1
Trade and other receivables	(14)	6,562.9	5,307.2
Due from clients	(15)	749.5	682.0
Cash on hand and at banks	(16)	3,279.4	2,738.1
Assets held for sale		301.0	295.9
Total current assets		12,858.8	11,008.3
Total assets		36,190.9	28,616.3
EQUITY			
Shareholders' equity			
Share capital	(17)	1,009.9	1,009.9
Legal reserve	(17)	505.0	505.0
Other reserves		1,830.3	1,804.3
Retained earnings		5,853.3	5,336.4
Cumulative adjustment on translation of foreign companies		231.2	152.6
Treasury stock	(18)	(350.3)	(136.5)
Total shareholders' equity		9,079.4	8,671.7
Minority interest in subsidiary companies		2,977.7	2,488.4
Total equity		12,057.1	11,160.1
LIABILITIES			
Non-current liabilities			
Long-term loans	(19)	8,231.7	6,261.9
Deferred tax liabilities		372.2	337.9
Provisions	(22)	175.8	160.4
Other long-term liabilities	(20)	786.6	830.9
Total non-current liabilities		9,566.3	7,591.1
Current liabilities			
Bank overdraft and current portion of long-term loans	(19)	6,616.5	2,987.7
Trade and other payables	(21)	6,372.9	5,496.8
Due to clients	(15)	896.0	886.3
Provisions	(22)	612.9	349.8
Income taxes payable		69.2	144.5
Total current liabilities		14,567.5	9,865.1
Total liabilities		24,133.8	17,456.2
Total equity and liabilities		36,190.9	28,616.3

The accompanying notes form an integral part of the financial statements

Chairman

Managing Director

Chief Financial Officer

Review report attached,

ORASCOM CONSTRUCTION INDUSTRIES
CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 JUNE

(in millions of LE)		2007		2006	
	Notes	3 Months ended 30/6/2007	6 Months ended 30/6/2007	3 Months ended 30/6/2006	6 Months ended 30/6/2006
Revenue	(4)	5,105.3	9,874.1	3,703.3	6,989.5
Cost of construction and cement		(3,458.5)	(6,811.4)	(2,576.1)	(4,809.9)
Gross profit		1,646.8	3,062.7	1,127.2	2,179.6
Other operating income (expense)		31.2	102.3	(42.6)	(38.4)
Selling, general and administrative expenses		(355.3)	(649.2)	(174.6)	(425.2)
Operatig profit	(4)	1,322.7	2,515.8	910.0	1,716.0
Interest income		75.5	90.2	35.1	49.0
Interest expense		(251.6)	(432.6)	(131.0)	(261.5)
Gain on foreign currency exchange		77.7	122.6	43.4	32.0
Net finance cost		(98.4)	(219.8)	(52.5)	(180.5)
Income from investments		45.9	38.3	21.7	47.1
Income for the period before tax		1,270.2	2,334.3	879.2	1,582.6
Current income tax provision		(29.9)	(69.2)	(32.5)	(59.7)
Deferred income tax		11.8	3.9	(12.0)	(21.0)
Net income for the period		1,252.1	2,269.0	834.7	1,501.9
Equity holders of the Company					
Attributable to:					
Minority interest		301.0	517.5	151.0	293.2
Equity holders of the Company		951.1	1,751.5	683.7	1,208.7
Earnings per share (LE)	(26)	4.75	8.74	3.59	6.35

The accompanying notes form an integral part of the financial statements

ORASCOM CONSTRUCTION INDUSTRIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 JUNE 2007

(in millions of LE)

	Share capital	Legal reserve	Other reserves	Retained earnings	Cumulative adjustment on translation of foreign companies	Treasury stock	Total
Balance at 31/12/2005	952.9	56.2		3 267.4		(33.8)	4264.2
Employees share of subsidiaries profit distribution				(57.7)			(57.7)
Minority share of subsidiaries profit distribution				24.4			24.4
Net income for the year				2 670.7			2 670.7
Transfer to legal reserve		25.7		(25.7)			-
capital Increase in issued	57.1	423.1	1 815.4				2 295.6
Hedging reserve			(11.1)				(11.1)
Dividends				(404.0)			(404.0)
Employees share of profits				(44.9)			(44.9)
Adjustments				(93.9)			(93.9)
Transactions of treasury stock by OCI ESOP limited						(102.7)	(102.7)
Cumulative adjustment on translation of foreign companies					131.1		131.1
Balance at 31/12/2006	1,009.9	505.0	1,804.3	5,336.4	152.6	(136.5)	8,671.7
Employees share of subsidiaries profit distribution				(10.5)			(10.5)
Minority share of subsidiaries profit distribution				3.9			3.9
Net income for the period				1,751.5			1,751.5
Transactions of treasury stock by OCI ESOP limited						(213.8)	(213.8)
Hedging reserve			26.0				26.0
Dividends				(1,111.0)			(1,111.0)
Employees share of profits				(117.0)			(117.0)
Dividends							
Adjustments							
Issue of share capital							
Cumulative adjustment on translation of foreign companies					78.6		78.6
Balance at 30/6/ 2007	1,009.9	505.0	1,830.3	5,853.3	231.2	(350.3)	9,079.4
Balance at 31 /12/ 2005	952.9	56.2		3,267.4	21.5	(33.8)	4,264.2
Employees share of subsidiaries profit distribution				(32.5)			(32.5)
Minority share of subsidiaries profit distribution				14.1			14.1
Net income for period				1,208.7			1,208.7
Issuance for share capital	57.0	423.1	1,815.4				2,295.5
Transfer to legal reserve		25.7		(25.7)			-
Dividends				(404.0)			(404.0)
Employees share of profits				(44.9)			(44.9)
Transactions of treasury stock by OCI ESOP limited						(102.4)	(102.4)
Cumulative adjustment on translation of foreign companies					75.5		75.5
Equity holders' share in income for the period							
Fair value reserve							
Others							
Balance at 30/6/2006	1,009.9	505.0	1,815.4	3,983.1	97.0	(136.2)	7,274.2

