



Arabian Cement Company

FY 2017 Investors Presentation

Highlights



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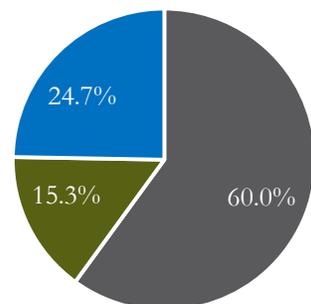
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Introduction to ACC

ACC in a Snapshot

- The company operations started in 2008 and ACC 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 6.9% as of FY 2017.
- ACC’s operations include the production of clinker, production and sale of high quality cement.
- The Company outsources its manufacturing through an operational management contract with FLSmidth.
- ACC has adopted and implemented quality, environment and safety management systems, complying with the requirements of the international standards ISO 9001:2008, ISO 14001:2004 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.
- ACC has been also the first cement company in obtaining the Energy Management certificate ISO 50001:2011 at the beginning of 2016 and not obtained by any other Egyptian competitor yet.

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

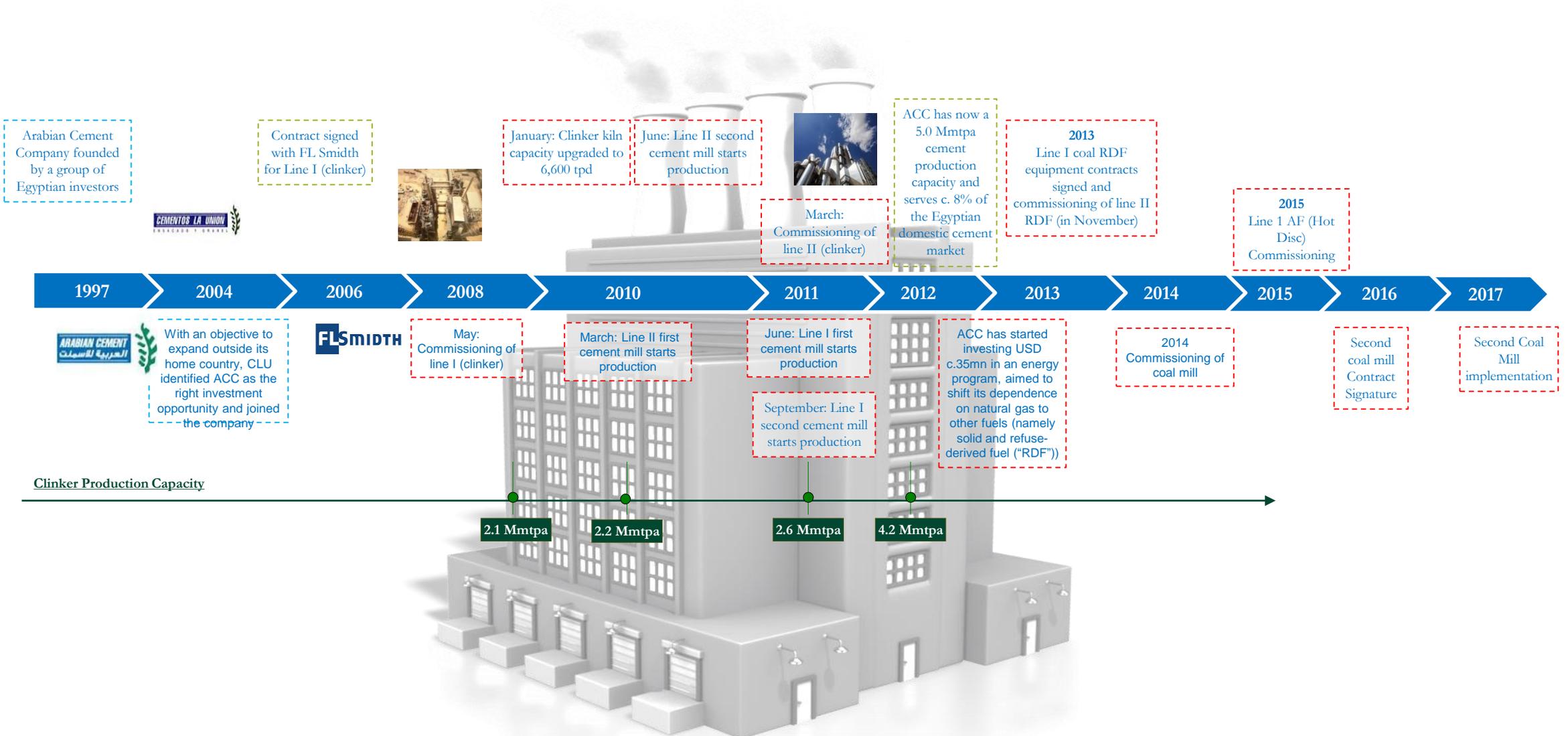
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

