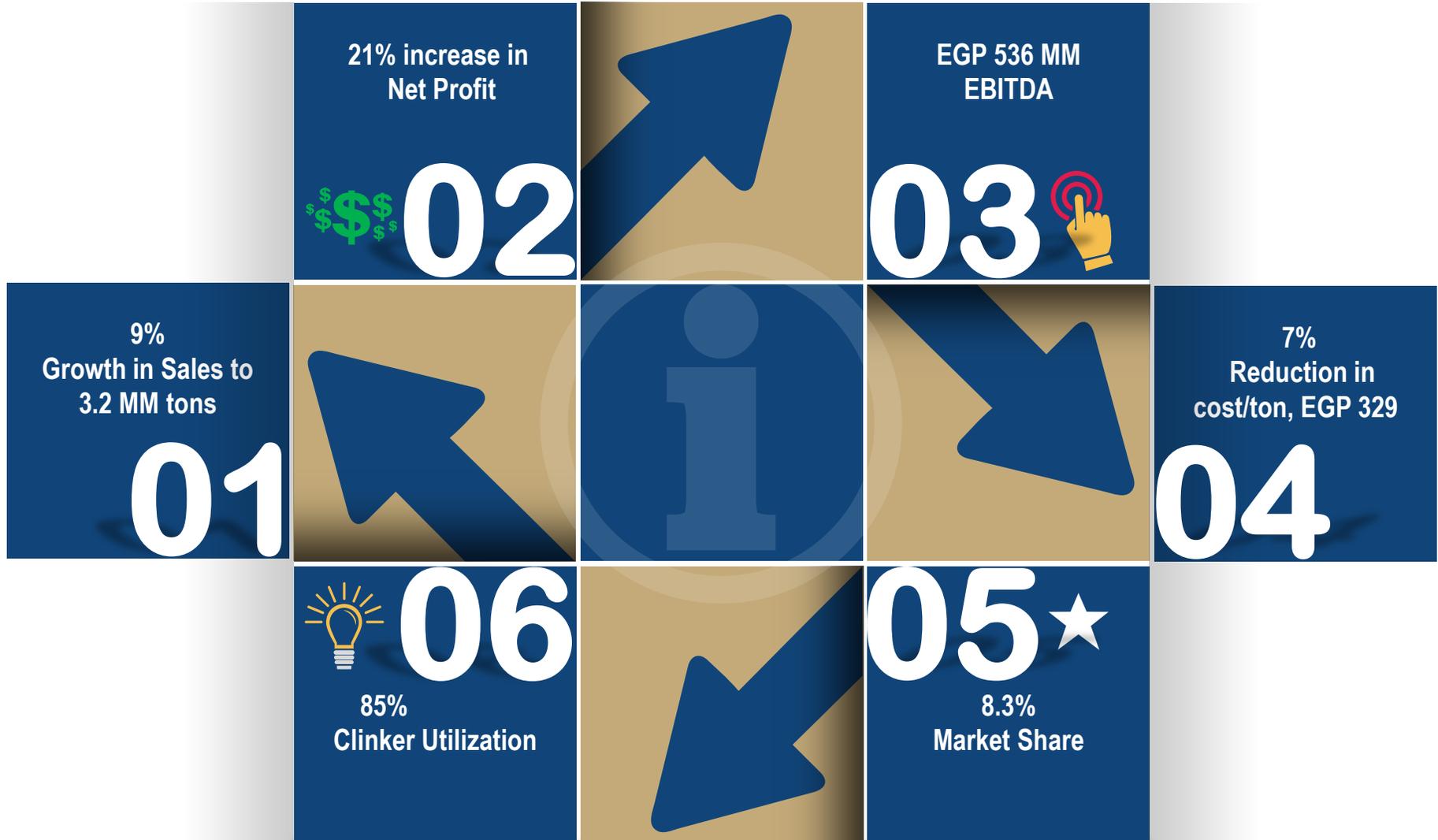




Arabian Cement Company

9M15 Investors Presentation

December 2015



Contents



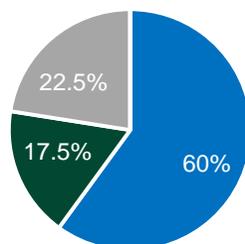
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Introduction to ACC

ACC in a Snapshot

- The company operations started in 2008 and is currently a leading cement producer. Majority owned by Cementos La Union (“CLU”), a Spanish cement player with operations in several countries such as Chile and Congo.
- ACC has two production lines with a total production capacity of 5.0 Mmpta, making it one of Egypt’s largest cement plants, with a market share of 8% as of 9M15.
- ACC’s operations include the production of clinker, production and sale of high quality cement.
- The Company outsources its manufacturing through several O&M contracts; Reliance Heavy Industries (“RHI”) for the operation of the quarry and cement production, in addition to an operational management contract with NLSupervision (“NLS”); a subsidiary of FLSmidth, for clinker production
- ACC has adopted and implemented quality and safety management systems, complying with the requirements of the international standards ISO 9001:2008 and OHSAS 18001:2007.
- Through its dedicated sales and marketing teams the Company has managed to position its product amongst the market’s premium price brands.
- ACC pioneered shifting towards diversifying its sources of energy and will substitute 100% of its current energy requirements to use a mix of solid and alternative fuels as of 2H15.
- As of 9M15, ACC distributed 59% of its production through own channels, “Wassal”; delivery service as well as its warehouses in Banha and the newly opened in Damanhour.

Shareholding Structure



■ Aridos Jativa ■ El Bourini Family ■ Free Float

Investment Highlights

Strong and Dynamic Management Team

New Strategically Located Facility with an Integrated Operation

Outsourcing the Production Process while Maintaining a Highly Qualified Internal Supervision Team

Better Positioned for Diversifying Energy Sources

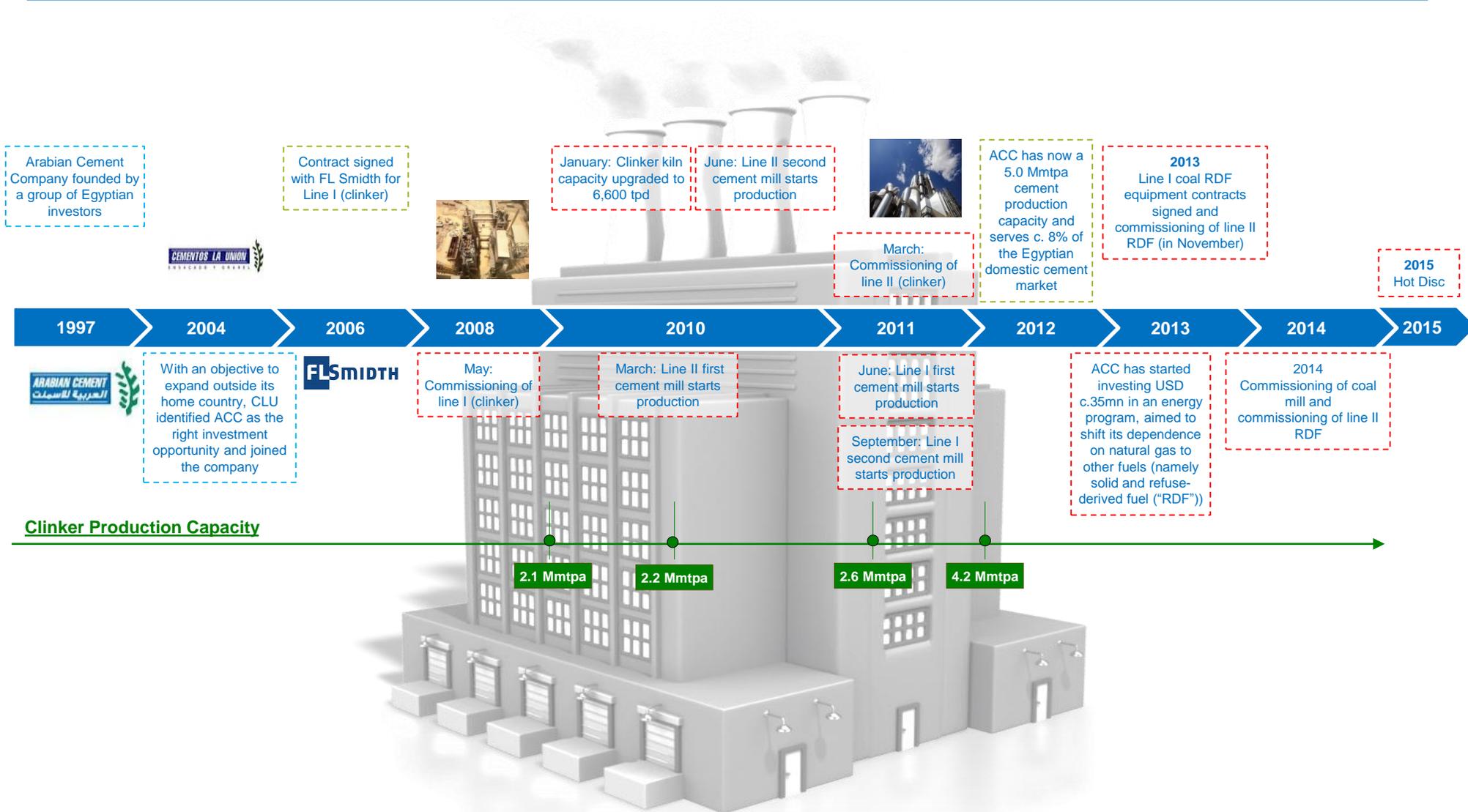
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