The accompanying notes form an integral part of the financial statements

**ORASCOM CONSTRUCTION INDUSTRIES
CONSOLIDATED CASH FLOWS STATEMENT
SIX MONTHS ENDED 30 JUNE**

(in millions of LE)	Notes	2007	2006
Cash flows from operating activities			
Net income for the period attributable to equity holders		1,751.5	1,208.7
Adjustments to reconcile net income for the period to net cash provided by operating activities			
Depreciation and amortization		420.5	316.6
Provisions for claims and impairment of debts		291.7	28.0
Net finance cost		342.4	57.4
Share of profit of associates		(38.3)	(52.1)
Gain on sale of property, plant and equipment		(2.0)	(2.9)
Loss on sale of investments		1.0	0.2
Adjustment on translation of foreign companies		25.9	75.5
Current income tax		69.2	59.6
Income from operating activities before changes in working capital		2,861.9	1,691.0
Increase in inventories		(315.8)	(241.7)
Increase in trade and other receivables		(1,327.3)	(1,087.3)
Increase in due from clients		(67.5)	(235.1)
Decrease in assets held for sale		(5.1)	(35.4)
Increase in trade and other payables		753.8	896.0
Interest expense paid		(507.6)	(242.9)
Interest income collected		89.4	47.3
Net cash provided by operating activities		1,481.8	791.9
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		55.3	87.6
Proceeds from sale of long-term investments		-	369.9
Payments for purchase of other intangible assets		(26.6)	-
Payments for the purchase of property, plant and equipments and assets under construction		(3,327.8)	(2,385.2)
Payments for purchase of long term investments and marketable securities		(2,360.2)	(175.7)
Net cash used in investing activities		(5,659.3)	(2,103.4)
Cash flows from financing activities			
Increase in treasury stock		(213.8)	(102.4)
Increase in bank over draft and current portion of long-term loans		3,628.8	889.3
Proceeds from (payments of) long-term loans		1,969.8	(1,088.2)
(Decrease) increase in other long-term liabilities		(44.3)	218.3
Increase in minority interest		489.3	251.7
Cash dividends to shareholders		(1,111.0)	(404.0)
Proceeds from increase in capital		-	2,295.5
Net cash provided by financing activities		4,718.8	2,060.3
Net increase in cash and cash equivalents		541.3	748.7
Cash and cash equivalents at beginning of the period		2,738.1	2,240.7
Cash on hand and at banks at the end of the period	(16)	3,279.4	2,989.4
Blocked funds against L/Gs' issuance	(16)	(119.1)	(304.2)
Cash and cash equivalents at the end of the period		3,160.3	2,685.2

The accompanying notes form an integral part of the financial statements

1. General

Orascom Construction Industries Company has been recorded in the commercial register as an Egyptian Joint Stock company on 30 March 1998 according to Law No. 159 for the year 1981. The Company's articles of association was published in the companies Gazette issue No.658 in April 1998.

The Company's purpose is contracting, manufacturing, supply and installation of machinery, equipment, tools, materials and supplies required for construction activities, the undertaking of infrastructure works and the engineering and technical consultation required for projects being implemented by the Company as well as importing necessary equipment and instruments. The Company's purpose also includes the import and export activities, and leasing equipment.

Orascom Construction Industries Company- hereunder referred to as the "company" or "OCI"- consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is involved primarily in the construction industry and the manufacture and sale of cement. (Note No. 4)

OCI owns directly the following consolidated subsidiaries:

Subsidiary	30/06/ 2007	31/12/ 2006
	% of	% of
	ownership	ownership
OCI International Cyprus (OCIIC)	100.0 %	100.0 %
OCI Finance Limited (OCIF)	100.0 %	100.0 %
Orascom Building Materials Holding Company (OBMH)	99.9 %	99.9 %
Orascom Construction Industries Nigeria (OCIN)	99.9 %	99.9 %
Egypt Sack Company (ESC)	99.9 %	99.9 %
Orascom Construction Industries Algeria (OCIA)	99.4 %	99.4 %
Suez Industrial Development Company (SIDC)	60.5 %	60.5 %
Egyptian Cement Company (ECC)	53.7 %	53.7 %
Egyptian Containers Handling Company (ECHCO)	50.0 %	50.0 %
OCI Besix	50.0 %	50.0 %

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements include the financial statements for all subsidiaries that are controlled by Orascom Construction Industries Company (“the Group”). The financial statements of the parent and its subsidiaries are prepared in accordance with Egyptian Accounting Standards and applicable Egyptian laws and regulations.

The financial statements were approved by the Board of Directors on 2 October 2007.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial statements are measured at fair value
- Financial instruments at fair value through profit and loss are measured at fair value
- Available for sale financial assets are measured at fair value
- The methods used to measure fair values are discussed further in the notes below.

(c) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses during the financial periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 6 - accounting for leases
Note 7 - business combinations
Note 10 - intangible assets
Note 15 - contract revenue
Note 22 - provisions
Note 23 - measurement of share-based payments
Note 27 - contingent liabilities
Note 29 - valuation of financial instruments

3. Significant accounting policies

The following accounting policies are applied constantly during the preparation of the attached Financial Statements and during the financial periods presented in the Consolidated Financial Statements. Also the same accounting policies are applied constantly in the Subsidiaries’ Financial Statements.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing the extent of control, current and potential voting rights that presently are exercisable are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that the significant influence or joint control commences until the date that significant influence or control ceases.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by the contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the proportionate consolidation method.

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at average exchange rates during the period. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Egyptian pound at exchange rates at the reporting date, and the equity accounts are translated at the historical exchange rates. The income and expenses of foreign operations are translated to Egyptian pound at average exchange rates during the period. Foreign currency differences are recognized directly in equity.

3.3 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, investments in equity, trade and other receivables, loans and borrowings, and trade and other payables. These financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the financial instruments.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss.

Derivative financial instruments

The Group holds derivative financial instruments to hedge foreign currency and interest rate risk exposure. Derivatives are recognized initially at fair value, subsequent to initial recognition derivatives are measured at fair value, and changes in the hedging instruments are recognized directly in equity to the extent that the hedge is effective.

Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives are as follows:

Type of Asset	Years
Buildings	2.0 - 50.0
Machinery and equipment	3.0 - 35.0
Vehicles	4.0 - 14.2
Tools and supplies	1.5 - 16.6
Furniture and office equipment	3.0 - 16.0
Information systems	3.0 - 7.0

Leases

Generally leases entered into by the Company or its subsidiaries are accounted for as operating leases in accordance with Egyptian Accounting Standards, laws and regulations, except for some subsidiaries which adopted the International Financial Reporting Standard for finance leases. Rent payable is charged to income on a straight-line basis over the term of the lease.

3.5 Assets under construction

The amounts spent on the construction of fixed assets are initially recorded in assets under construction and measured at cost less impairment, if any. When these assets are completed and become ready for their intended use, the related costs are transferred to fixed assets.

3.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity acquired. Goodwill is recorded at cost less any accumulated impairment losses. In respect of equity accounting investee the carrying amount of goodwill is included in the carrying amount of the investment. Recognized goodwill impairment losses are not subsequently reversed.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit and loss on a straight line basis over the estimated useful lives from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Mineral reserves	10-18
Brands	10-15

Other intangible assets with indefinite lives are subject to impairment tests.

