



Arabian Cement Company

Investors Presentation

September 2014

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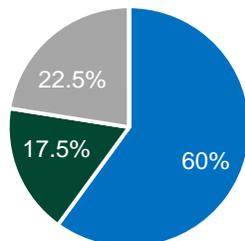
Introduction to ACC



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 7.2% as of 1H 14.
- ACC’s operations include the production of clinker, production and sale of high quality cement. Local sales represented almost 100% of total sales as of 1H 14.
- 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 almost 100% of its current energy requirements to use a mix of solid and alternative fuels by Q1 2015.
- As of 1H14, ACC distributed 57% of its production through own channels, “Wassal”; delivery service as well as its warehouse in Banha.

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

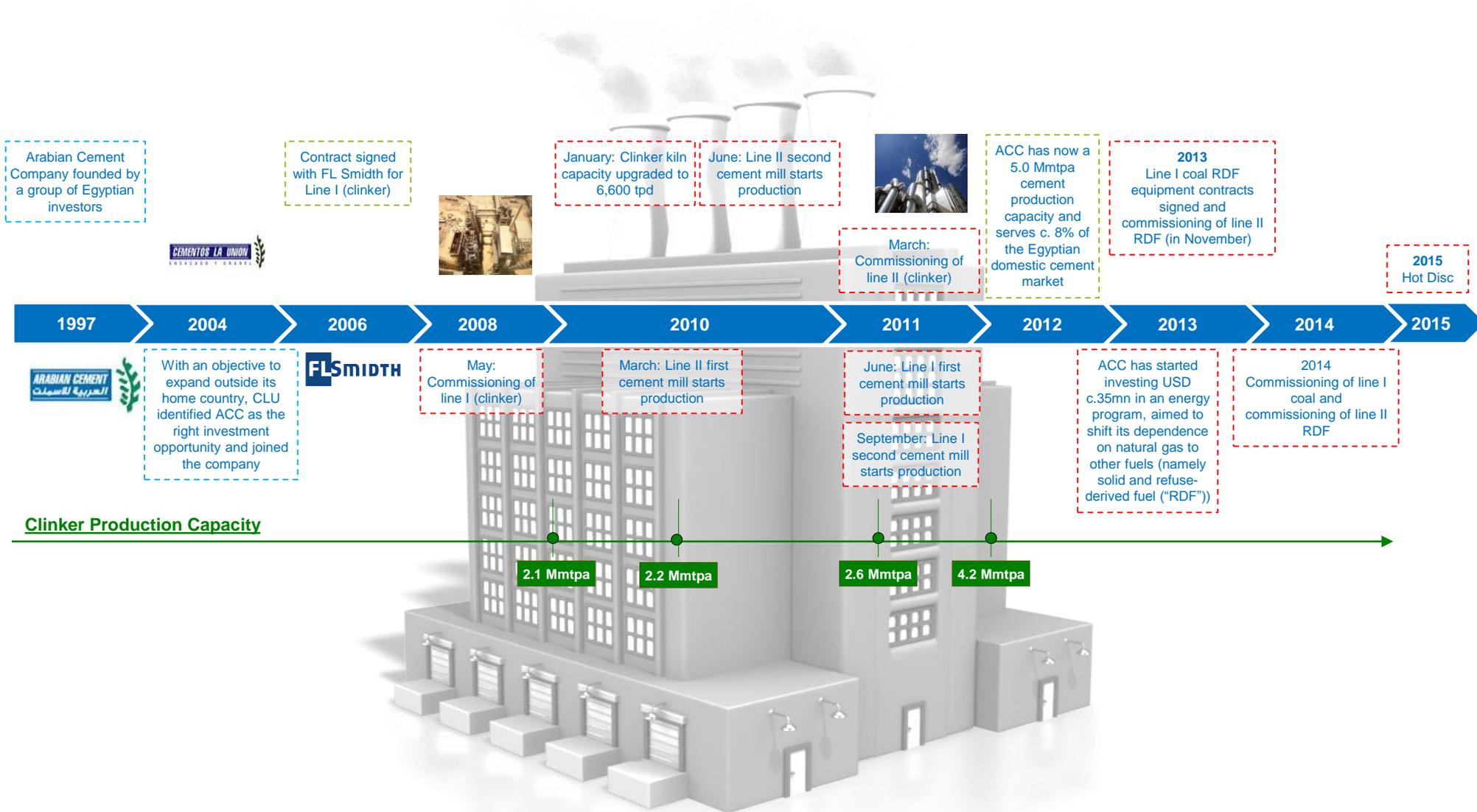
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

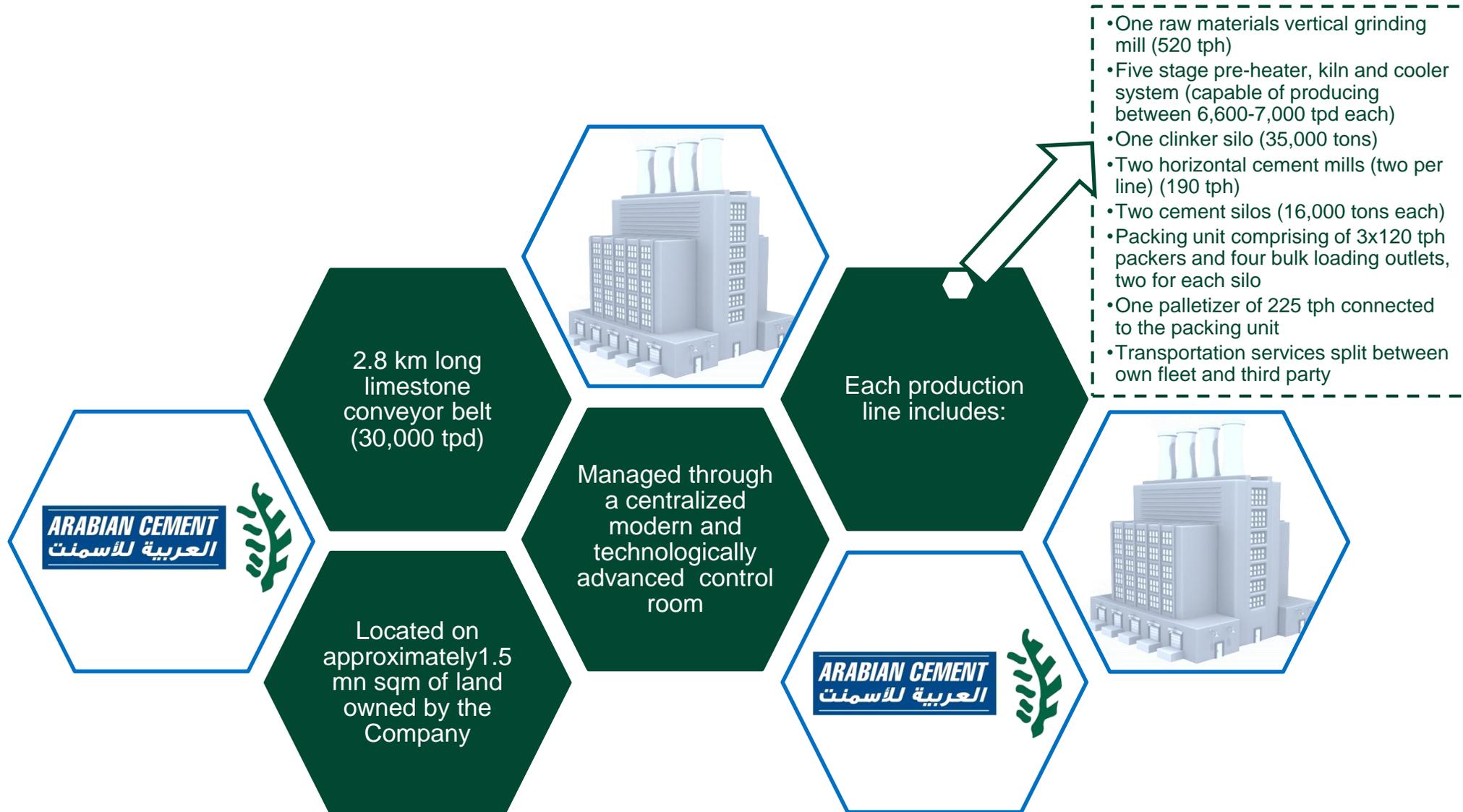
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information