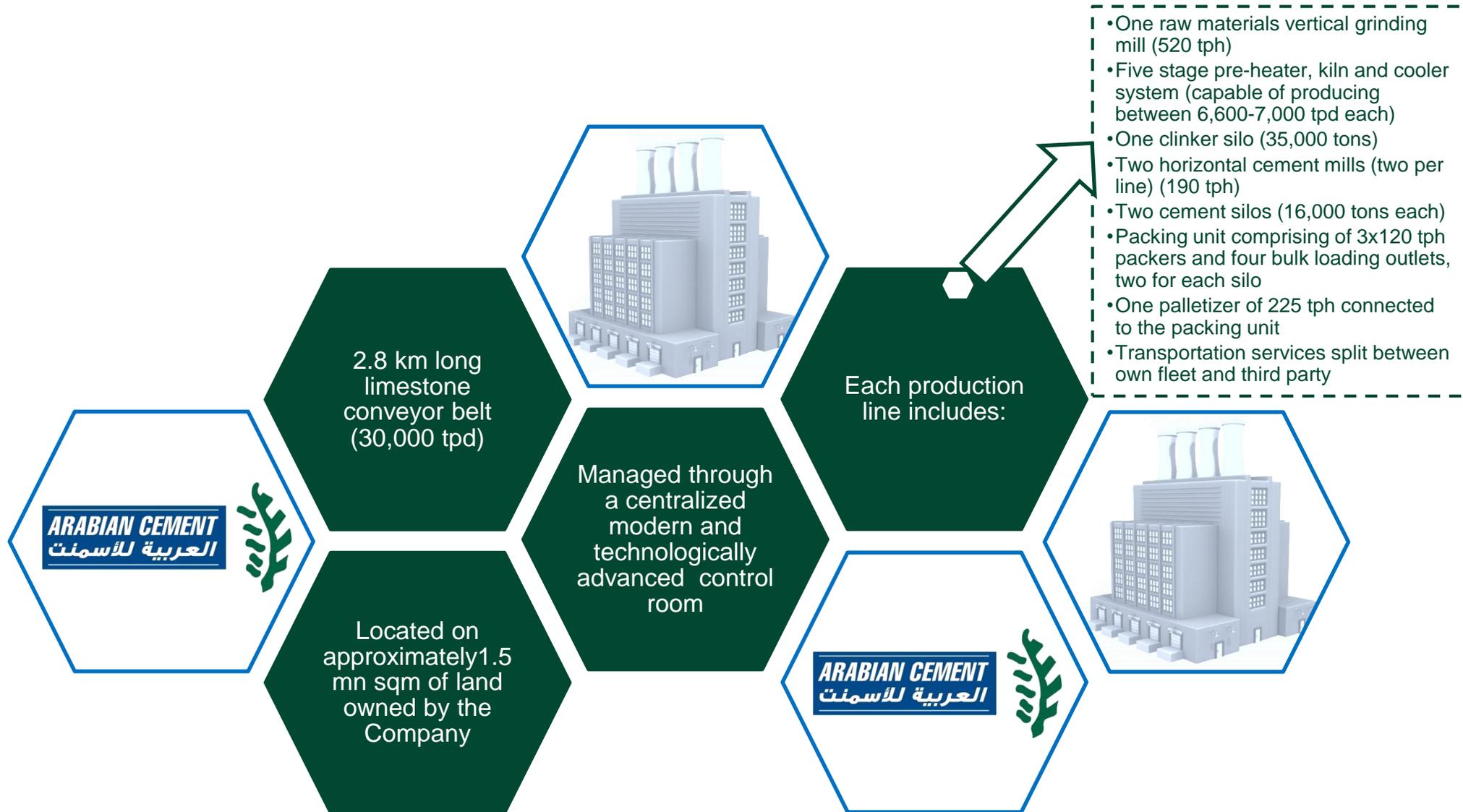
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information



Introduction to ACC

Executive Management Team



Jose María Magriña

Chief Executive Officer



Mr. Magriña's 20 years of professional experience stretches across several industries. He served as a management consultant at PWC, Deloitte and Accenture covering the gas, oil and construction industries for 9 years where he advised on strategy and operations for companies in various developed and developing countries. Joined ACC in 2005.

Hasan Gabry

Chief Commercial Officer



Mr. Gabry is a graduate of the Faculty of Commerce - Ain Shams University - Cairo Egypt, year 1991, with 24 years of Commercial Experience, 11 of which are in the Cement Industry as a Senior Commercial Director. The Cement journey started with Lafarge Sudan, moving to ASEC Algeria, GFH Bahrain, Khalij Holding Qatar, and since 2009 with Arabian Cement Company in Egypt

Allan Hestbech

Chief Financial Officer



Mr. Hestbech has 14 years of experience in the Egyptian cement industry. He joined ACC in 2014. Before joining ACC, Mr. Hestbech assumed the role of Financial Director of Sinai White Cement. He has experience in financial management of cement companies, including cost optimization, reduction of financial costs and working capital as well as the financial management of plant erection projects.

Sergio Alcantarilla

Chief Operations Officer



Mr. Alcantarilla has 12 years of experience in the cement industry where he participated in all the fields of the business' technical side such as projects of new cement plants, civil works, mechanical and electrical erection, commissioning, production, maint., quality, process and cost optimization and improvement plans. He Joined ACC in 2009.