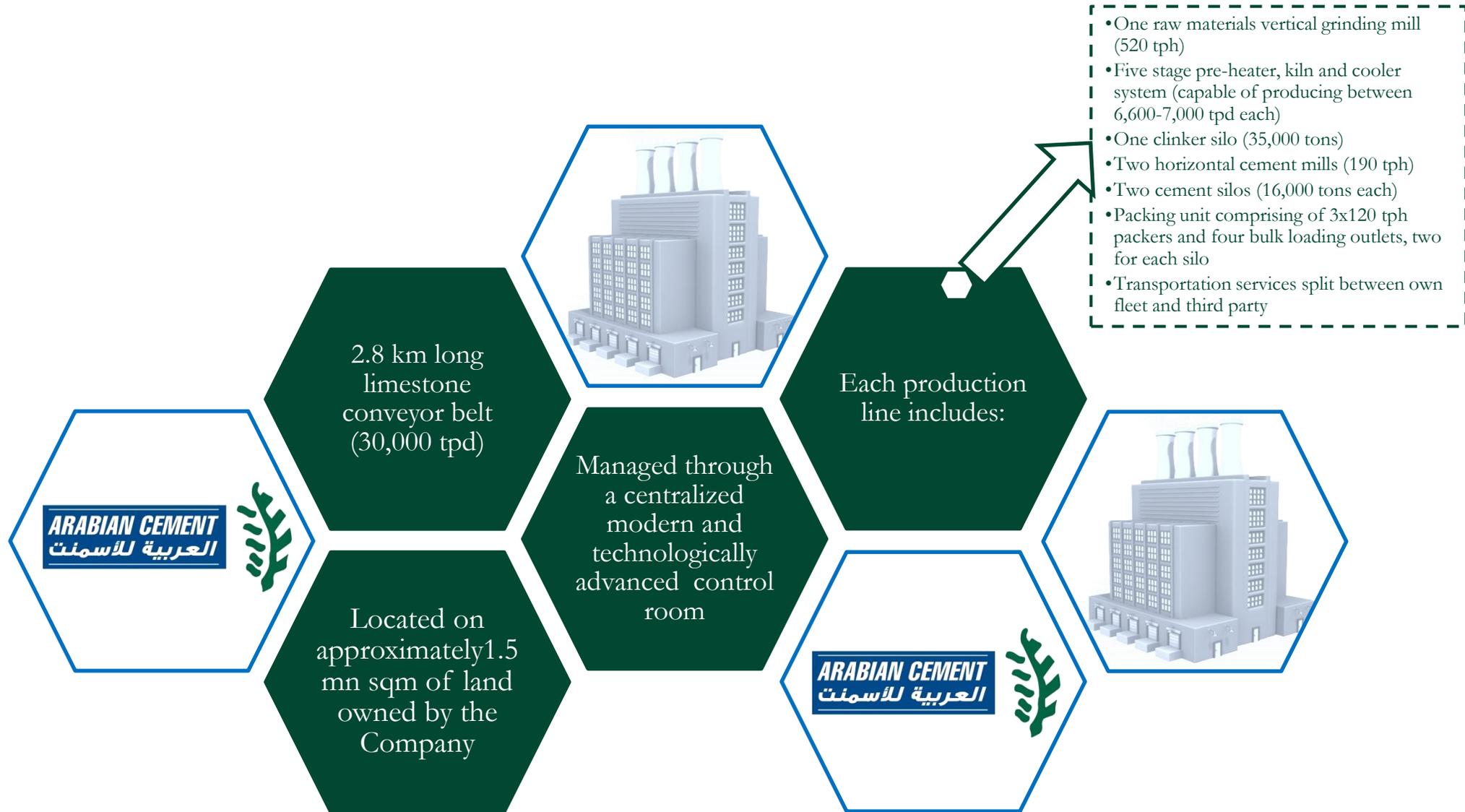
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information