Introduction to ACC

Executive Management Team



Jose María Magriña

Chief Executive Officer



Mr. Magriña's 19 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.

Tarek Talaat

Chief Commercial Officer



Joined in 2009, Mr Talaat has 20 years of experience of which 14 years are in the cement sector, through his previous positions as business development director of Titan Egypt. He also served as regional manager for Cementia Trading and Commercial Director of the Lafarge/Titan joint venture in Egypt

Sherif Salib

Chief Financial Officer



Mr Salib has 19 of diverse work experience. He joined ACC in 2006. Upon joining ACC, Mr. Salib assumed the role of chief information officer. Prior to joining ACC, he ran his own company for 8 years providing consulting services in the field of information technology. He also worked for the USAID in the water and wastewater infrastructure projects for 4 years.

Sergio Alcantarilla

Chief Operations Officer



Mr. Alcantarilla has 11 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

1. Secure Energy Supply

2. Position ACC Among the Top Brands in the Market and Command a Price Premium and the Highest Profitability

3. Continue to Pay a Healthy Dividend Stream While Optimizing Capital Structure

Long Term Strategy

4. Vertical Expansion:

- Andalus Ready Mix
- Optimize costs: ACC's RHI JV
- RDF Plants

5. Expanding production in Egypt or abroad through M&A

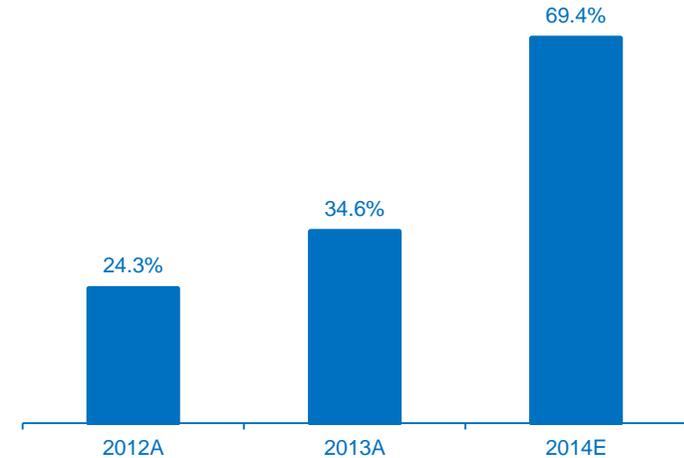


Distribution Network Overview

1 Express Wassal

- Express Wassal is a full transportation service for bulk and/or packaged 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 in Egypt which is fragmented and can be unreliable
 - Controlling products flow to non designated markets
 - Ensuring price positioning in the 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
- ACC will expand its Express Wassal's hotline availability with plans to extend working hours to 24 hours per day (from 12), in addition to operating during weekdays and weekends (currently 6 days per 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 Volumes (% of Cement Produced)



2 Warehouse

Warehouses Overview

- ACC is planning a wide warehouse infrastructure in various locations in order to ease delivery to merchants in addition to minimizing lead time
- ACC opened a warehouse in Banha in 2013 with planned opening of another one in Damnhour in Q4 2014.

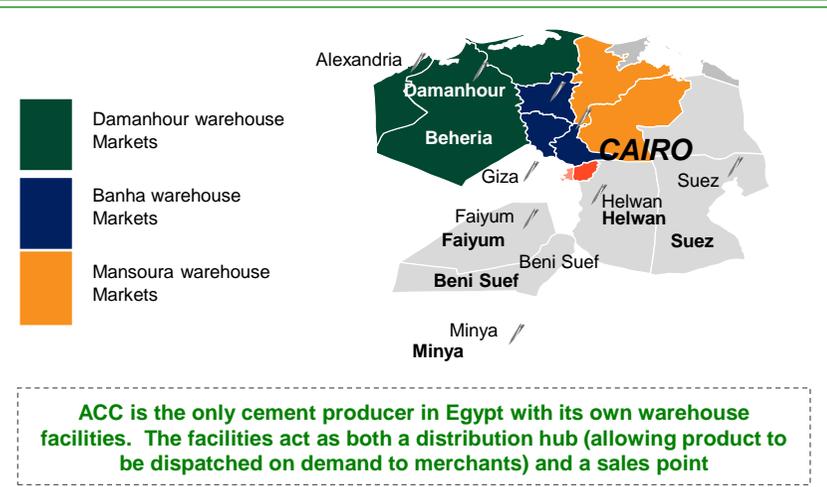
Benefits to ACC

- 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



1H14 Period Highlights



Main Highlights



During Q2 2014, there was an amendment to the tax law in Egypt that resulted in a temporary increase on the tax rate by 5%.



This rendered the effective tax rate to become 30% as opposed to 25%. This increase is applicable on the income realized as of 2014 for 3 years.



This increase affected the results of Arabian Cement in 2 ways. First, it increased the income tax expense by the additional 5%.



Moreover, it increased the deferred tax liability by 5%, which resulted in one time hit as deferred tax expense recorded 72MM EGP.

Production Highlights

- ACC produced 1.284 MM MT of clinker in H1 2014 compared to 1.597 MM MT at the same period the previous year.
- This resulted in a decrease of 19.6 %. The main reason for this shortage is the absolute absence of gas supply during most April and part of May and intermittent cuts during the month of June.
- Such shortages have also affected our capacity to finalize commissioning of our coal mill as we require a certain amount of gas to be able to operate effectively.

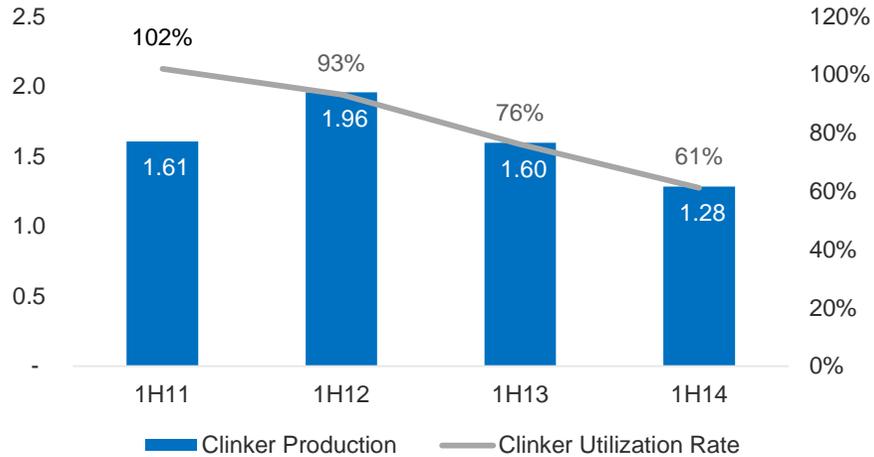
Coal Updates

- During May, the government took the decision to allow the use of coal for cement producers.
- ACC resumed the commissioning of the coal line. Since then we have been producing with coal in one production line.
- However, ACC still requires gas to be able to use coal in the second line.