3.7 Investment in associated companies

The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. In case of impairment, the carrying amount of the investment is reduced and the impairment loss is charged to the consolidated income statement. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.8 Investments available-for-sale

The Group's investments in equity securities, other than investment in associated companies, are classified as available-for-sale financial assets. Subsequent to initial recognition they are measured at fair values and changes therein, other than impairment losses, are recognized directly in equity. When the investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Investments which are not listed at stock exchanges are measured at historical value after reducing any impairment losses.

3.9 Inventories

Inventories are measured at the lower of cost and net realizable value. An inventory of raw materials, spare parts and supplies cost are based on weighted average principle and the first-in-first-out method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.10 Investment in marketable securities

An investment is classified as a financial instrument at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition transaction costs are recognized in profit or loss when incurred. Financial instruments fair values through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

3.11 Construction contracts

Construction project costs include all direct costs, such as materials, supplies, equipment depreciation and labor, as well as indirect costs such as indirect labor and maintenance. Construction project costs also include general and administrative expenses directly related to these projects. Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined. The excess of construction project costs and estimated profits over billings is recognized under current assets. Billings in excess of cost of estimated earnings on incomplete contracts are recognized as a current liability.

3.12 Trade and other receivables

Customer accounts receivable and other debit balances are recorded at their nominal value less appropriate allowances for estimated irrecoverable amounts.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, balances of banks current accounts, and time deposits with banks for less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Assets classified as held for sale

Property held for sale that are expected to be recovered through the sale rather than through the continuing use are classified as assets held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment loss on initial recognition as held for sale and subsequent gains on re-measurement are recognized in profit or loss.

3.15 Impairment of assets

The carrying amounts except for inventories, assets held for sale and deferred tax assets and assets resulted from construction contracts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses are recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.16 Provisions

A provision is recognized if as a result of past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Management reviews the provisions at the balance sheet date and makes adjustments to the provisions - if necessary- to reflect the best estimate.

3.17 Treasury stock

Repurchased shares are classified as treasury shares and are presented as a deduction from shareholders' equity at their acquisition cost. Gains or losses from transactions relating to the treasury stock are reflected in shareholders' equity.

3.18 Revenue

Construction contracts

As soon as the outcome of the construction contract is estimated reliably, contract revenues and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract can not be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognized immediately in profit or loss.

Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers usually occur when the products are received by the customer; however for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

Rental income

Rental income is recognized in the profit or loss on a straight line basis over the term of the lease.

3.19 Expenses

Operating expenses, selling and distribution, general administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the income statement as incurred.

3.20 Post employment benefits

Company's contribution in social insurance and pension plans

Payments to defined contribution schemes are expensed as they become due. For defined benefit pension plans adopted the benefit obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each consolidated balance sheet date. Actuarial gains and losses are recognized in full in the period in which they occur.

Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, over a period in which the employees become unconditionally entitled to the options. The amount recognized as expense is adjusted to reflect the actual number of share options that vest.

3.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalized as part of the cost of those assets. All borrowing costs that do not meet the capitalization criteria are recognized in profit or loss under the effective interest method.

3.22 Income tax

Income tax comprises current and deferred tax payable on taxable income. Income tax expense is recognized in profit or loss to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on taxable income for the period, using the prevailing tax rates or substantively enacted at the reporting date, and any adjustment in tax payable in respect of previous years.

Deferred tax expense is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.23 Earnings per share

The Group presents basic earnings per share (EPS), which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.24 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is the business segment.

4. Segmental information

The Group's primary format for segment reporting is the business segment and the secondary format is the geographical segment. The risk and returns of the Group's operations are primarily determined by different products and services that the Group produces or provides rather than the geographical location of the Group's operations. This is reflected by the Group organizational structure and the Group's financial reporting system.

The Group has two segments of operations, cement and construction. Certain corporate activities that cannot be reasonably allocated to both reportable segments, such as the cost of corporate headquarters, are included in the construction segment. The Group's geographical segments are determined by the geographical location and similarity of economic environments.

Six months ended 30 June

(in millions of LE)

OPERATING SEGMENTS	Construction	Cement	Elimination	Consolidated
Revenue				
2007 External revenue	5,961.4	3,912.7		9,874.1
2007 Intra-group revenue	671.8	488.6	(1,160.4)	
Total 2007	6,633.2	4,401.3	(1,160.4)	9,874.1
2006 External revenue	4,967.1	2,022.4		6,989.5
2006 Intra-group revenue	272.4	367.9	(640.3)	
Total 2006	5,239.5	2,390.3	(640.3)	6,989.5
Operating profit				
June 2007	778.2	1,737.6		2,515.8
June 2006	619.3	1,096.7		1,716.0
Depreciation and amortization				
June 2007	188.3	232.2		420.5
June 2006	123.9	160.9		284.8
Capital expenditure				
June 2007	1,010.7	2,903.6		3,914.3
June 2006	808.0	1,754.2		2,562.2
Total assets				
June 2007	22,605.0	13,585.9		36,190.9
December 2006	11,493.8	17,122.5		28,616.3
Total liabilities				
June 2007	16,066.9	8,066.9		24,133.8
December 2006	10,049.8	7,406.4		17,456.2

Six months ended 30 June

(in millions of LE)

GEOGRAPHIC SEGMENTS	Egypt	Africa	Asia	Europe and Other	Elimination	Consolidated
Revenue						
June 2007	2,117.2	1,438.9	1,438.4	4,474.6		9,874.1
June 2006	2,012.6	982.4	967.0	3,027.5		6,989.5
Total assets						
June 2007	15,330.0	4,722.1	10,003.2	6,135.6		36,190.9
December 2006	9,534.1	5,887.7	6,221.6	6,972.9		28,616.3
Capital expenditure						
June 2007	516.1	918.2	1,899.2	580.8		3,914.3
June 2006	504.2	246.3	922.7	889.0		2,562.2