Introduction to ACC

Our Strategy

Medium Term Strategy

Long Term Strategy

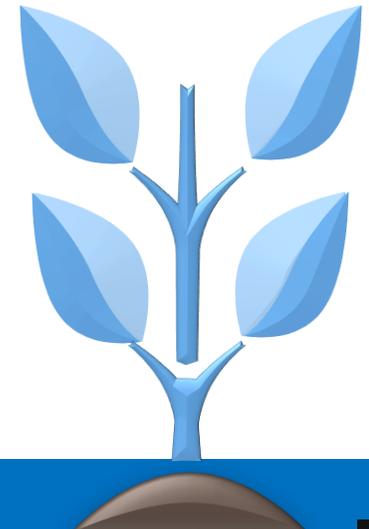
1- Position ACC
Among the Top
Brands in the Market
and Command a Price
Premium and the
Highest Profitability

2- Continue to Pay a
Healthy Dividend
Stream While
Optimizing Capital
Structure

3- Vertical Expansion:

- Andalus Ready Mix
- RDF Plants

4- Expanding production in
Egypt or abroad



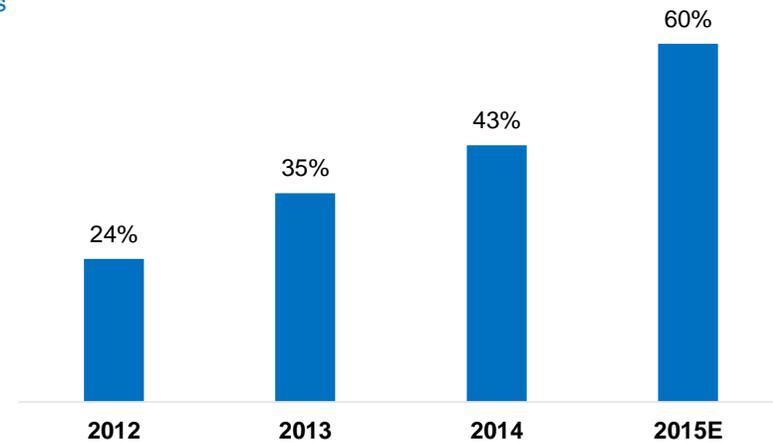
Introduction to ACC

Distribution Network Overview

1 Express Wassal

- Express Wassal is a full transportation service for bulk and/or bagged products provided by the company's fleet of 25 trucks as well as by 3rd party business partners. Express Wassal was launched in 2011
- Express Wassal offers ACC a number of benefits such as;
 - Reducing ACC's dependency on external transport providers which is fragmented and can be unreliable
 - Controlling products flow to strategic markets
 - Ensuring price positioning in these markets
 - Penetrating high demand scattered markets
 - The Company's own fleet also provides it with insight with regards to the operational costs associated with transportation, allowing it to better gauge 3rd party transportation rates
- Now ACC operates its Express Wassal's hotline for 24 hours per day, 7 days a week.
- The additional availability is expected to further increase customer satisfaction as it allows them fast access to the Company's products at any time

Express Wassal & WH Volumes (% of Cement Dispatched)



2 Warehouses

Warehouses Overview

- With the current platform of warehouses in the delta, ACC aims to ease delivery to merchants in addition to minimizing lead time
- ACC opened a warehouse in Banha in 2013 and opened another one in Damnhour in Q1 2015.

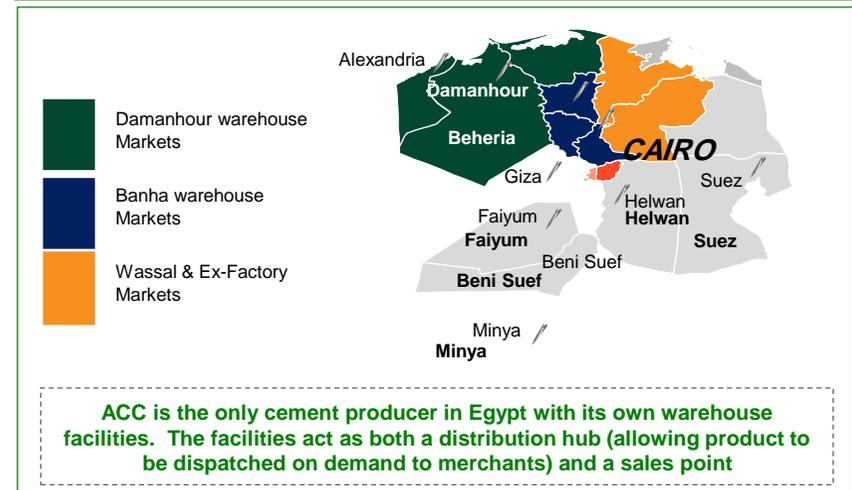
Benefits to ACC

- Proximity to customers
- Faster responses to market changes
- Ensure regional market share
- Price premium to ex - factory

Benefits to ACC's Customers

- Traders' will have shorter delivery time
- Traders' trucks will be more efficient by allowing them to make more delivery trips per day; i.e. more profitable
- Use of pallets allowing for faster loading time and less traffic

Warehouse Market Coverage

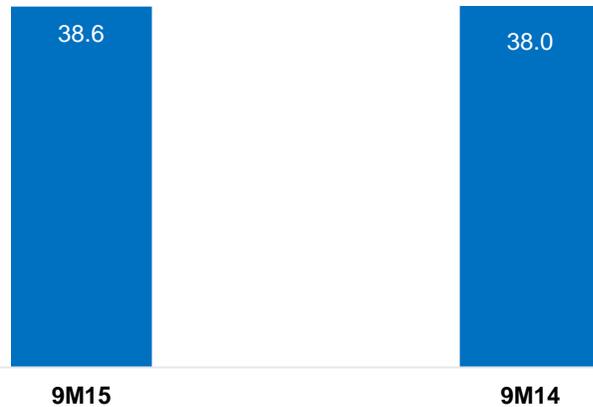


Egyptian Cement Market

Demand and Supply Synopsis



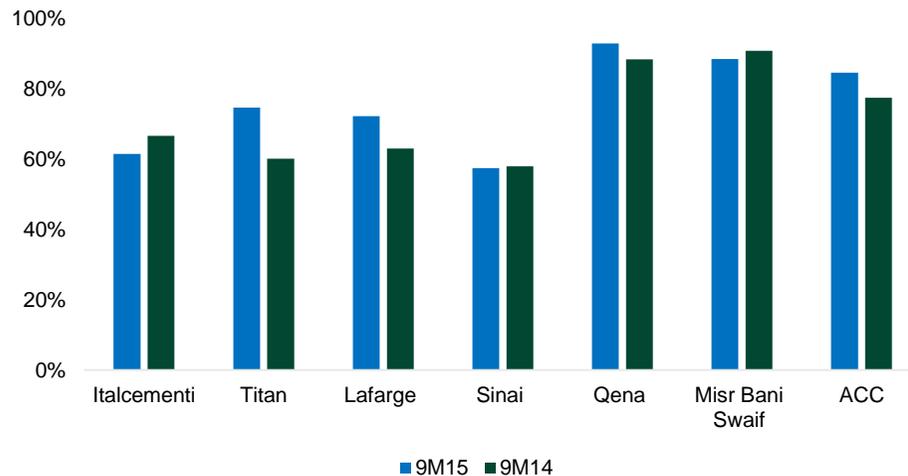
Domestic Consumption (MMT)