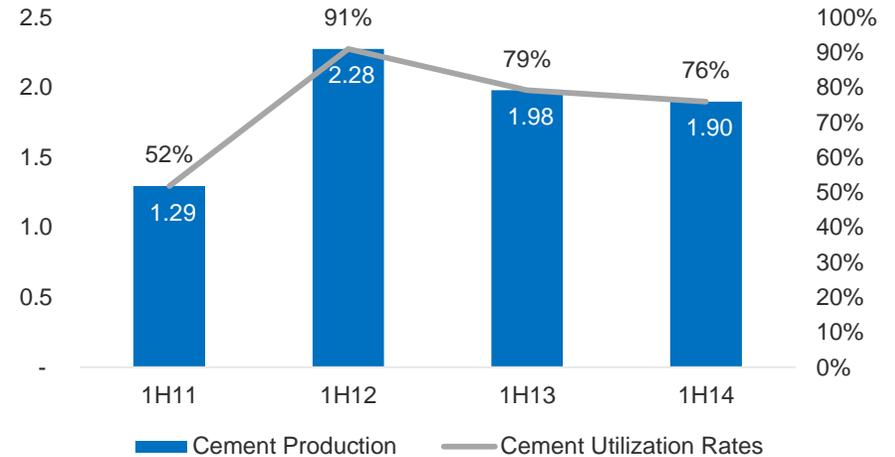
1H14 Period Highlights

Main KPIs

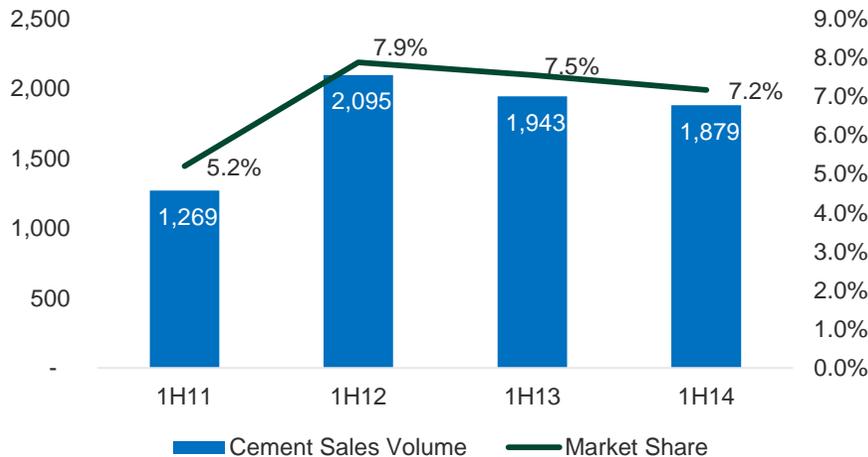
Clinker Production and Utilization Rates



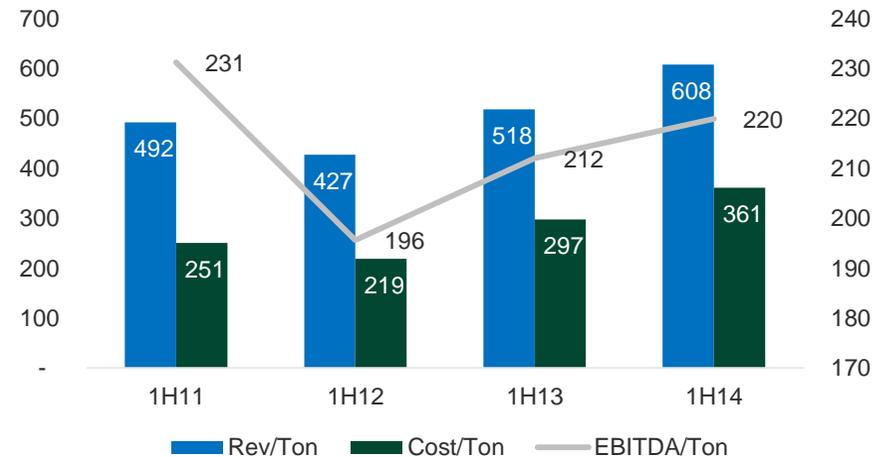
Cement Production and Utilization Rates



Sales and Market Share (MT)



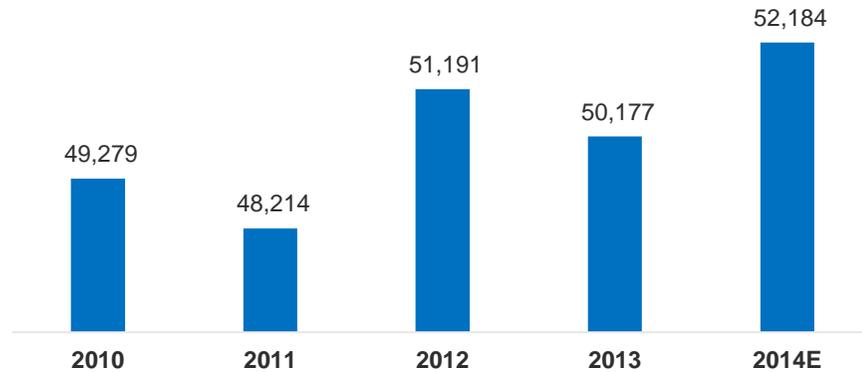
Revenues, COGS and EBITDA (EGP/ton)



Egyptian Cement Market

Demand and Supply Synopsis

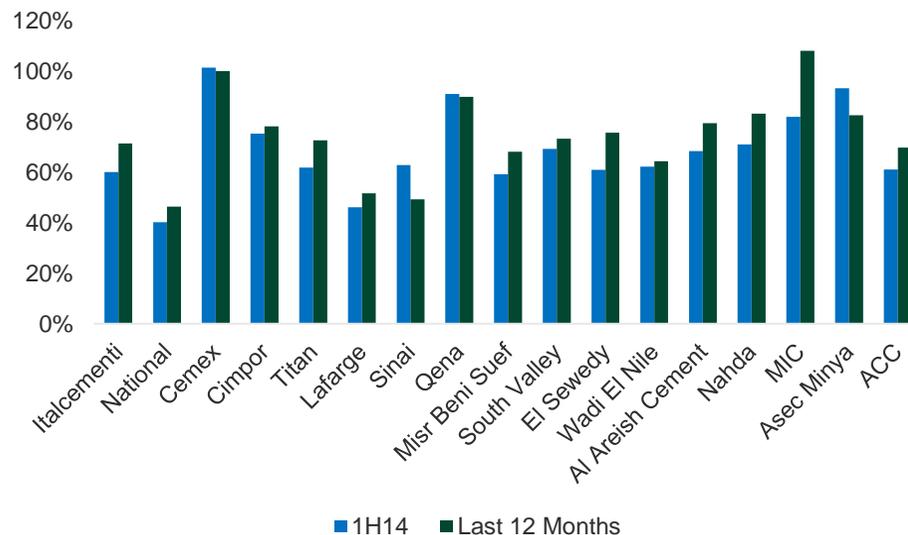
Domestic Consumption (MMT)