Sergio Alcantarilla

Chief Executive Officer



Mr. Alcantarilla is graduated from the Superior Industrial Engineering School in the University of Seville (Spain). He spent some time sharing his studies and Final Project, passed with Cum Laude, with works in different departments of the Engineering School, where he published articles related to energy generation with biomass in international magazines. In 2002, he started his career in the cement industry and, since then, has participated practically in all fields of the business' technical side. After more than five years as Plant Manager in Spain, he moved to Egypt in 2009 to form part of the Company's Management, first as Plant Manager and later on, from mid-2012, as Chief Operation Officer. The Company's strengthening performance since the start of cement commercialization is a direct reflection of his passion for optimization and operational excellence. Mr. Alcantarilla participated actively in the preparation phase of Arabian Cement Company IPO. In 2015, Mr. Alcantarilla was Executive MBA graduated, with honors, from the IE Business School, Madrid, and shortly after, in August 2016, became CEO of Arabian Cement Company.



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.



Sameh Saleh

Chief Operations Officer

Mr. Saleh has 23 years of experience in the Egyptian cement industry. He joined ACC 2012 as Plant Manager. Prior to that he worked for RHI as ACC consultant for the construction of its green field project starting 2005 till 2012. In 2005 he was a member of ASEC group engineering division. Mr. Saleh has diversified cement industry experience portfolio (i.e. engineering, upgrades and turnkey project management). He graduated from faculty of engineering Cairo University 1992. later on, AUC Project management diploma 2009 and last but not least, AUC Executive Master of Business Administration EMBA 2016.

Our Strategy

Medium Term Strategy

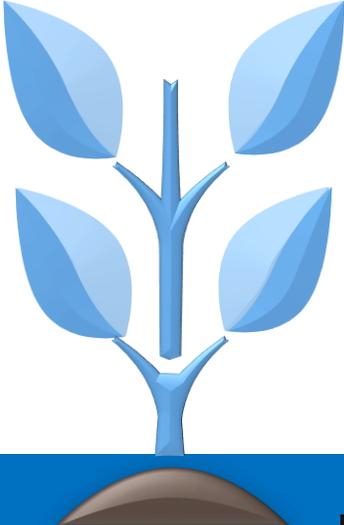
Long Term Strategy

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- Cost saving strategy



Introduction to ACC

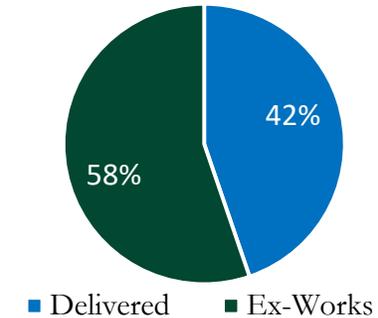
Distribution Network Overview

- In FY2017 Arabian Cement distributed through direct Ex-Factory sales and Delivery.