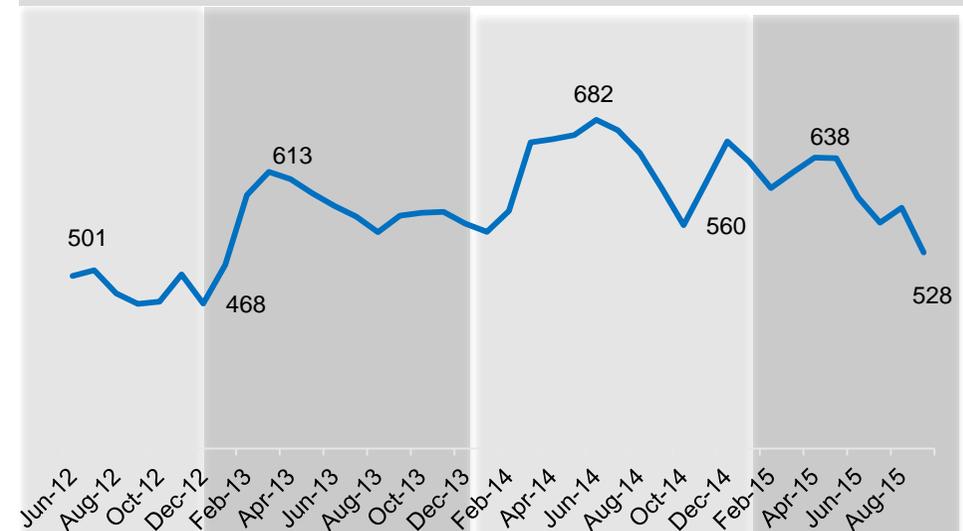
Egyptian Market Overview

- Demand in 9M15 has seen a slight increase of 1% over 9M14 reaching 38.6 MM tons. We still believe that the Egyptian market holds strong potential growth based on the underlying fundamentals.
- Egypt's residential housing demand is expected to continue to be driven by its fast growing population and high marriage rates, ensuring a consistent demand for housing.
- Egypt suffers from low levels of spending on infrastructure and the quality of the infrastructure is relatively low and requires constant maintenance.
- The government is now focusing on stimulating the housing and infrastructure spending as they are one of the major pillars of the economic development.
- The market will benefit greatly from the infrastructure and housing projects announced during the EEDC. Yet, delays in the implementation such projects would definitely have its effect on the expected growth in demand.

Domestic Capacity Utilization



Average Market Retail Prices (EGP/ton)



Period Highlights

Main Highlights



Economy

- In July 2015, The government announced the reduction of corporate income tax rate to be 22.5% compared to the previous 30%. Accordingly, the adjustment is reflected in the 9M15 financials.
- The devaluation of the EGP which took place in January 2015 against the USD to 7.83 resulted in a FX loss for the company.
- In August, the IDA decided to postpone the issuance of any new cement licenses until more in depth studies are conducted to access the real need for additional capacities.



Production

- ACC produced 2.67 MM MT of clinker in 9M 2015 compared to 1.95 MM MT at the same period the previous year.
- The main reason for this 37% increase is the optimization of coal usage and availability of diesel and alternative fuels. Accordingly the company operated at 85% clinker utilization and 98% only in 3Q15.
- ACC operated at 85% cement utilization in 9M15 compared to 78% in the same period last year and 92% in 3Q15.



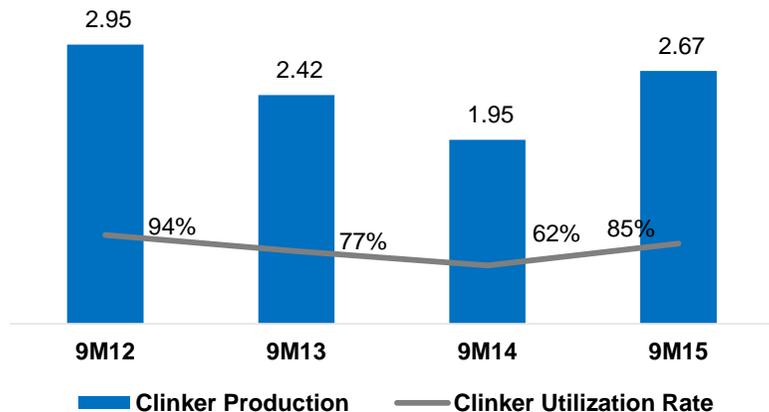
Energy

- Starting Jan. 2015, ACC was able to run its maximum coal capacity for both lines. on the back of the availability of diesel and AF as a complimentary source of fuel.
- The company was successful in operating at 110% capacity of the coal mill to increase the coal component in the fuel mix to 77% compared to the original of 70%.
- With the current installations in place, ACC expects to operate at clinker utilization rate above 90% for all of 2015.

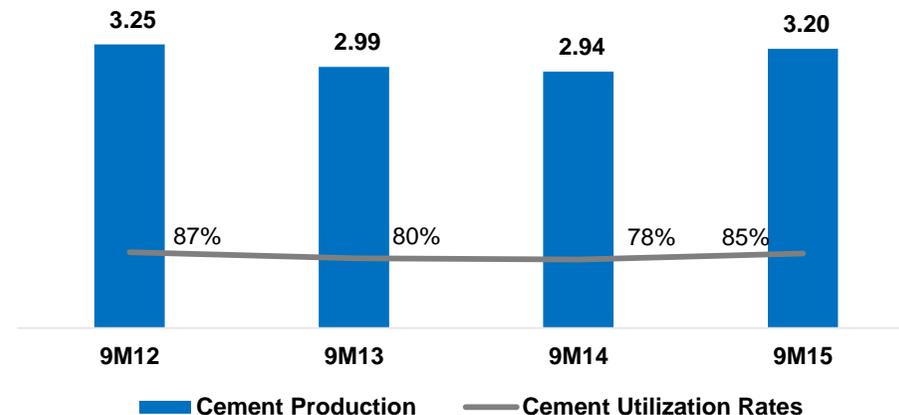
Period Highlights (continued)

Main KPIs

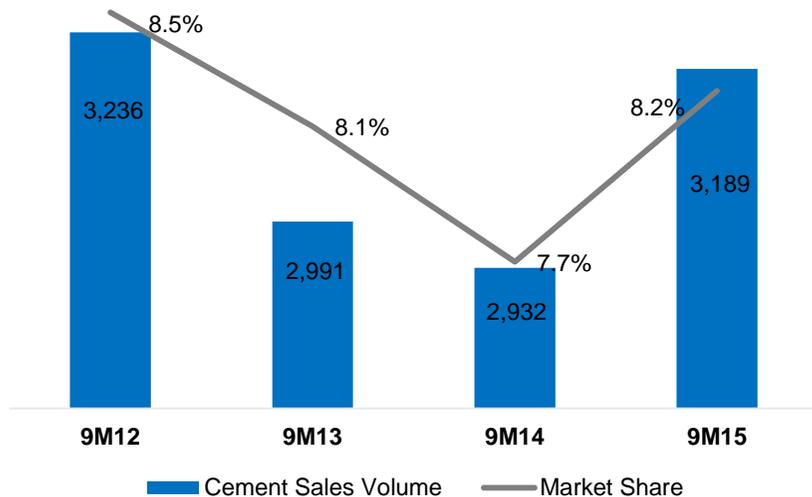
Clinker Production (MN MT) and Utilization Rates



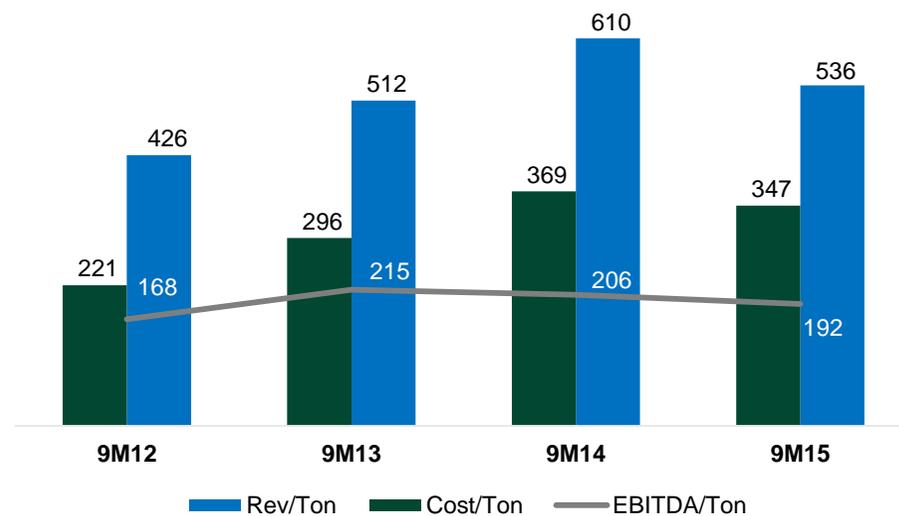
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