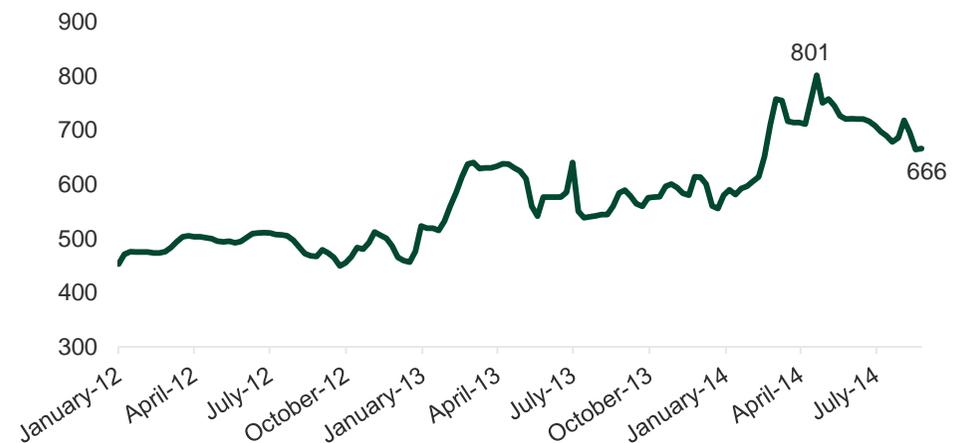
Egyptian Market Overview

- The Egyptian cement market is primarily driven by local consumption, which has been relatively stable over the past few years despite ongoing political and economic unrest.
- 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 and repair.
- The government is now focusing on stimulating the housing and infrastructure spending as they are one of the major pillars of the economic development.
- Several infrastructure and housing projects have been announced such as the New Suez Canal, 1 million housing units of Arabtech, and others.

Domestic Capacity Utilization



Average Retail Prices (EGP/ton)



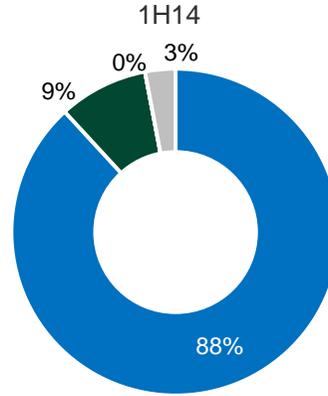
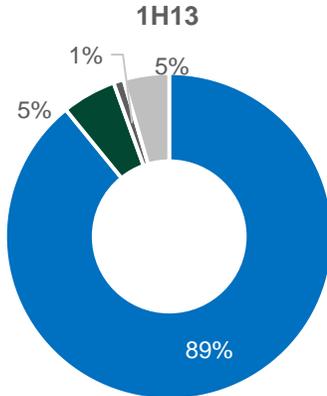
Sales Overview

Quantities Breakdown

Quantities Breakdown

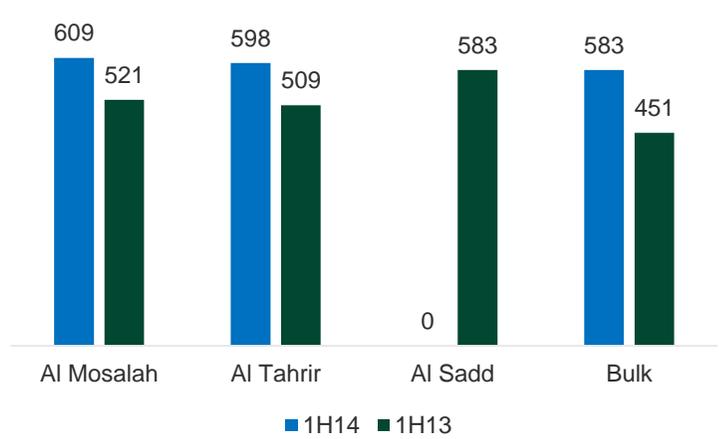
Prices (EGP/ton)

Breakdown by Brand



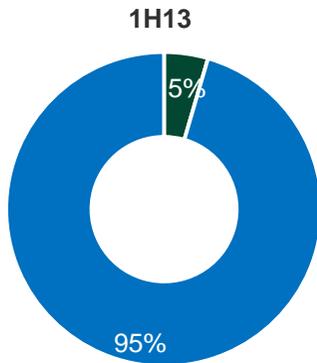
■ Al Mosalah ■ Al Tahrir ■ Al Sadd ■ Bulk

■ Al Mosalah ■ Al Tahrir ■ Al Saad ■ Bulk

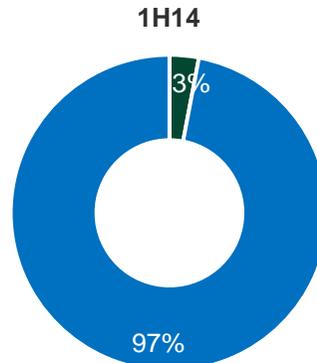


■ 1H14 ■ 1H13

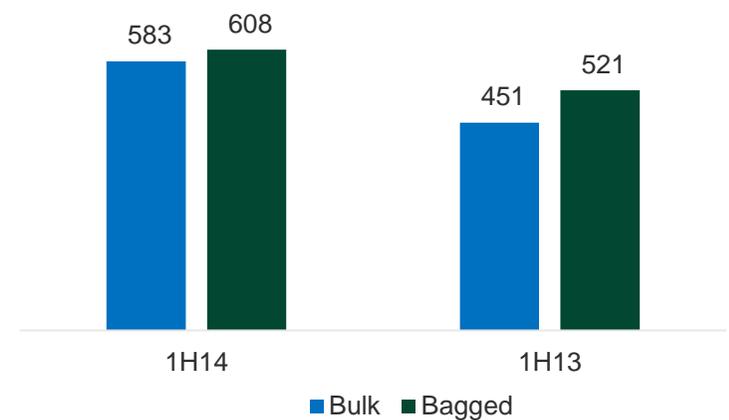
Breakdown by Type



■ Bulk ■ Bagged



■ Bulk ■ Bagged



■ Bulk ■ Bagged

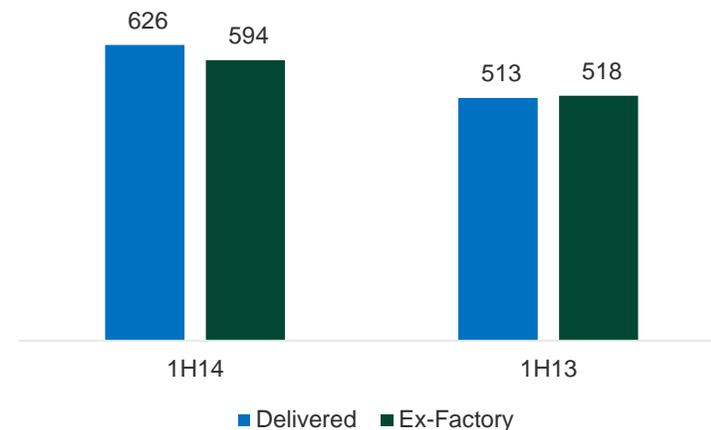
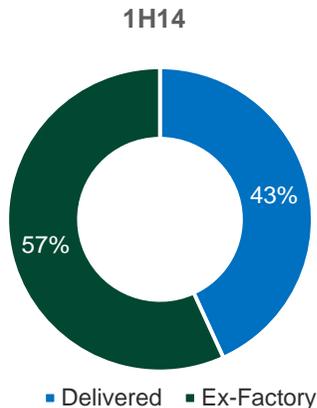
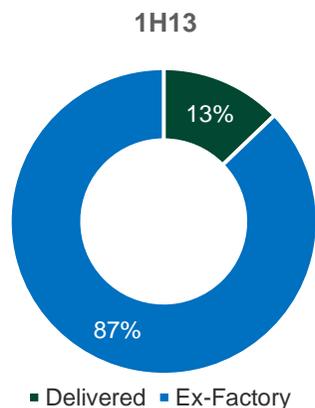
Sales Overview