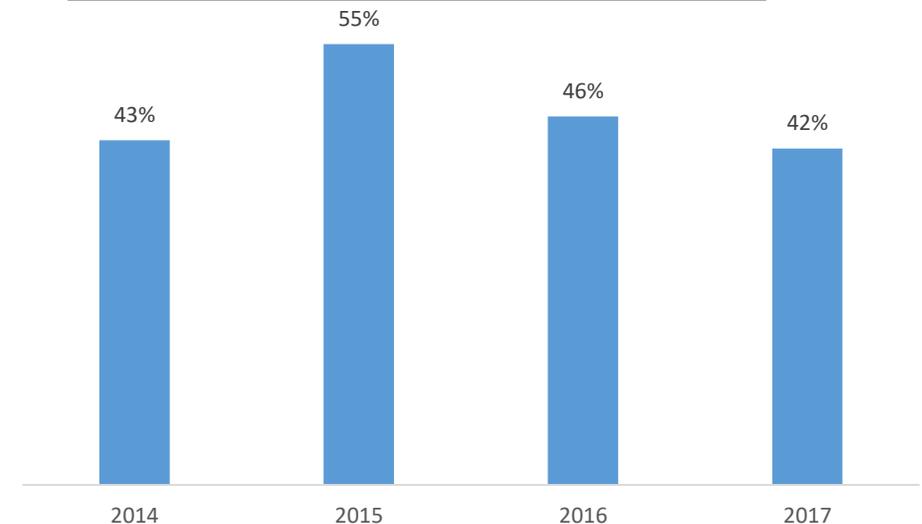
Express Wassal

- 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 has increased customer satisfaction as it allows them fast access to the Company's products at any time

FY 2017 Distribution



Delivered volumes



Period Highlights

Main Highlights



Economy

- By the end of 2016, Egypt has floated its currency in a move that has reduced its value by almost 50% against the dollar.
- The Egyptian market witnessed a GDP growth rate of 5% for FY 2017.
- Annual average inflation stood at 23.5% by the end of FY 2017. It's expected to decrease to 21.3% over FY 2018.



Production

- ACC produced 3,434K T of clinker in FY 2017 compared to 3,620K T in FY 2016.
- ACC operated at 82% clinker utilization in FY 2017 compared to 86% last year.
- Cement production reached 4.1 mn tons for 2017 with utilization rate of 88%, 3% increase y-o-y.