Revenues, COGS and EBITDA (EGP/ton)



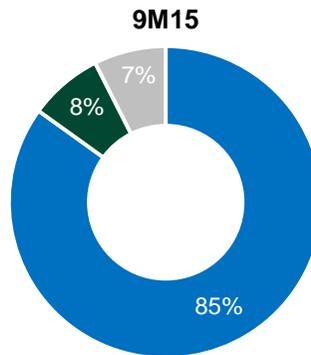
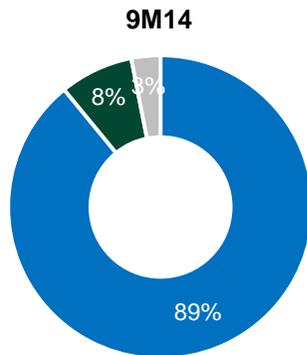
Sales Overview

Quantities Breakdown

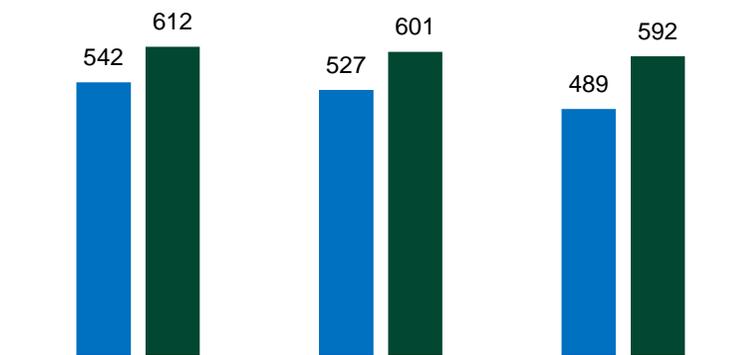
Quantities Breakdown

Prices (EGP/ton)

Breakdown by Brand



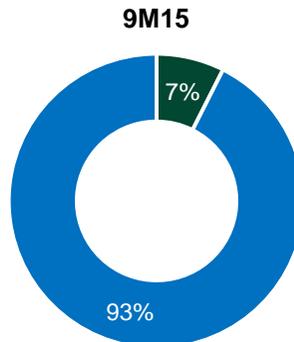
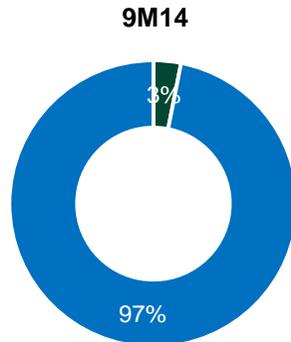
■ Al Mosalah ■ Al Tahrir ■ Bulk



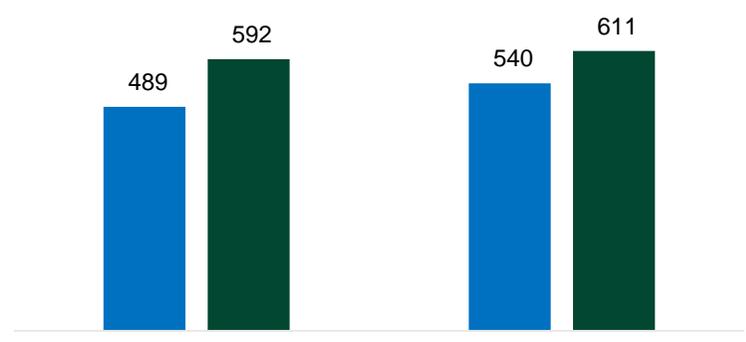
Al Mosalah Al Tahrir Bulk

■ 9M14 ■ 9M15

Breakdown by Type



■ Bulk ■ Bagged



Bulk Bagged

■ 9M14 ■ 9M15

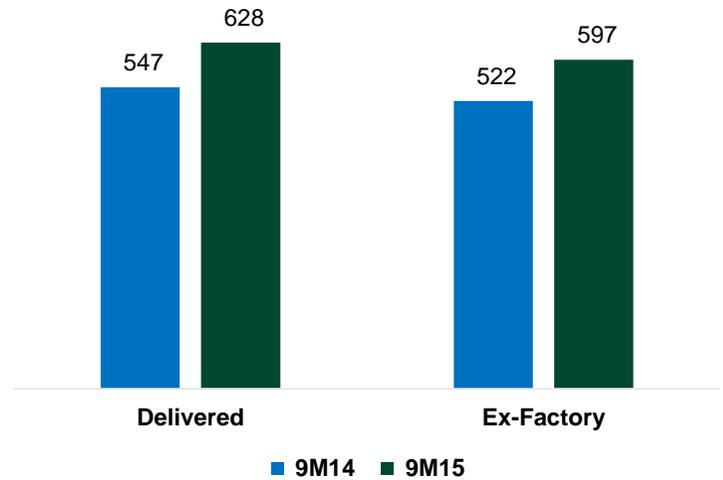
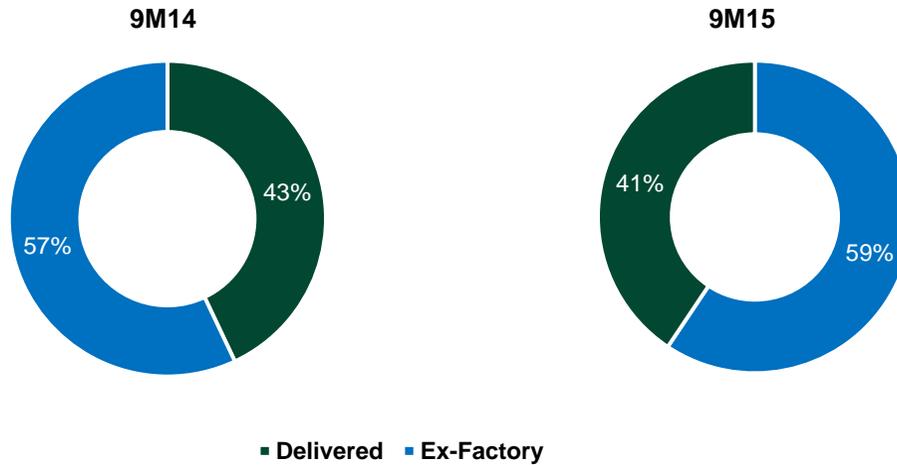
Sales Overview

Quantities Breakdown

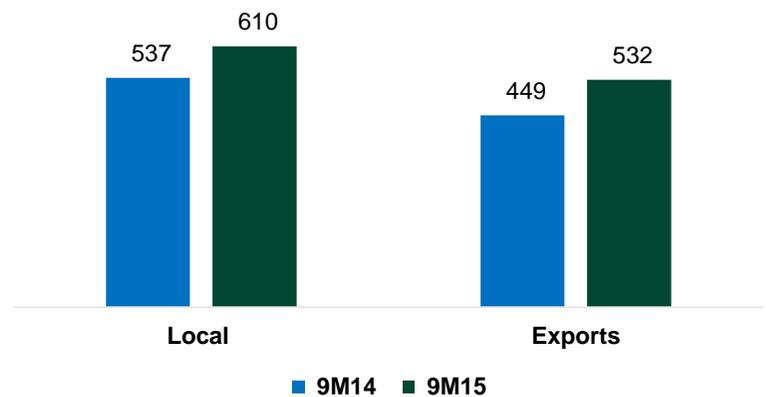
Quantities Breakdown

Prices (EGP/ton)