Quantities Breakdown

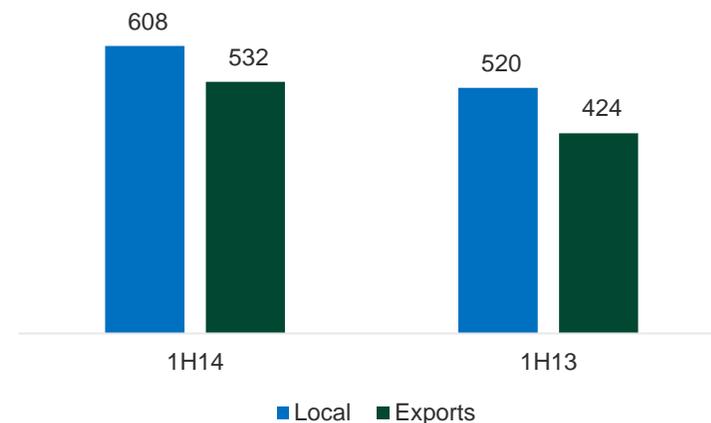
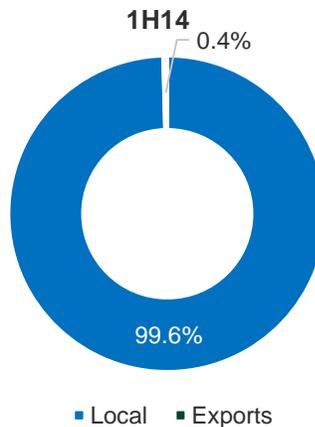
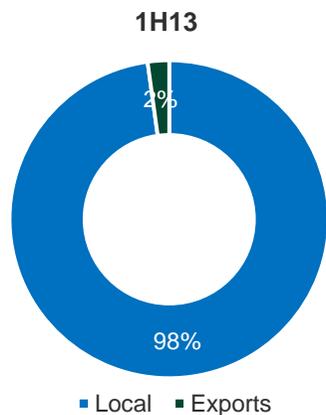
Quantities Breakdown

Prices (EGP/ton)

Breakdown by Point of Sale



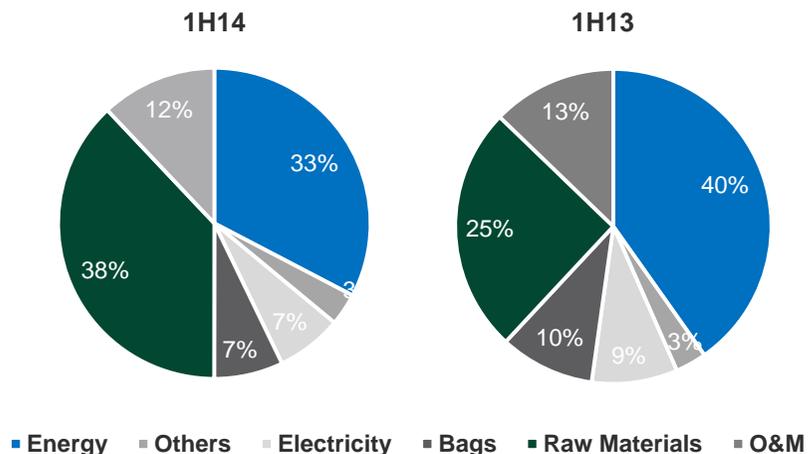
Breakdown by Market



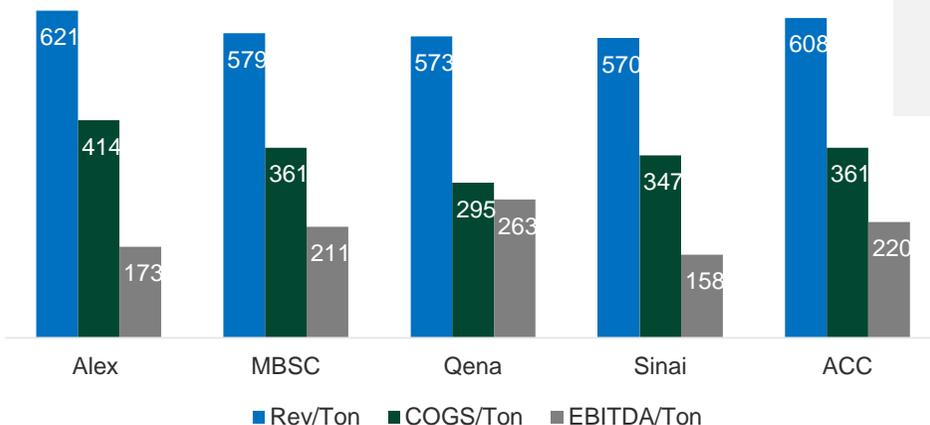
COGS Overview

COGS and ACC Cost Advantages

COGS Breakdown



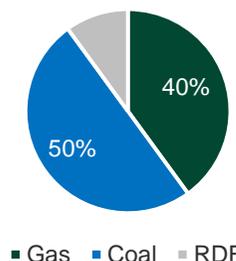
ACC & Competition (EGP/ton)



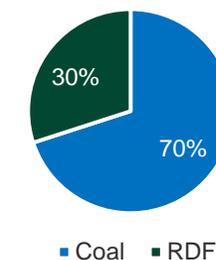
ACC Cost Advantages

- Moving ahead of other industry players, ACC has embarked on an alternative energy investment with aims to offer ACC the ability to substitute up to 100% of its energy needs by end of Q1 2015.
- **RDF:**
 - The Company started using RDF in November 2013.
 - Currently the company uses RDF to generate 10% of its energy requirements, to reach 30% by end of Q1 2015 when the 2nd RDF line is fully operational.
 - Other than ACC, Italcementi, Cemex and Lafarge are currently using RDF to generate part of their energy needs.
- **Coal:**
 - The company is now in the solid fuels commissioning phase, substituting around 50% of energy needs. The company is targeting end of Q3 2014 to substitute 70% of energy needs.
 - Coal is imported from Dekhiela port in Alexandria, Sokhna port has not been permitted to import coal yet.
 - Lafarge is the only producer substituting part of its energy requirements through coal. Others are in the process of contracting and installing the necessary equipment to start using coal.