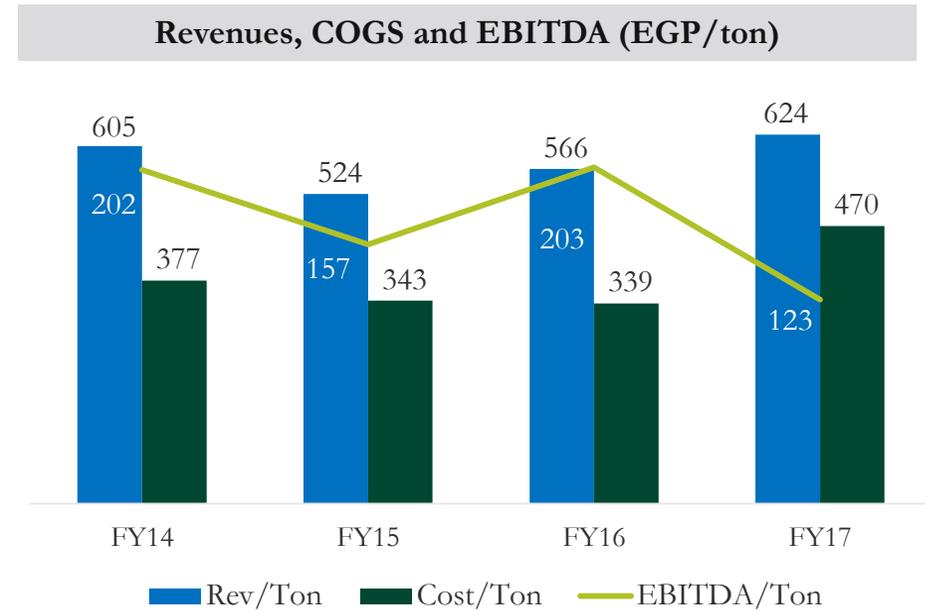
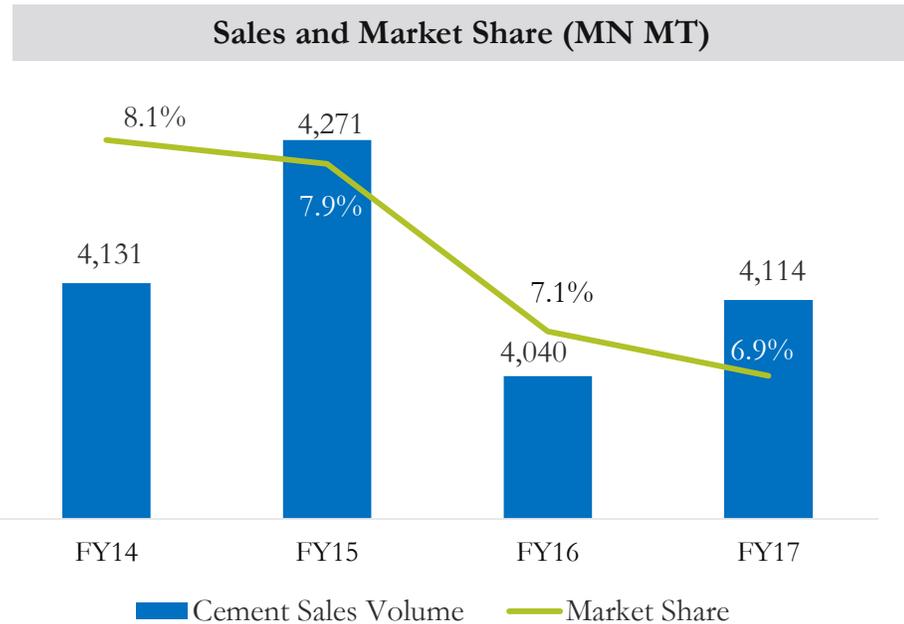
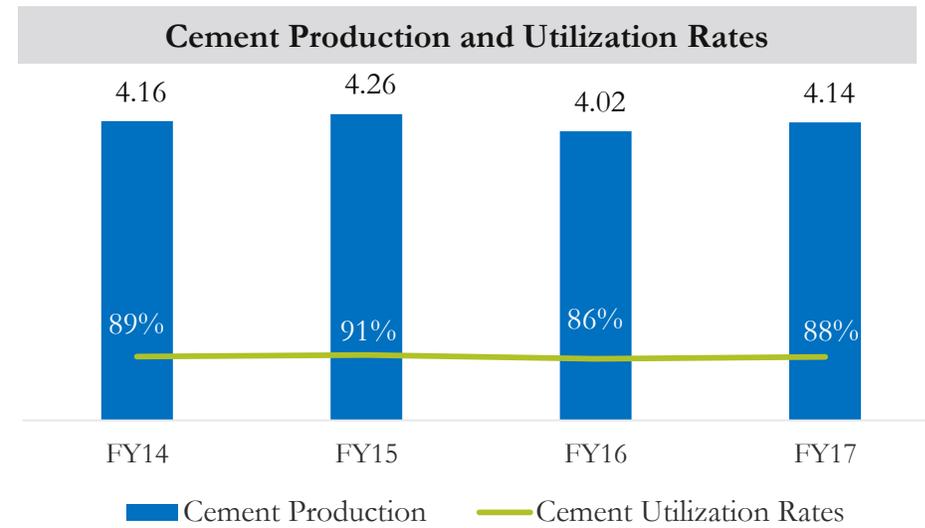
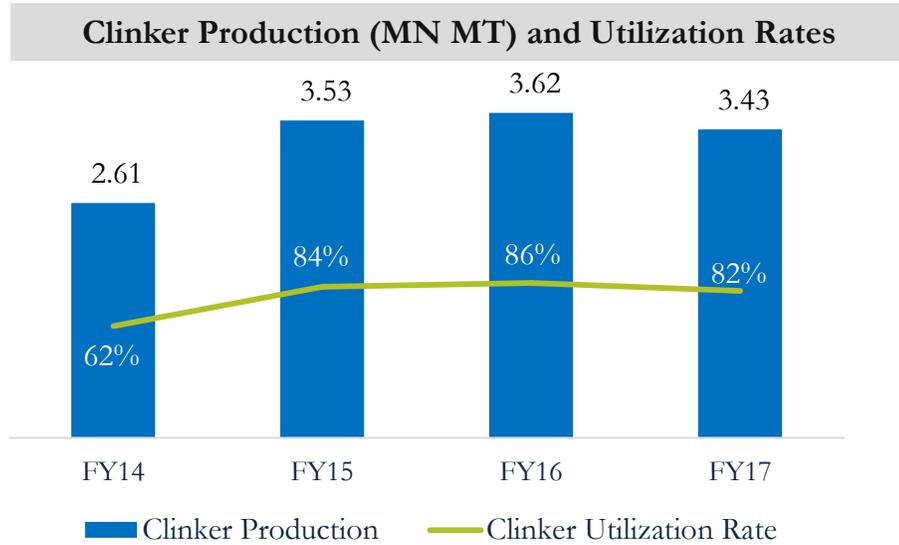