Breakdown by Point of Sale



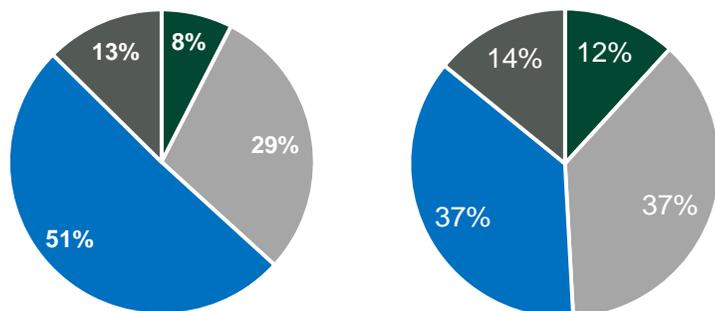
Breakdown by Market



COGS Overview

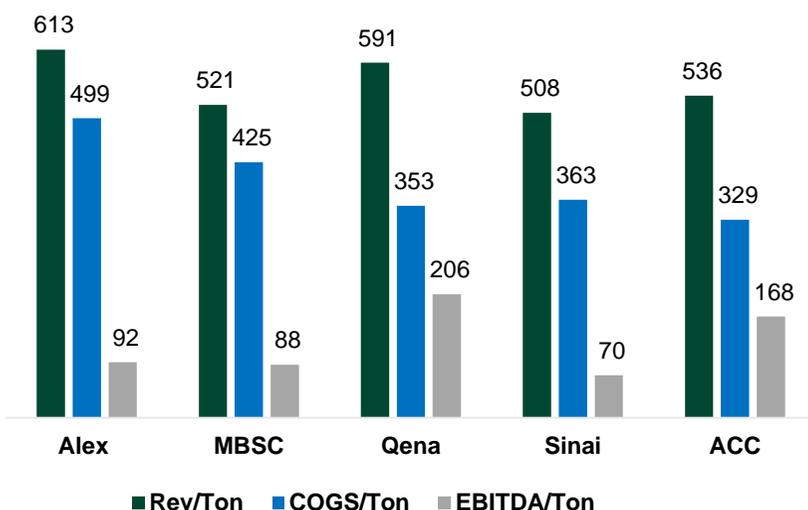
COGS and ACC Cost Advantages

COGS Breakdown



■ Electricity ■ Energy ■ Raw Materials ■ O&M Cost

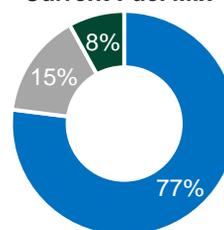
ACC & Competition (EGP/ton)



ACC Cost Advantages

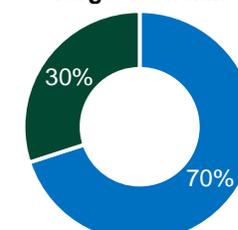
- ACC moved ahead of other industry players with embarking on alternative energy investments with aims to provide the ability to substitute up to 100% of its energy needs as of 2H 2015.
- RDF:**
 - The Company started using RDF in November 2013.
 - During 9M15, the company used RDF to generate between 7-12% of its energy requirements. Starting June 2015 the company started commissioning the hot disc operations to enable using alternative fuels of up to 30% of the total energy needs.
 - Other than ACC, Italcementi, Cemex and Lafarge are currently using RDF to generate part of their energy needs.
- Coal:**
 - The company now has the technical capability to substitute 70% of energy needs through coal and 30% through RDF.
 - Coal is imported from Dekhiela port in Alexandria, Sokhna port has not been permitted to import coal yet. Imports are coming through Adabeya port as well.
 - Currently Lafarge, Italcementi and Titan are substituting part of their necessary equipment energy requirements through coal. Others are in the process of contracting and installing the required machinery.