Current Fuel Mix

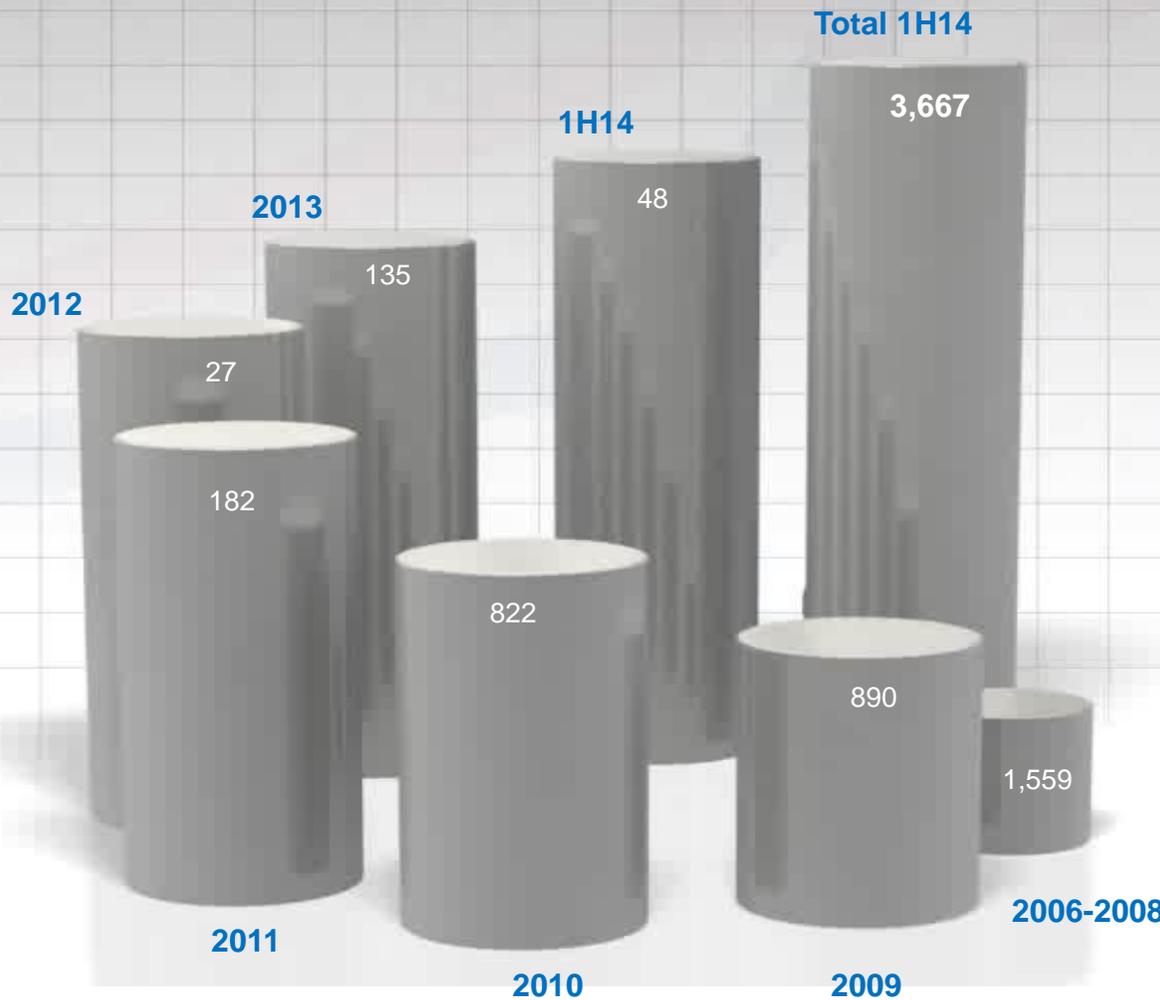


1Q15 Fuel Mix

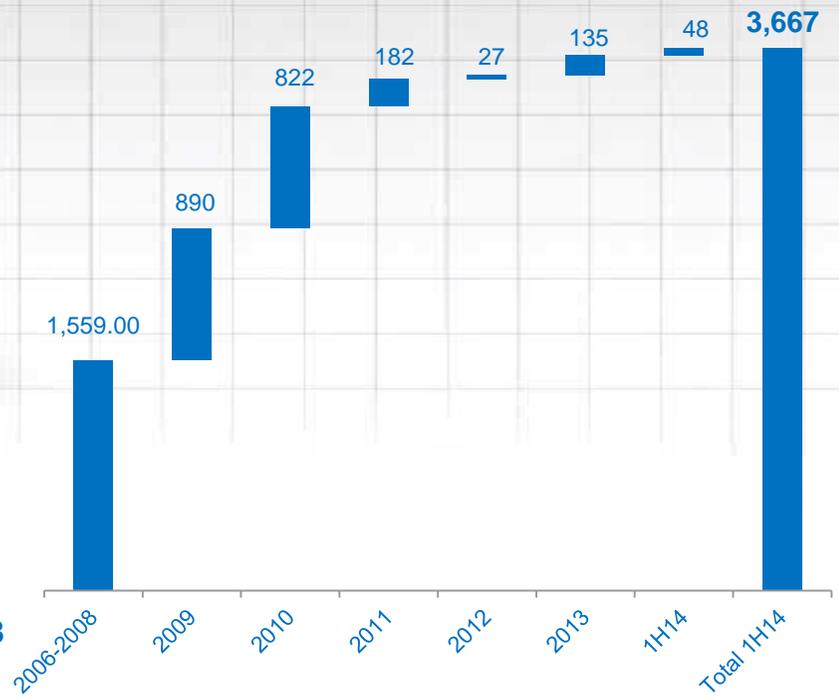


CAPEX Overview

CAPEX (MNEGP)



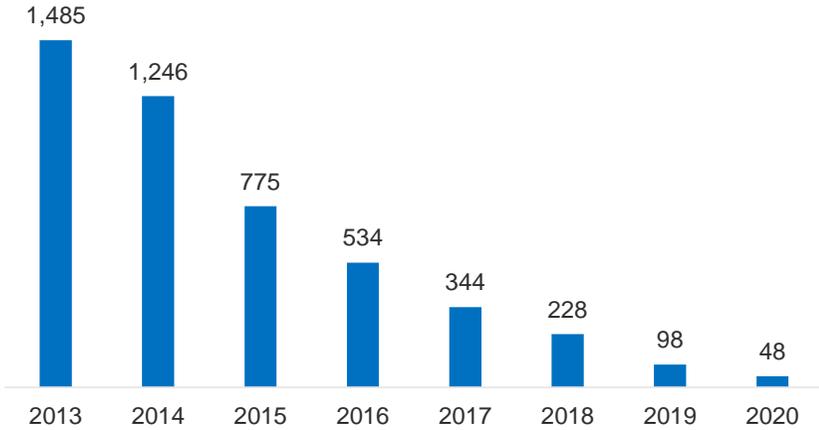
- The company has paid EGP40 for CAPEX during 1H14 and expected to pay around the same amount till year-end. In 2015 the company is expected to pay EGP15.
- Going forward, maintenance CAPEX is included in the O&M fees per ton that the company pays. Yet, the company pays non operational maintenance CAPEX of around EGP5mn annually.