Energy

- The fuel mix in FY 2017 was 78% Coal, 11% Alternative Fuel and 11% Diesel vs 73% Coal, 11% AF and 16% Diesel in 2016.
- For 2018, the company is working to reach a fuel mix of 85% coal, 14% RDF and 1% Diesel.
- The company is working on installing second Coal mill that will be operating the 2Q2018 which will allow us to get rid of the Diesel consumption. This will support our cost advantage after cutting diesel subsidy

Period Highlights (continued)

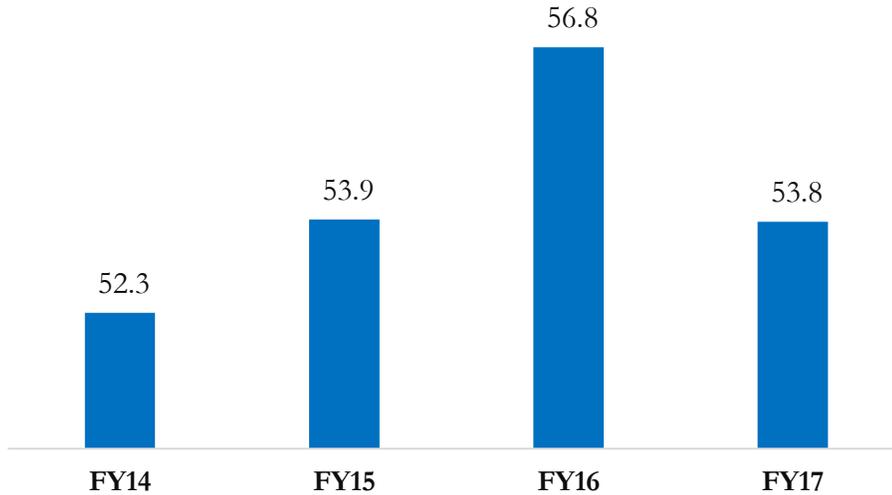
Main KPIs



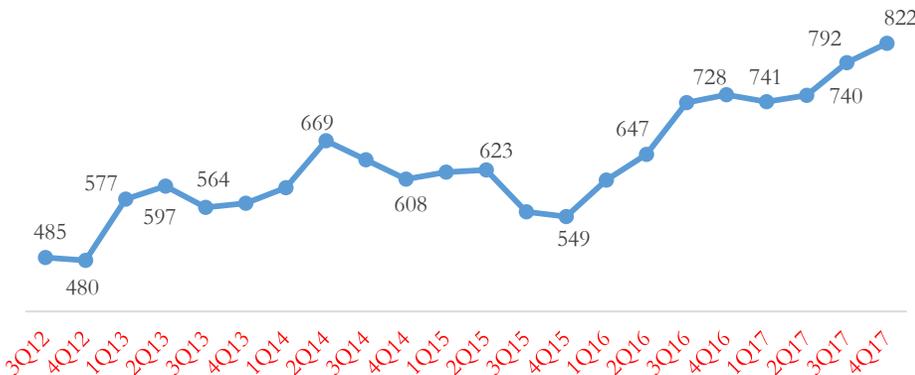
Egyptian Cement Market

Demand and Supply Synopsis

Domestic Consumption (MMT)