5. Property, plant and equipment

Description (in millions of LE)	Land	Buildings and construction	Machinery and equipment	Furniture and office equipment	Vehicles	Information systems	Tools and supplies	Total
	Cost							
Balance at 1/1/2007	264.1	3,146.5	7,174.0	243.3	517.9	139.2	87.8	11,572.8
Additions	45.9	105.6	290.6	16.3	77.2	10.5	14.3	560.4
Subsidiary cost at acquisition	13.4	70.3	145.1	(3.0)	39.1	7.8	-	272.7
Transfers/Adjustments	123.1	(193.7)	297.3	(81.6)	46.0	(22.9)	2.2	170.4
Disposals	-	(31.4)	(109.3)	(0.2)	-	(1.6)	(6.8)	(149.3)
Balance at 30/6/2007	446.5	3,097.3	7,797.7	174.8	680.2	133.0	97.5	12,427.0
Accumulated depreciation								
Balance at 1/1/2007	3.6	508.5	1,571.4	83.9	196.5	60.2	44.6	2,468.7
Depreciation	0.4	43.6	299.3	12.1	44.3	13.2	7.6	420.5
Subsidiary accumulated depreciation at acquisition	1.1	13.9	96.1	1.6	32.4	4.3	-	149.4
Accumulated depreciation of UPC accounted for by equity method	-	-	-	-	-	-	-	-
Transfers/Adjustments	0.3	0.2	11.2	1.6	3.2	2.4	(3.5)	15.4
Disposals accumulated depreciation	-	(15.2)	(26.2)	-	-	-	(2.0)	(43.4)
Balance at 30/6/2007	5.4	551.0	1,951.8	99.2	276.4	80.1	46.7	3,010.6
Net book value at 30/6/2007	441.1	2,546.3	5,845.9	75.6	403.8	52.9	50.8	9,416.4
Net book value at 31/12/2006	260.5	2,638.1	5,602.6	159.3	321.4	79.0	43.2	9,104.1

The adjustments in the cost and accumulated depreciation represent translation differences which arise from the Groups' share in the joint ventures' fixed assets held in foreign currencies translated at the closing rates of exchange and their values at the beginning of the period.

There is a change in the estimated useful lives of buildings in the last year that reduced the depreciation charge during the last year by LE 19.9 million.

Property, plant and equipment include the following assets which have been acquired and accounted for under finance lease transactions:

Description (in millions of LE)	Cost	Accumulated Depreciation	Net
	30/6/2007	30/6/2007	30/6/2007
Machinery and equipment	139.3	44.2	95.1
Vehicles	174.9	61.9	113.0
Building	21.3	4.3	17.0
Information systems	1.0	0.4	
Total	336.5	111.0	225.5

6. Leases

Finance leases

Some of the Company's subsidiaries had leased some buildings, machinery, equipment, trucks and information systems equipment from finance leasing companies. The terms of these lease contracts were as follows:

Purchase price (LE Million)	270.2
Total lease payments (LE Million)	305.0
Lease period (years)	3-15
Selling price at the end of the lease terms (LE)	9

As the leases substantially transfer all of the benefits and risks of ownership related to the leased assets from the lessors to these subsidiaries they have been accounted for as finance leases in accordance with International Financial Reporting Standards (IAS 17).

The total amounts of the leased assets are included in property, plant and equipment in the balance sheet. The lease obligations are included in long-term liabilities in the balance sheet, with the current portion shown under current liabilities.

Egyptian Accounting Standards (EAS 20) require that all leases should be accounted for as operating leases.

Accordingly, the effect of applying IAS 17 instead of EAS 20 increase the consolidated net income by LE 14.4 million and net increase in fixed assets by LE 225.5 million.

Operating leases

OCI and other subsidiaries leased some equipment under the following conditions:

Total lease payments payable amounted to LE 132.4 million payable over a period from 48 to 108 months at annual rent of LE 29.8 million	
Lease term (months)	48-108
Estimated useful life of leased equipment (years)	5 - 10
Selling price at end of lease term (LE)	5
Payments during the period to the lessor (LE million).	14.9

7. Investment in controlled and jointly controlled companies

During the previous three years, OCI acquired control and joint-control of companies in Spain, Turkey, Iraq, Egypt, Algeria and Belgium. Goodwill has been recorded, on the basis of the Company's share, as follows:

(in millions of LE)	GLA Group (Spain)	OCI Cimento (Turkey)	United Cement (Iraq)	Egypt Sack Company	Algerian Bags Company	Total
	50%	100%	60%	100%	100%	
Assets						
Cash and cash equivalents	57.3		17.8	3.1	0.2	78.4
Trade and other receivables	362.7		38.4	5.8	2.2	409.1
Investments	27.2			4.2		31.4
Inventories	58.2	6.5	70.8	7.8	2.9	146.2
Property, plant and equipment	263.5	190.4	395.1	12.7	28.6	890.3
Assts under construction	122.6					122.6
Other intangible assets	474.3				0.1	474.4
Total assets	1,365.8	196.9	522.1	33.6	34.0	2,152.4
Liabilities						
Bank overdraft and current portion of long-term debt	122.9			0.1	9.0	132.0
Trade and other payables	284.3	1.5	249.3	7.3	1.8	544.2
Long-term liabilities	336.1			0.5	2.9	339.5
Minority interest	28.0					28.0
Total liabilities	771.3	1.5	249.3	7.9	13.7	1,043.7
Net assets acquired	594.5	195.4	272.8	25.7	20.3	1,108.7
Cost of acquisition	725.9	313.6	366.3	43.0	38.7	1,487.5
Goodwill *	131.4	118.2	93.5	17.3	18.4	378.8

* Determining whether goodwill is impaired requires an estimation of the future cash flows expected to arise from the cash-generating units to which the goodwill relate. There is no impairment to the goodwill recognized in the balance sheet as of 30 June 2007.

Investment in GLA Group

In October 2006, OCI acquired 50% of GLA Group (a Spanish limited liability company). The total cost of acquisition was Euro 99.8 million (LE 725.9 million). The purchase price was paid partly in cash and the balance by surrender of OCI's 59.4% share in Cementos La Parrilla, S.A. (a Spanish limited liability Company) at the fair value of Euro 28.5 million (LE 213.7 million).

OCI's 50% share of the fair value of GLA's net assets acquired, amounted to Euro 78.8 million (LE 594.5 million). The fair value of the net assets acquired was determined by an independent appraiser. The excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition has been recorded as at 31 December 2006 as goodwill in the amount of Euro 21.0 million (LE 131.4 million). Furthermore, the goodwill of Cementos La Parrilla amounted to LE 123.7 million and, as a result, the total goodwill relating to the investment in GLA Group is LE 255.1 million.

Investment in Cimento (Turkey)

On 26 January 2006, OCI indirectly acquired all the assets of Van Cimento Sanayi ve Ticaret AS (VC) (a Turkish limited liability company). The total cost of acquisition was US\$ 54.6 million (LE 313.6 million). The fair value of the net assets of acquired, as determined by independent appraisers, amounted to US\$ 32.3 million (LE 195.4 million). The excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition represents goodwill of US\$22.3 million (LE 118.2 million).

Investment in United Cement (Iraq)

In 2006, OCI increased its investment in the shares of United Cement Holding Company (UCH) by 9% to reach 60%. UCH owns and operates a cement plant in Tasluja in Northern Iraq. The cost of the additional acquisition was US\$16.0 million (LE 92.0 million). The excess of the total cost of acquisition over the fair value of the net assets acquired at the date of acquisition represents goodwill of US\$ 16.3 million (LE 93.5 million).