Current Fuel Mix



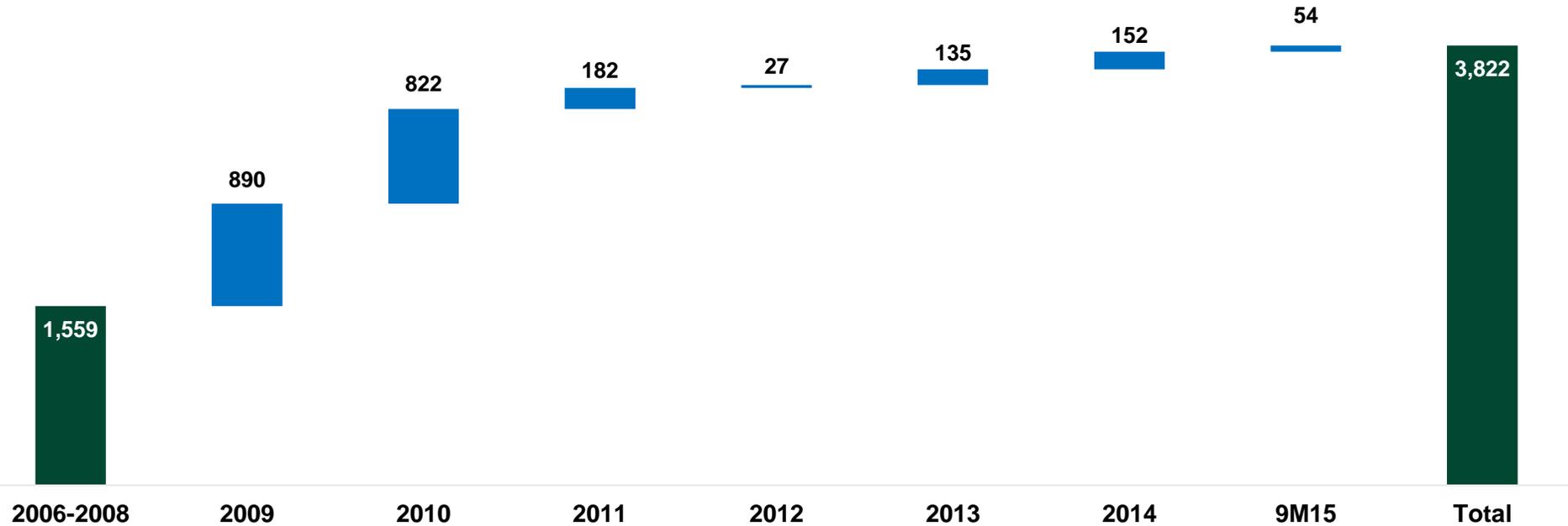
■ Coal ■ Diesel ■ RDF

Target Fuel Mix



■ Coal ■ RDF

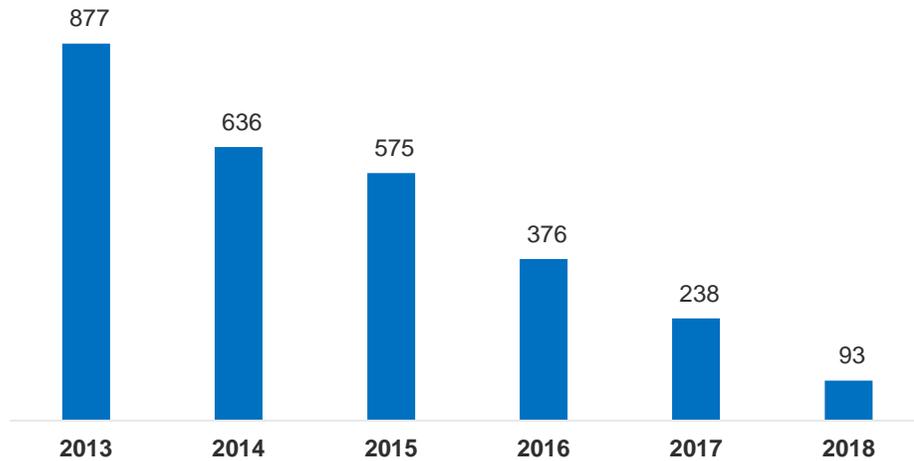
CAPEX Overview



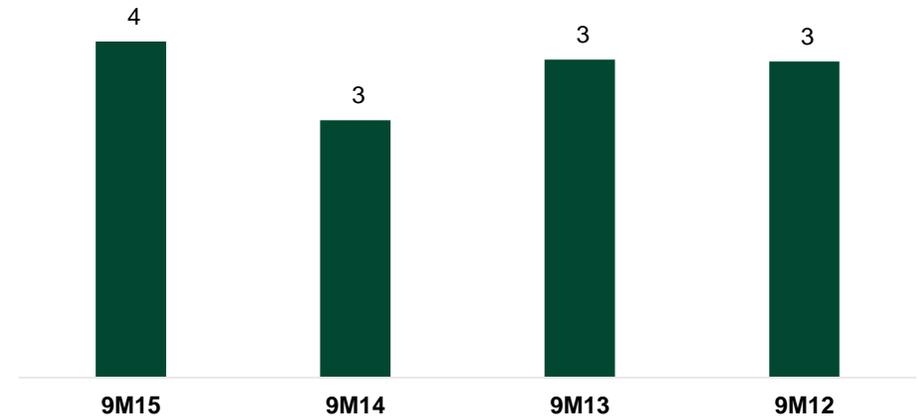
- The company paid EGP54 mn during 9M15 for the completion of the coal mill and hot disc projects in addition to the addition to other few infrastructure works.
- Currently, the project is on hold, the economic situation is not encouraging. The currency devaluated significantly, thus making the rationale behind the project unfeasible, since we would import clinker at a much higher price than the one used in the business plan.
- ACC is considering energy optimization and energy efficiency projects.

Outstanding Debt & Debt Structure

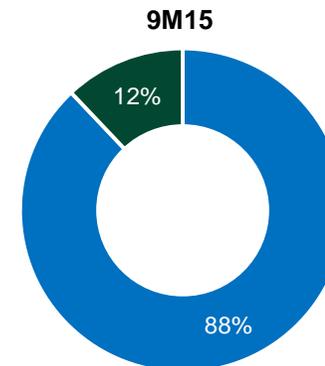
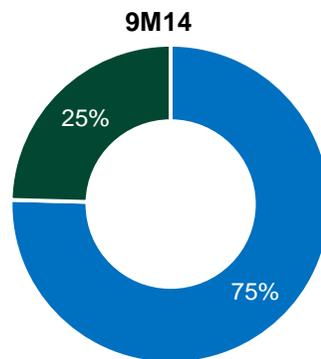
Outstanding Debt (Thousand EGP)



Interest Coverage Ratio



Loans Structure (EGP vs. USD)



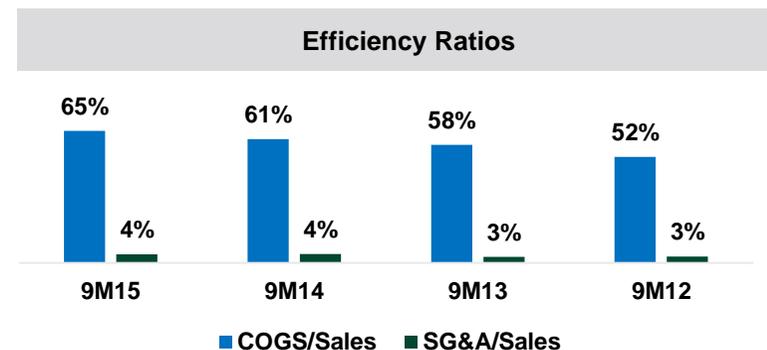
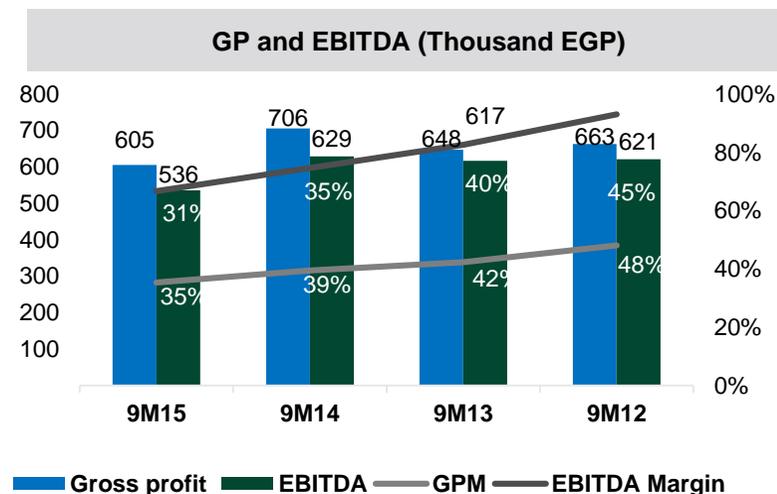
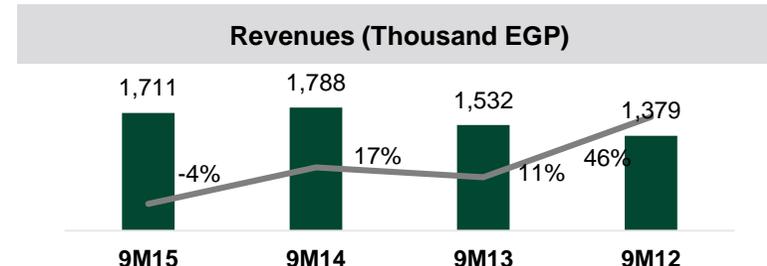
■ Debt in USD ■ Debt in EGP

9M15 Financials Review

Income Statement

- Revenues declined 4% in 9M15 compared 9M14.
- Cost per ton stood at 329 EGP/ton less than the EGP352/ ton recorded in 9M14.
- SG&A margin stood at 4% similar to 9M15.
- FX losses incurred on the back of the CBE's decision to devalue the EGP against the USD to reach EGP7.83 from EGP7.15.
- Taxes are adjusted to the rate of 22.5% announced by the government in July.

MN EGP	9M15	9M14	9M13	9M12
Revenue	1711	1788	1532	1379
Cost of goods sold	1105	1083	885	716
Gross profit	605	706	648	663
GPM	35%	39%	42%	48%
SG&A Expenses	71	78	44	42
Other income	2	1	13	0
EBITDA	536	629	617	621
EBITDA Margin	31%	35%	40%	45%
Depreciation & Amortization	147	142	140	137
EBIT	389	487	477	483
EBIT Margin	23%	27%	31%	35%
Foreign exchange	44	30	63	14
Loan interest expense	19	27	47	56
Operating license interest expense	34	34	34	34
Electricity agreement interest expense	9	9	9	9
Long-term notes payables	0	0	0	0
Interest income	5	1	1	2
Finance cost, net	68	71	152	111
Net profit before tax	278	386	325	372
PBT Margin	16%	22%	21%	27%
Deferred tax	-24	85	15	35
Income tax expense	58	100	0	0
Net profit	244	200	309	336
NPM	14%	11%	20%	24%