Average Market Retail Prices (EGP/ton)



Egyptian Market Overview

- The market is driven by local consumption, which has decreased by 4% y-o-y. Volumes are expected to go up in the coming period as demand is getting higher as well as prices. Some investment banks estimate cement demand will grow by a CAGR of 8.1% over 2016-19 vs. 2.4% over 2011-15a, driven mainly by strong GDP growth and recovery of top/down investment dynamics post-EGP flotation .

- Post Flootation Egyptian cement exports started to have a significant contribution in the market

- Residential housing demand is expected to continue to be driven by its growing population and marriage rates, ensuring a consistent demand.

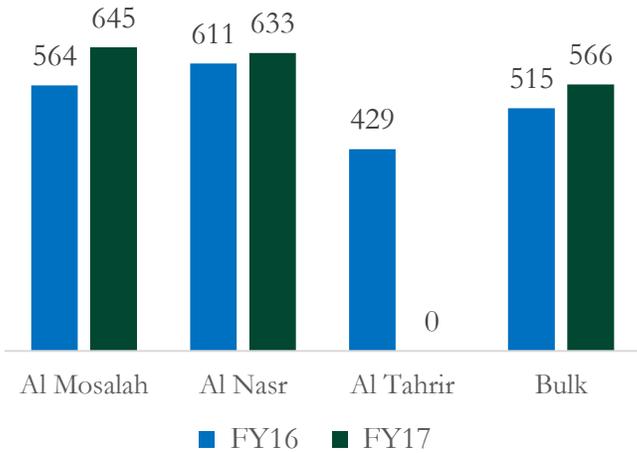
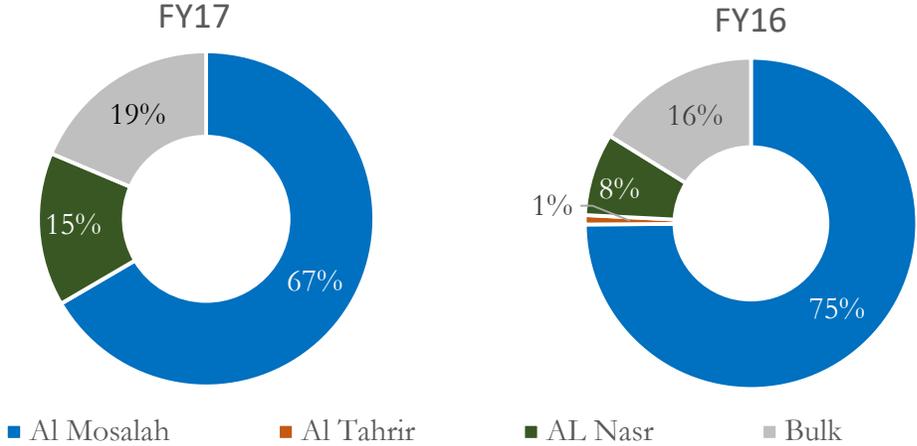
- Government is working on some mega projects like the new capital city, enhancing roads and rail infrastructure, and restructuring the energy sector.