Investment in Egypt Sack Company

In January 2006, OCI acquired 100% ownership of Egypt Sack Company (ESC) which was incorporated on 20 November 1997. The total cost of acquisition was LE 43.0 million. The fair value of the net assets of ESC, as determined by independent appraisers, amounted to LE 25.7 million. The excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition represents goodwill of LE 17.3 million.

Investment in Algerian Bags Company

In December 2006, OCI acquired the remaining 50% ownership of Mehsas National Bags Company (an Algerian limited liability company) which was incorporated on 19 May 1999, and renamed it Algerian Bags Company (ABC). The total cost of acquisition of 100% of the shares of ABC was LE 38.7 million. The fair value of the net assets of ABC amounted to LE 20.3 million. The excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition represents goodwill of LE 18.4 million.

8. Joint ventures

A summary of the Group's share in the assets, liabilities, revenues, and expenses in the Joint Ventures relating to the construction activities are as follows:

(in millions of LE)	30 June 2007	31 December 2006
Share in net assets		
Assets	1,527.0	951.1
Liabilities	(1,238.3)	(651.5)
Company's share in net assets	288.7	299.6
Six months ended 30 June	2007	2006
Share in net operating results		
Revenue	1,010.0	727.1
Cost	(951.4)	(667.6)
Company's share in net profit	58.6	59.5

9. Payments for purchase of investments

This item represents in the payment for purchase of investment in the following companies (under incorporation):

(in millions of LE)	Country	30 June 2007	31 December 2006
UNICEM (note 11)	Nigeria	-	738.7
OCI Mepco	Cayman Islands	380.8	
OCI Aggregates	Cyprus	57.4	-
El Safwa for Cement	Saudi Arabia	306.8	-
Total		745.0	738.7

The abovementioned investments are to be fully consolidated when control over the investee companies is established.

10. Other intangible assets

(in millions of LE)	30 June 2007	31 December 2006
Mineral reserves	265.2	212.5
Brands	19.8	19.8
Cement mill license	85.4	85.4
Total	370.4	317.7

11. Investment in associated companies

(in millions of LE)	%	Country	30 June 2007	31 December 2006
Baticim Cimento	23.3%	Turkey	496.7	-
Egyptian Fertilizer Company	20%	Egypt	859.1	-
UNICEM*	28%	Nigeria	1,385.0	-
National Pipes Company	40%	Egypt	14.3	11.7
United Company for Paints and Chemicals	50%	Egypt	50.2	44.0
Besix Group investments	(various)		51.3	67.1
Sudacem Investments	49%	Sudan	31.0	32.1
Others	(various)		11.3	13.2
Total			2,898.9	168.1

12. Inventories

(in millions of LE)	30 June 2007	31 December 2006
Raw materials	761.3	549.8
Spare parts and fuel	581.6	459.7
Packing materials	67.8	40.5
Work in progress	268.5	306.1
Finished goods	75.5	80.4
Developed land for sale	73.1	75.5
Total	1,827.8	1,512.0

13. Marketable securities

(in millions of LE)	30 June 2007	31 December 2006
Shares in Baticim Cimento, Turkey (note 11)	-	448.5
Investment securities, cumulative interest bearing certificates	138.2	24.6
Total	138.2	473.1

14. Trade and other receivables

The decrease in trade receivables and other debit balances reached LE 90.2 million and is eliminated from trade receivables and other debit balances in the consolidated financial statements (31 December 2006, LE 77 million):

(in millions of LE)	30 June 2007	31 December 2006
Receivables – current accounts and notes receivables (net)	3,895.4	3,196.7
Debtors and other debit balances *	2,608.9	2,087.4
Due from affiliated companies (note 30)	58.6	23.1
Total	6,562.9	5,307.2

* The debtors and other debit balances as of 30 June 2007 includes advance payments and debit balances for suppliers and subcontractors amounting to LE 502.4 million (LE 207.3 million as of 31 December 2006).

15. Construction contracts in progress

The billing status of construction contracts in progress at 30 June 2007 is as follows:

(in millions of LE)	30 June 2007	31 December 2006
Costs incurred on incomplete contracts	20,538.0	18,653.1
Estimated earnings	2,376.5	2,728.7
	22,914.5	21,381.8
Less: billings to date	(23,061.0)	(21,586.1)
	(146.5)	(204.3)
Presented in the balance sheet as follows:		
Due from clients - current asset	749.5	682.0
Due to clients – current liability	(896.0)	(886.3)
	(146.5)	(204.3)

In determining the revenue and costs to be recognized each period for work to be carried out on construction contracts, estimates are made to the final outcome on each contract. Management continually reviews these estimates and makes adjustments and provisions where necessary.

16. Cash on hand and at banks

(in millions of LE)	30 June 2007	31 December 2006
Cash on hand	65.3	17.6
Banks – current accounts *	2,704.4	1,561.1
Banks – time deposits **	509.7	1,159.4
Total	3,279.4	2,738.1

* Banks – current accounts include blocked amounts of LE 89.6 million (31 December 2006, LE 119.2 million) held as collateral against letters of credit and letters of guarantee related to subsidiary companies.

** Banks – time deposits include blocked deposits of LE 29.5 million held as collateral against letters of guarantee, letter of credit and short-term loans of OCI and its subsidiaries (31 December 2006, LE 42.9 million).

17. Capital

Authorized capital

The Company's authorized capital is LE 5 billion.

Issued and paid in capital

The Company's issued and fully-paid capital on 30 June 2007 is LE 1,009,979 thousand divided into 201,995,837 common shares at a par value of LE 5 each.

OCI's shares have been listed on the Cairo and Alexandria Stock Exchange since March 1999. In September 2004, the Company listed part of its shares on the London Stock Exchange in the form of Global Depository Receipts (GDRs), each represents two shares. The Bank of New York was appointed to act as the depository bank.

Reserves

Legal reserve

According to the Company's articles of incorporation, 5% of annual net income is set aside as a legal reserve. Setting aside this percentage stops when the total accumulated reserve reaches 50% of the Company's issued capital. If the reserve falls below the defined level (50 % of the issued share capital), then the company is required to resume settling aside 5 % of the annual profit until it reaches 50 % of the issued share capital. This reserve is used to increase the Company's issued capital or to cover the Company's losses.

Other reserves

According to the Company's articles of incorporation, the General Assembly can establish and use other reserves from annual revenue upon a recommendation by the Board of Directors.