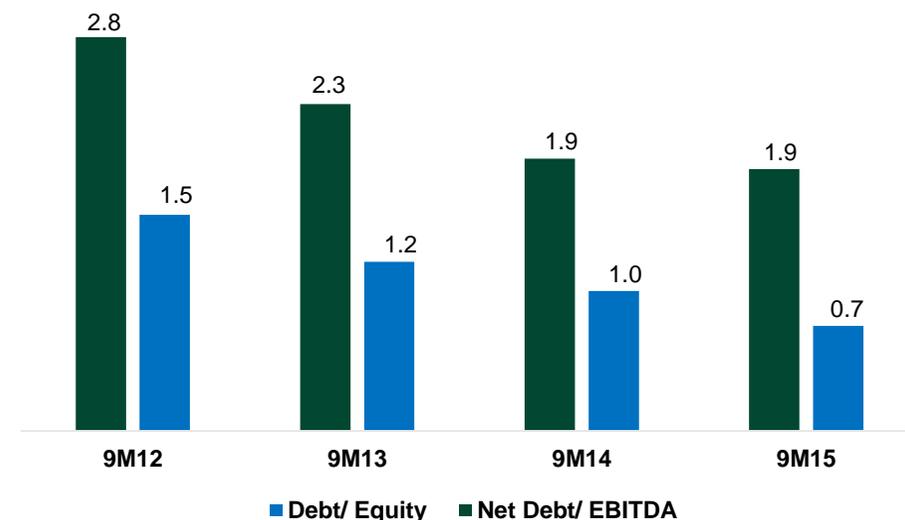


9M15 Financials Review

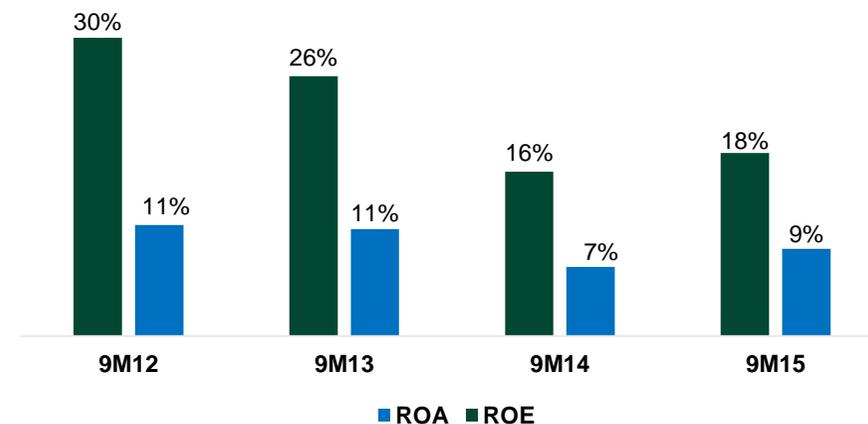
Balance Sheet

MN EGP	9M15	9M14	9M13
Assets			
Non-current Assets			
Property plant and equipment, net	2570	2696	2685
Projects under construction	116	67	46
Intangible assets	115	137	160
Investment in subsidiaries	9	9	9
Payments under long-term investment	0	0	0
Total Non-current Assets	2811	2909	2900
Current Assets			
Inventory	216	187	75
Debtors and other debit balances	50	112	148
Due from related parties	17	17	15
Cash and bank balances	289	169	208
Total Current Assets	572	485	445
Current Liabilities			
Provisions	12	8	1
Current tax liabilities	58	100	0
Trade payables and other credit balances	573	354	265
Due to related parties	3	5	0
Borrowings - short term portions	174	289	374
Short-term liabilities	82	69	127
Total Current Liabilities	902	826	757
Net (Deficit) Surplus in Working Capital	-329	-340	-322
Total Invested Funds	2481	2569	2578
Represented in:			
Equity			
Paid up capital	757	757	757
Legal reserve	156	130	77
Retained earnings	423	336	359
Total Equity	1336	1224	1193
Non-current Liabilities			
Borrowings - long term portions	394	412	554
Deferred income tax liability	328	422	332
Long-term liabilities	424	511	499
Total Non-current Liabilities	1145	1345	1385
Total Equity and Non-current Liabilities	2481	2569	2578

Gearing



Return Ratios

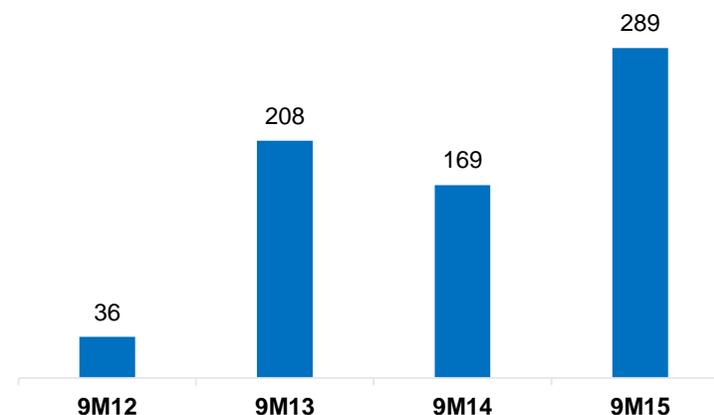


9M15 Financials Review

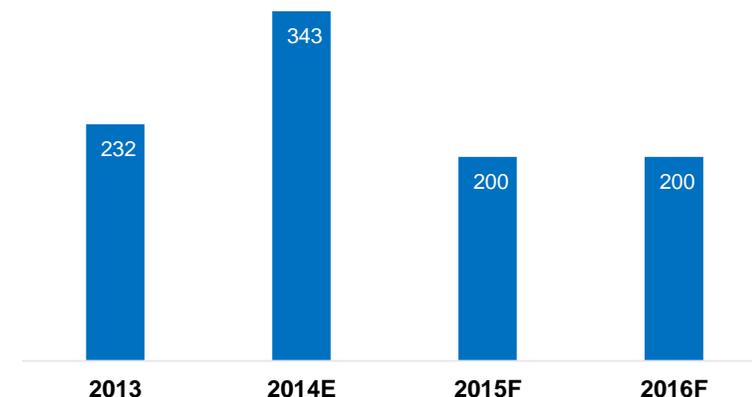
Cash Flow Statement

MN EGP	9M15	9M14	9M13	9M12
Cash flows from operating activities				
Net profit before tax	278	386	325	372
Interest income	-2	-0.5	-1	-1
Interest expense	68	71	90	99
Depreciation expense	130	125	124	121
Amortization of intangible assets	17	17	16	17
Gain from sale of property plant and equipment	-0.2	0.1	0	0.6
Dividends from joint venture	-0.1	0	0	0
Provision	3	0.7	-0.2	0
Changes in working capital	493	600	554	609
Debtors and other debit balances	-5	-65	188	-58
Inventory, net	-15	-90	-7	-20
Trade payables and other credit balances	58	73	24	-20.7
Due from related parties	-2	0.1	-4	-2
Tax paid	-132	-0.5	0	-8
Due to related parties		3	-2	-1
Net cash from operating activities	397	520	752	499
Cash flows from investing activities				
Proceeds from dividends from joint venture	0.1	0	0	0
Proceeds from sale of assets	0.2	0	0	0
Interest income	2	0.5	1	1
Purchase of property, plant and equipment	-8	-10	-6	-8
Additions in projects under construction	-44	-93	-43	-17
Payments under long-term investments	-0.1	0	0	-9
Net cash flows used in investing activities	-51	-103	-48	-34
Cash flows from financing activities				
Payments of license liability	-59	-66	-72	-72
Payments of borrowings	-68	-157	-186	-239
Interest paid	-63	-84	-90	-82
Dividends paid	-24	-99	-310	-136
Proceeds from bank overdraft	0	0	0	0
Net cash flows from financing activities	-214	-406	-657	-529
Net increase (decrease) in cash and cash equivalents	133	11	47	-64
Cash and cash equivalents at beginning of the year	156	158	161	101
Cash and cash equivalents at end of the period	289	169	208	37

Cash (EGP mn)



Dividends (EGP mn)





ARABIAN CEMENT
العربية للأسمنت



Future Ready

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