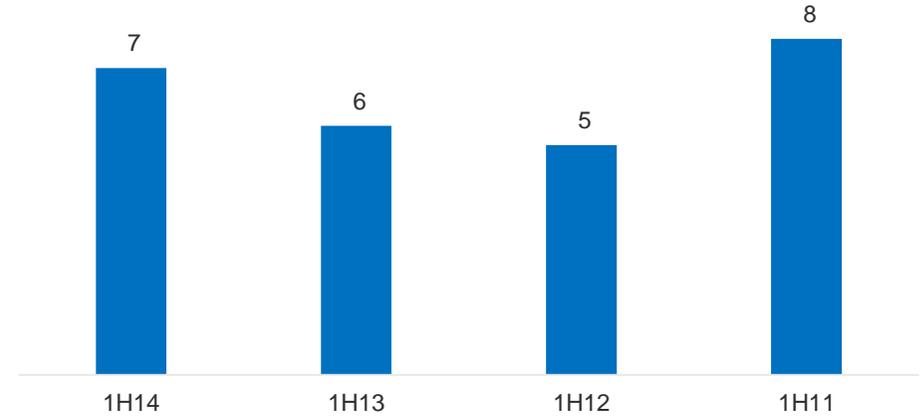
Outstanding Debt

Debt

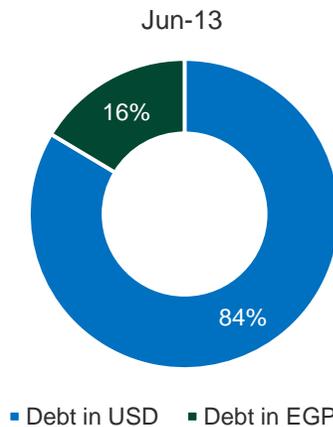
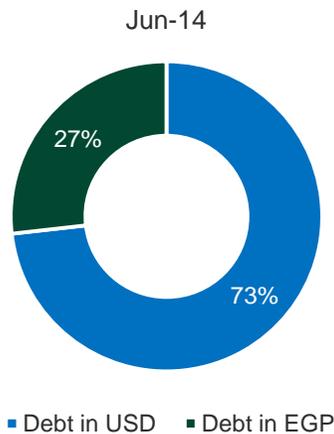
Outstanding Debt (Thousand EGP)



Interest Coverage Ratio



Loans Structure (EGP vs. USD)

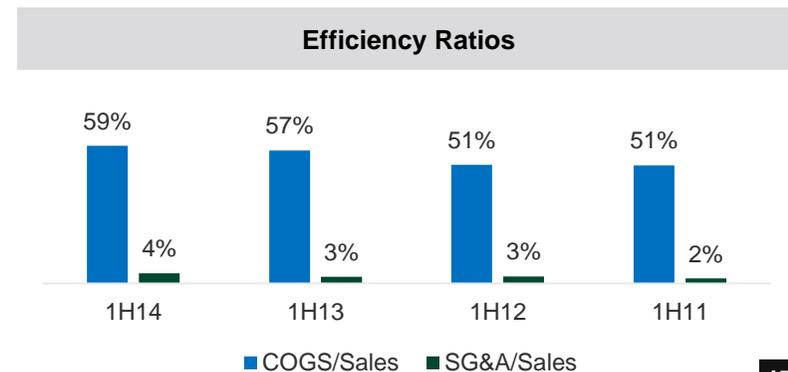
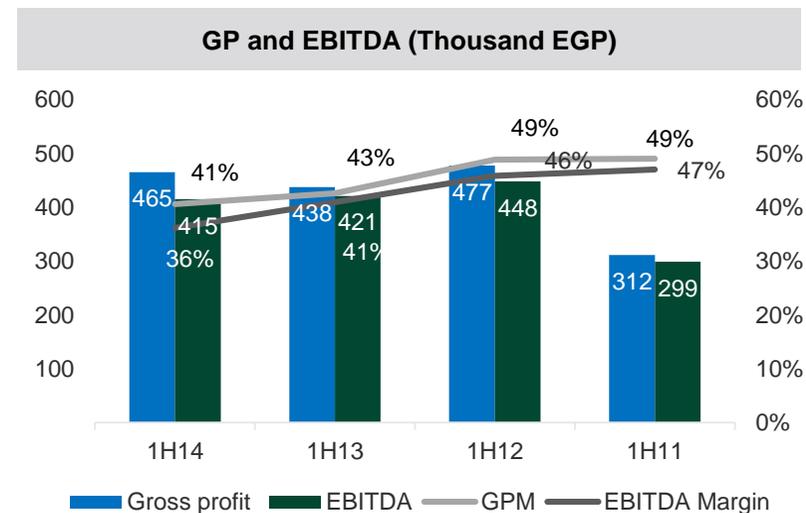


1H14 Financials Review

Income Statement

MN EGP	1H14	1H13	2013	2012	2011
Revenue	1,146	1,028	2,064	1,854	1,354
Cost of goods sold	-681	-591	-1,190	-1,001	-768
Gross profit	465	438	874	852	586
GPM	41%	43%	42%	46%	43%
SG&A Expenses	-51	-30	-74	-60	-34
Other income		13	14	6	3
EBITDA	415	421	814	798	555
EBITDA Margin	36%	41%	39%	43%	41%
Depreciation & Amortization	-94	-93	-188	-186	-124
EBIT	320	328	626	613	431
EBIT Margin	28%	32%	30%	33%	32%
Foreign exchange	-25	-75	-69	-40	-40
Loan interest expense	-18	-31	-62	-75	-37
Operating license interest expense	-23	-23	-45	-45	-45
Electricity agreement interest expense	-6	-6	-12	-12	-12
Long-term notes payables	-1				
Interest income		1	1	3	1
Finance cost, net	-72	-134	-187	-169	-133
Net profit before tax	249	194	439	443	298
PBT Margin	22%	19%	21%	24%	22%
Deferred tax	-74	-10	-20	-44	-148
Income tax expense	-68				
Net profit	107	185	419	399	151
NPM	9%	18%	20%	22%	11%

- ACC average prices increased by 17% compared to the previous period, thus pushing cement revenues 11% up.
- Cost per ton increased by 17%, driven by the increase in costs of raw materials, fuels and packaging.
- G&A increased due to an increase in advertising expenses and the one-off IPO fees.
- The amendment of the tax law in Egypt that resulted in an increase of the tax rate by 5%. Accordingly, income tax expense increased by the additional 5%. Also, deferred tax liability recorded 74MM EGP.