18. Treasury stock

At 30 June 2007, the treasury stock item amounting to LE 350.3 million represents the carrying cost of 1,450,832 shares owned by OCI ESOP Limited and 38,279 shares owned by Asia Tel (two subsidiaries). The OCI shares held by OCI ESOP Limited are acquired to discharge the liabilities under the Employee Share Option Plan. The net cost of acquisition of shares and GDRs of OCI, including share dividends, adjusted for the share dividends and split, were as follows:

(in millions of LE)	30 June 2007	31 December 2006
Number of shares (including 47,987 GDR's)	1,585.1	1,546.8
Book value	138.8	137.9
Average cost per share (L.E)	87.6	89.1
Market value	586.0	426.7
Price per share (LE)	369.6	275.9
Price per GDR (L.E)	755.25	552.7

19. Loans

The Company and its subsidiaries issued bonds and obtained loans and bank facilities from various lending institutions. As of 30 June 2007, the outstanding balances were as follows:

Company responsible for loan	Lending institution	Interest rate	Outstanding amount 30-Jun-07	Long-term portion 30-Jun-07	Bank overdraft and current portion 30-Jun-07	Collateral /Support given
Orascom Construction Industries	3rd Bond (Due 29 June 2012) Net	11.75% fixed on 2.5 million bonds, 1.5% interest over Central Bank LE rate and 1.5% over LIBOR 6 months on 1.5 million US\$ bonds	1,243.2	1,090.8	152.4	
	European Investment Bank (EIB)	Variable	46.3	46.3		
	Different banks - overdraft and bank facilities	Variable for the LE portion and 1%-1.25% over LIBOR for the US\$ portion	1,695.4		1,695.4	LE 1.5 billion promissory notes
	Different banks - loans	First tranche 10.75% second tranche 1.25% + central bank rate third tranche 1% + Libor 6 months	1,643.1	1,643.1		
Besix Group	Different banks - overdraft and bank facilities	Variable	685.6	379.7	305.9	Commercial lien on the company's assets
Orascom Construction Industries Algeria	Different banks - overdraft	Average 7%	99.8		99.8	DZD 826 million and US\$ 12 Million promissory notes
Egyptian Container Handling Company	CIB loan (Due 31 December 2113)	1.85% over LIBOR 6 months and 1.4% + 1.6% over LIBOR 6 months	166.2	143.4	22.8	Commercial lien on the company's assets
	CIB overdraft	Variable	4.8		4.8	Commercial lien on the company's assets
	Export-Import Bank of the United States	0.45% over LIBOR 6 months	64.0	59.5	4.5	Commercial lien on the company's assets
	IFC	3% over LIBOR 6 months	100.4	90.1	10.3	Commercial lien on the company's assets
OCI EGYPT	Different banks - overdraft	Variable	1.7		1.7	
Algerian Bag CO	Different banks - overdraft	Variable	29.2	26.3	2.9	
			0.2		0.2	
OCI Finance	Various Banks and Citi Bank International is the creditors agent to facilitate the circulation in the amount of U.S. \$ 300 million	Libor + BPS.8 + (extra cost if any)	1,709.5	1,709.5		OCI guarantee
	Citi Bank Bahrian	Libor + 1.25 + (extra cost if any)	1,710.0		1,710.0	OCI guarantee
OCI CEMENT TRADING	Different banks - overdraft	Variable	16.3		16.3	
Egyptian Cement Company	Different banks loans	Tranche (A) 9.75% Tranche (B) 0.75% over LIBOR	955.8	955.8		Promissory notes equals full loan amount
	Different banks - overdraft and bank facilities	10%	132.7		132.7	LE 116 million promissory notes
Algerian Cement Company	International Finance Corporation (IFC)	6.68%	131.5	102.3	29.2	Pledge of shares and assets and company's business undertakingand
	European Investment Bank (EIB) Loan - Part A	4%	207.8	178.1	29.7	Pledge of shares and assets and company's business undertakingand
	European Investment Bank (EIB) Loan - Part B	3%	38.8	31.0	7.8	Pledge of shares and assets and company's business undertakingand
	Citibank N.A., Algeria	5%	26.5	8.8	17.7	Pledge of shares and assets and company's business undertakingand
	Caisse National D' epargne Et De Prevoyance Banque	5%	103.8	34.6	69.2	Pledge of shares and assets and company's business undertakingand
	DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbHf	5%	45.7	33.5	12.2	Pledge of shares and assets and company's business undertakingand
	International Finance Corporation (IFC)	7%	45.9	39.1	6.8	Pledge of shares and assets and company's business undertakingand
	European Investment Bank (EIB)	4%	68.8	58.6	10.2	Pledge of shares and assets and company's business undertakingand
	DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbHf	5%	46.1	36.4	9.7	Pledge of shares and assets and company's business undertakingand
	Citibank International PLC	6%	137.6	117.2	20.4	Pledge of shares and assets and company's business undertakingand
	Caisse National D' epargne Et De Prevoyance Banque	5%	150.1	83.4	66.7	Pledge of shares and assets and company's business undertakingand
	Citibank N.A., Algeria	5%	17.8	9.9	7.9	Pledge of shares and assets and company's business undertakingand
	Borrowing Cost		(88.6)	(88.6)		
GLA Group	Commercial facility - different banks- loans	Variable	272.8	225.6	47.2	Promissory notes full amount
	Different banks- overdraft	Variable	121.4		121.4	Promissory notes full amount
Contract International, Inc.	Different banks	Variable	89.5		89.5	Promissory notes full amount
Ciment Blanc Algerien	Citibank Algiers	5.65% and 2% + CBA Interest rate	968.2		968.2	Promissory notes full amount
OCI Mepco	Commercial facilities	Variable	275.1	275.1		Promissory notes full amount
	EX-Im facilities Agreement	Variable	315.9	315.9		
Emirates Cement Company	Different banks- loans	Variable	494.7		494.7	Promissory notes full amount
Pakistan Cement Company	Different banks- loans	KIBOR + 2.25%	407.2	366.5	40.7	Sale and purchase of company stock
	EKF -loans	KIBOR + 1%	-			Pledge of the Company's sponsor shares
	Different bank-facilities	KIBOR 0.7% to 1.3% + KIBOR	-			
		KIBOR + 1%	252.9	231.90	21.0	Pledge of FCC shares
		KIBOR +7% to 1.5%	361.5		361.5	
Other Subsidiaries	Different banks	12% - 13%	27.9	27.9		Promissory notes with loan amount + Commercial lien on Alico and Mehsas assets
	Bank overdraft and bank facilities	Variable	25.1		25.1	Promissory notes full amount
Total 30/6/2007			14,048.2	8,231.7	6,616.5	
Total 31/12/2006			9,249.6	6,261.9	2,987.7	
Total 31/12/2005			6,862,169	5,518,314	1,343,855	

20. Other long-term liabilities

(in millions of LE)	30 June 2007	31 December 2006
Loans to subsidiaries from non-group shareholders	575.7	537.1
Liability under capital leases	28.9	45.3
Liability for purchase of fixed assets	0.8	1.2
Sales tax installments on imported machinery	124.2	116.3
Liability for post employment benefits	3.5	3.1
Others	53.5	127.9
Total	786.6	830.9

21. Trade and other payables

(in millions of LE)	30 June 2007	31 December 2006
Suppliers and subcontractors and notes payable	2,844.1	3,167.1
Creditors and other credit balances	3,476.8	2,307.7
Due to affiliated companies (note 30)	52.0	22.0
Total	6,372.9	5,496.8

22. Provisions

(in millions of LE)	30 June 2007	31 December 2006
Balance at beginning of period	510.2	432.7
Additions during the period	284.6	83.4
Used during the period	(6.5)	(6.2)
Foreign exchange difference	0.4	0.3
Balance at end of period	788.7	510.2
<u>Presented in the balance sheet as follow:</u>		
Short-term provisions	612.9	349.8
Long-term provisions	175.8	160.4
Balance at end of period	788.7	510.2

23. Share-based payments

OCI has a plan to provide some of its employees with stock options on its shares. According to this plan, OCI ESOP Limited, a British Virgin Islands Company, purchases OCI shares from the stock market equivalent to the value of options granted to employees. This purchase is financed by a loan from OCI. The exercise price of the options granted to employees is equal to the fair market value of the shares on the date of grant. When the options vest, the employee has the right to exercise the options by payment of the full option price. Payment may be by cash, OCI shares owned for at least six months, delivery of an employee promissory note bearing interest and secured by a pledge of the OCI shares purchased by the note, or consideration received from OCI ESOP under a cashless exercise program implemented in connection with the plan. Payments received from employees for options exercised are used by OCI ESOP Limited to repay the outstanding loan due to OCI or to finance the purchase of other options.

There is a limit on the number of options which OCI ESOP may grant to employees under the plan. OCI ESOP may not grant options to employees representing more than 10% of the Company's shares in any five-year period and may not grant options representing more than 2% of the Company's shares in any one year. Options granted under the plan generally vest only after four years from the date of grant, however, under the plan, OCI ESOP may allow options to vest beforehand under certain circumstances.

On 27 December 2006, the Shareholders approved at an extraordinary general assembly to issue shares at nominal value with a ceiling of 1% of the current issued shares, in order to meet any of the Company's obligations under share-based payments relating to the incentive programs for employees and managers, subject to the approval of the regulatory authorities.

Share Option Activities	Number of shares subject to option	Average exercise price per share	Average market price per share
	Shares	LE	LE
Balance at 31 December 2002	257,731	20.18	23.16
Options exercised 2003	(257,731)	(20.18)	(92.75)
Options granted 2003	250,000	10.46	11.36
Balance 31 December 2003	250,000	10.46	72.51
Options granted 2004	617,808	36.50	36.02
Options exercised 2004	-	-	-
Balance 31 December 2004	867,808	29.00	72.54
Options granted 2005	1,161,708	80.41	81.58
Options exercised 2005	-	-	-
Balance 31 December 2005	2,029,516	58.43	218.67
Options granted 2006	625,541	224.32	221.42
Options exercised 2006	-	-	-
Balance 31 December 2006	2,655,057	97.51	275.90
Options granted for the period	-	-	-
Options exercised for the period	(867,808)	(29.0)	(282.9)
Balance 30 June 2007	1,787,249	130.78	286

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured using independent probability and simulation models and the following assumptions:

Fair value of share options and assumptions	2006	2005	2004	2003
Fair value at measurement date (LE)	48.00	27.82	12.29	4.98
Share price at grant date (LE)	221.42	97.88	36.02	11.36
Exercise price (LE)	224.32	97.15	36.50	10.46
Expected volatility (%)	34%	39%	46%	53%
Option life (years)	5	5	5	5
Expected dividend yield (%)	3%	3%	3%	3%
Risk-free interest rate (%)	5.06%	5.03%	5.39%	7.35%
Forfeiture per year (%)	5%	5%	5%	5%

As at 30 June 2007, the cumulative cost of the share-based payments under the OCI Employee Share Option Plan amounting to LE 30.3 million has been provided for and included in "accrued liabilities" and "other long-term liabilities" in the amounts of LE 12.1 million and LE 18.2 million respectively.

24. Swap agreements

A company of the Group has concluded several agreements for foreign currency swaps in 30 June 2007 amounted totally to LE 227.8 million against US\$ 40 million and to exchange US\$ 40 million against LE 228 million as of April 2007.

A company of the group has concluded several agreements for interest rates swaps that aggregates US Dollar 120 million, 111.6 millions for EX IM and the interest rates ranged 5.8975- 5.9525 and libor rates for both agreements.

A company of the Group has concluded several agreements for foreign currency swaps during June 2007 amounted totally to US\$ 100 million against LE 589 million in order to perform the actual exchange during November and December 2007.

25. Dividends

The Company's ordinary general assembly meeting has approved on 6/5/2007 the following profit distribution of the financial year ended 31/12/2006.

	(in millions of LE)	1 LE per share
2006	403.9	2
2007	1,111.0	5.5

26. Earnings per share

Earnings per share are calculated by dividing the net income available for shareholders' dividends, after deducting the employees' profits share, by the weighted average number of shares outstanding during the period as follows:

(in millions of LE)	3 Months ended 30/6/2007	6 Months ended 30/6/2007	3 Months ended 30/6/2006	6 Months ended 30/6/2006
Net income of the period	951.1	1,751.5	683.7	1,208.6
weighted average number of shares outstanding during the period (in million share)	202	202	191.1	191.1
Less:				
Treasury stock (in million share)	(1.6)	(1.6)	(1.6)	(1.6)
Adjusted weighted average number of shares outstanding during the period (in million share)	200.4	200.4	190.3	190.3
Earning per share (L.E)	4.75	8.74	3.59	6.35

27. Contingent liabilities

Guarantees

Letters of guarantee issued by banks for OCI and its subsidiaries in favor of others as at 30 June 2007 amounted to LE 3.8 billion (31 December 2006, LE 2.9 billion The restricted cash margin for these letters of guarantee amounted to LE 22.3 million (31 December 2006, LE 72.5 million).

Outstanding letters of credit as at 30 June 2007 (uncovered portion) amounted to LE 0.6 billion (31 December 2006, LE 1.7 billion).

OCI guarantees facilities for US\$ 800.0 million in favor of lending banks. On 30 June 2007, there was a balance in these facilities and it represents approximately LE 3.4 billion.

OCI guarantees to International Finance Corporation relating to a loan amounted to US\$ 90.0 million.