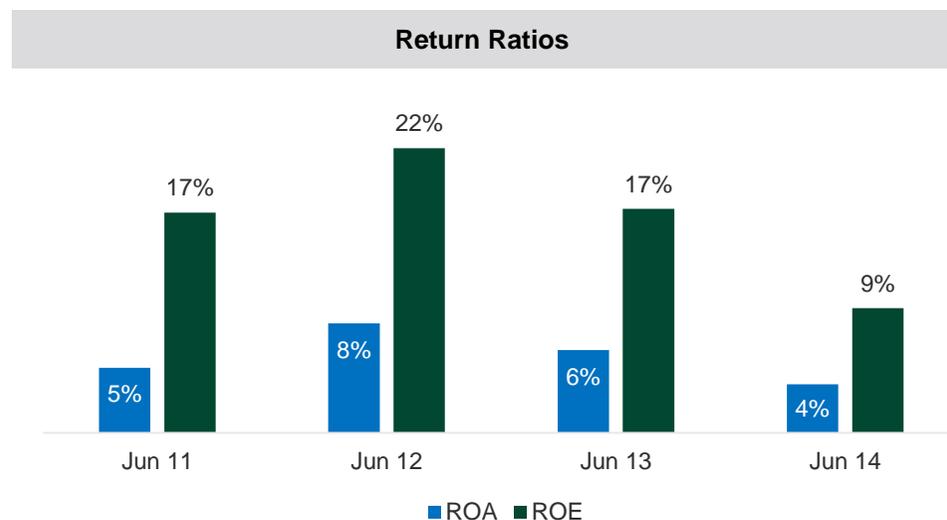
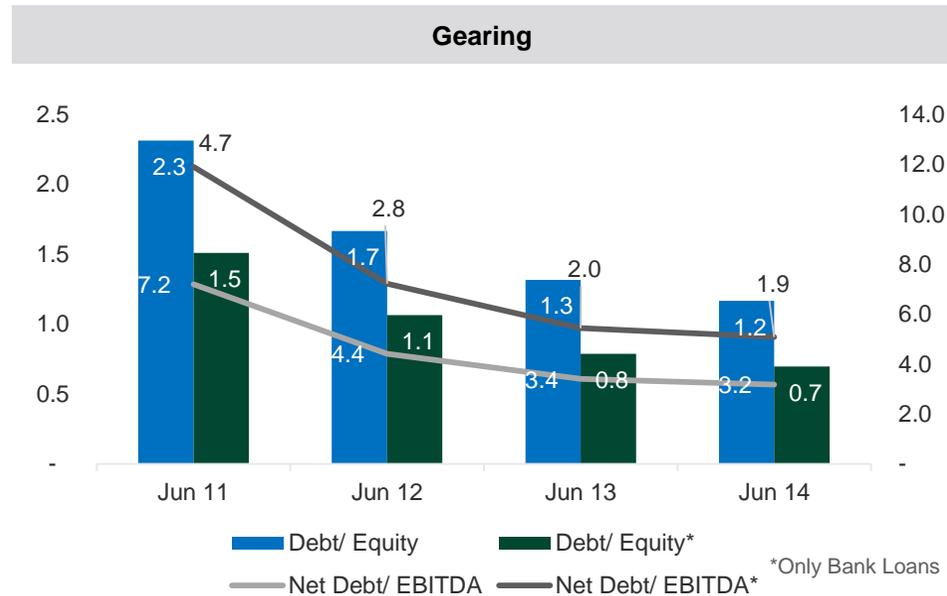


2011 figures are not directly comparable to 2012-2013 figures since the two production lines were only fully operational in 2012 and 2013; prior to that ACC sold clinker only in 2009 and sold part of its production in 2010 and 2011 as clinker

1H14 Financials Review

Balance Sheet

MN EGP	1H14	2013	2012	2011
Assets				
Non-current Assets				
Property plant and equipment, net	2,618	2,647	2,324	2,928
Projects under construction	123	138	9	12
Intangible assets	143	154	649	199
Investment in subsidiaries	9	9	9	
Payments under long-term investment				
Total Non-current Assets	2,894	2,949	2,991	3,140
Current Assets				
Inventory	137	96	67	63
Debtors and other debit balances	246	35	334	254
Due from related parties	17	17	11	6
Cash and bank balances	192	158	161	101
Total Current Assets	591	307	574	423
Current Liabilities				
Provisions	7	7	1	1
Current tax liabilities	68	1		
Trade payables and other credit balances	475	314	241	208
Due to related parties		2	1	1
Borrowings - short term portions	338	338	347	320
Short-term liabilities	69	69	127	
Total Current Liabilities	958	731	716	530
Net (Deficit) Surplus in Working Capital	-366	-425	-143	-106
Total Invested Funds	2,527	2,524	2,848	3,034
Represented in:				
Equity				
Paid up capital	757	757	757	757
Legal reserve	130	119	37	37
Retained earnings	245	213		136
Net profit for the period			399	
Total Equity	1,133	1,089	1,194	930
Non-current Liabilities				
Borrowings - long term portions	449	521	788	1,083
Deferred income tax liability	412	337	317	273
Long-term liabilities	533	577	550	748
Total Non-current Liabilities	1,394	1,434	1,655	2,104
Total Equity and Non-current Liabilities	2,527	2,524	2,848	3,034

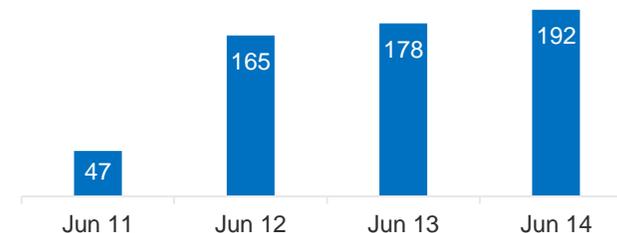


1H14 Financials Review

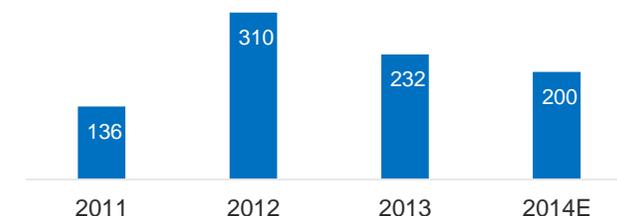
Cash Flow Statement

MN EGP	1H14	1H13	2013	2012	2011
Cash flows from operating activities					
Net profit before tax	249	194	439	443	298
Interest income		-1	-1	-3	-1
Interest expense	47	60	120	132	94
Depreciation expense	83	82	165	163	107
Amortization of intangible assets	11	11	23	23	16
Gain from sale of property plant and equipment				1	
Provision	1		6		
	391	346	751	760	515
Changes in working capital					
Debtors and other debit balances	-44	-154	3	-19	62
Inventory, net	-41	-7	-29	-4	-10
Trade payables and other credit balances	-11	29	21	50	27
Due from related parties		-6	-7	-5	
Tax paid	-1				
Due to related parties	3	-1	1	-1	-21
Net cash from operating activities	297	209	740	781	572
Cash flows from investing activities					
Interest income		1	1	3	1
Purchase of property, plant and equipment	-5	-5	-9	-8	-38
Additions in projects under construction	-34	-12	-80	-21	-166
Payments under long-term investments				-9	
Net cash flows used in investing activities	-39	-16	-88	-35	-203
Cash flows from financing activities					
Payments of license liability	-44	-33	-68	-87	
Payments of borrowings	-71	-84	-276	-268	-176
Interest paid	-47	-60	-120	-132	-90
Dividends paid	-63		-192	-198	-102
Net cash flows from financing activities	-225	-177	-656	-685	-369
Net increase (decrease) in cash and cash equivalents	33	17	-3	60	1
Cash and cash equivalents at beginning of the year	158	161	161	101	100
Cash and cash equivalents at end of the period	191	178	158	161	101

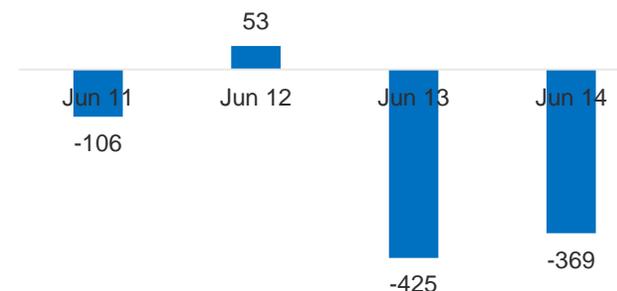
Cash (EGP mn)



Dividends (EGP mn)



Working Capital (EGP mn)





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Future Ready

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