One of the Company's subsidiaries (Contract International) contributes in a joint venture which OCI guarantees the facilities granted to this JV by LE 1.5 billion representing 50% of facilities granted to this Joint Venture.

Litigation

In the normal course of business, the Group entities and joint ventures are involved in some arbitration or court cases as defenders or claimants. These litigations are carefully monitored by the entities management and legal counsels, and are regularly assessed with due consideration for possible insurance coverage and recourse rights on third parties. Provisions are made if required and regularly updated.

The major portion of the business of the Company's US subsidiary involves contracting with departments and agencies of the U.S. Government. Such contracts are subject to audit and possible adjustment by the respective agencies. The USAID Agency has investigated the nature of the relationship and performance of a contract with an Egyptian Joint Venture of which the company has 40% share. The USAID Agency have recently filed a suit against all partners of the Joint Venture contending that it is entitled to refund from the partners all the contract funds paid for these projects plus damages and civil penalties. Management has substantive reasons to oppose the allegations raised by Agency. The Company management also believes that the ultimate resolution of any such claims and counter claims will not have a negative impact on reported results of operations, financial position and cash flows.

In June 2006, a court judgment in the amount of Euro 1.2 million (LE 9.3 million) has been pronounced against one of the jointly-controlled companies and its manager relating to a construction project almost 11 years ago in an African country where the company is currently less active. An appeal has been made against the judgment, and a provision has been recognized to an extent consistent with the external legal counsel's opinion.

In 2005, one of the subsidiaries terminated three subcontract agreements for the failure by the subcontractor to meet their contractual obligations. The subcontractors filed a request for arbitration for compensation for the loss incurred. The ultimate resolution of the first arbitration was in favor of the Company by refusing the claim of the subcontractor in the amount of LE 218.7 million. And for the second and third subcontractors claimed compensation in the amount of LE 17.3 million & 34.6 million respectively and the dispute has not been resolved yet.

Management of a completed joint venture contract, with a total value of LE 1.2 billion and in which OCI contribution is 50%, has entered a judicial motion on 25 January 2006 to settle matters of dispute with the owner regarding a claim by the Joint Venture for the unjustified liquidation by the owner of letters of guarantee valued at LE 66.0 million, owner's refusal to pay price difference of imported supplies amounting to LE 8.15 million and USD 2.4 million, in addition to the owner's failure to meet the contracted obligation to pay 50% of completed work value in US Dollars at the rate of LE 3.4.

The arbitration authority is not yet to make any judgment regarding this dispute. Project management and the legal department of OCI believe that the Joint Venture has enough documents and justification to support its position and reserve its rights and, therefore, collecting the total of LE 142.0 million due from the owner with no obligation to pay any delay penalties.

28. Commitments

At 30 June 2007, capital commitments of the Group for purchasing fixed assets amounted to approximately LE 792.3 million.

The balance of the Group's investment in the share capital of associated companies and investments-available-for sale which have not become due for payment at the balance sheet date amounts to LE 519.4 million.

OCI is committed to cover the deficit, if any, in financing the construction of Pakistan Cement Company (an indirect subsidiary) to a maximum of US \$ 43.0 million in favor of lending banks for this subsidiary.

29. Financial instruments and related risk management

The financial instruments of OCI and its subsidiaries are represented in the financial assets (cash, banks, investments in securities, accounts receivable and other debtors and debit balances) and financial liabilities (banks-overdraft, short-term loans, long-term loans, suppliers and subcontractors, notes payable and other creditors and credit balances) in the consolidated balance sheet. The group is exposed to risks relating to interest rates, credit, liquidity and currency arising from the financial instruments it holds. The Group does not use derivative financial instruments for speculative purposes. The risk management policies employed by the Group to manage these risks are as follows.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its interest-bearing assets and borrowings. Interest-bearing assets and borrowings issues at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The interest rates on the Group's borrowings are shown in note (19). The Group's management monitors the interest rate fluctuations on a continuous basis and act accordingly.

Credit risk

Credit risk is represented in the ability of customers to pay their debts. To limit this risk, The Group provides credit only to government entities, associated companies, and a large number of credits worthy private sector customers. For specific activities in certain cases, insurance is concluded regarding country risk.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match or when the Group is unable to liquidate its assets with values that approximate their fair values to meet the Group's liabilities. While an unmatched position may enhance profitability, it can also increase the risk of losses. To manage the liquidity risk, the Group's management aims to have sufficient amounts of cash, available finance and credit facilities to discharge the liabilities when due and minimizes potential losses. For construction contracts, attention is paid to obtaining a pre-financing by the client.

Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign currency exchange rates. Currency risk arises when the transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to foreign operations. The Group manages this risk by monitoring the exchange rates fluctuations on a continuous basis and by matching its liabilities in foreign currencies with its sources of funds in foreign currencies.

Fair value

A number of the Group's accounting policies and disclosures require determination of fair value for both financial and non financial assets and liabilities. Fair values have been determined for measurement purposes based on the following methods:

Property plant and equipment

The fair values of property, plant and equipment recognized as a result of a business combination as based on market values.

Inventory

The fair values of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest

Derivatives

The fair value of forward exchange is based on their listed market price or if not available the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

The fair value of interest rates swaps is based on broker quotes tested for reasonableness by discounting estimated future cash flows using market interest rates for similar instrument at the measurement date.

Investments in equity securities

The fair value of financial assets at fair value through profit or loss and available for sale financial assets are determined by reference to their quoted bid prices at the reporting date.

30. Related parties transactions

The intra-group transactions, balances and unrealized profits or losses have been eliminated. The aggregate sales to the associated companies during the six months ending 30 June 2007 amounted to LE 75.9 million. Balances for non- consolidated companies and joint ventures are reported in the consolidated balance sheet as due from affiliated companies and due to affiliated companies, and included in trade and other receivables (note 14) and trade and other payables (note 21) respectively.

30.1 Due from affiliated companies

Description (in million of LE)	30 June 2007	31 December 2006
Contrack Stanly Group	5.7	-
Joint Ventures and Other companies	0.2	9.0
National Pipe Company	0.05	0.1
Orascom Telecom Holding	0.4	0.5
Orascom Trading	5.4	0.7
Al Yamama Orascom United	13.5	8.3
Orascom Telecom Algeria	12.9	-
Egyptian Company for Investment & Development		4.5
Uniciem	0.6	-
Sudacem	18.7	-
United Paints & Chemicals	1.1	-
Total	58.6	23.1

30.2 Due to affiliated companies

Description (in million of LE)	30 June 2007	31 December 2006
United Paints and Chemicals	9.9	9.1
Uniceim	42.1	-
Joint Ventures and Other companies	-	12.9
Total	52.0	22.0