Sales Overview

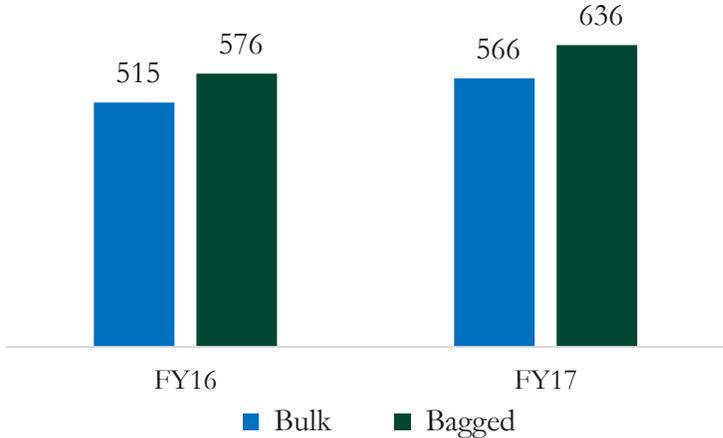
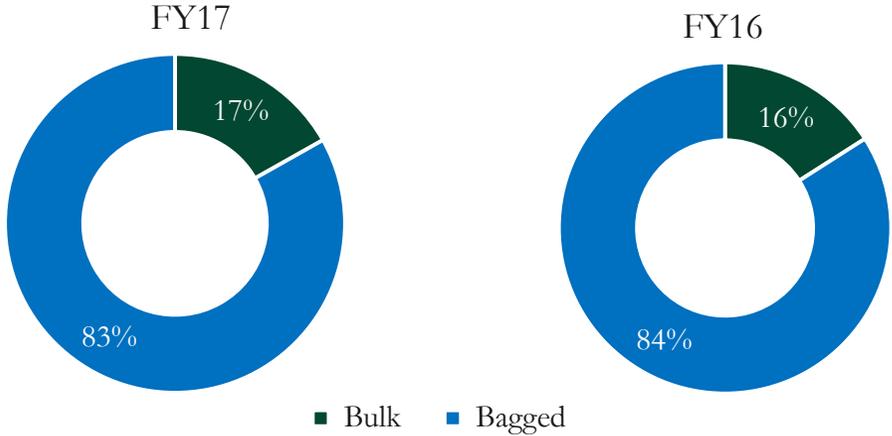
Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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Breakdown by Brand



Breakdown by Type

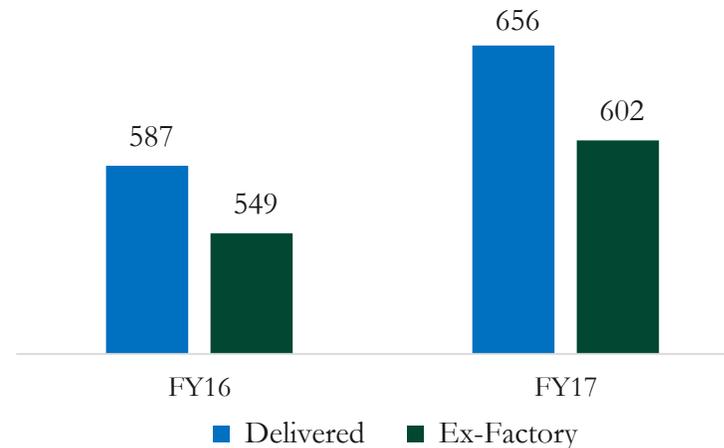
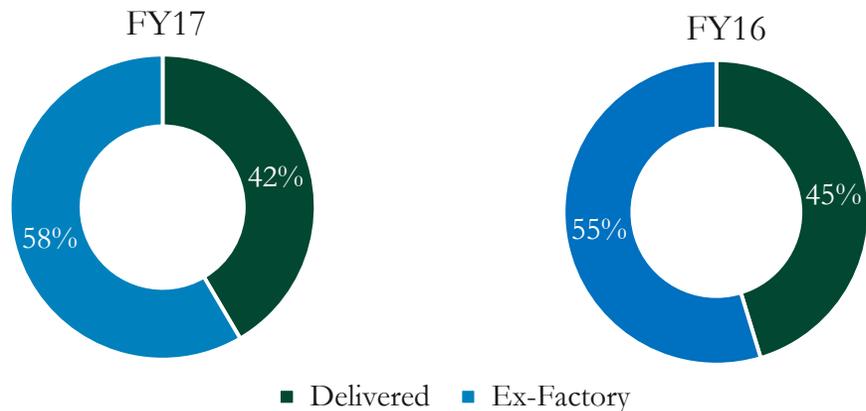


Sales Overview

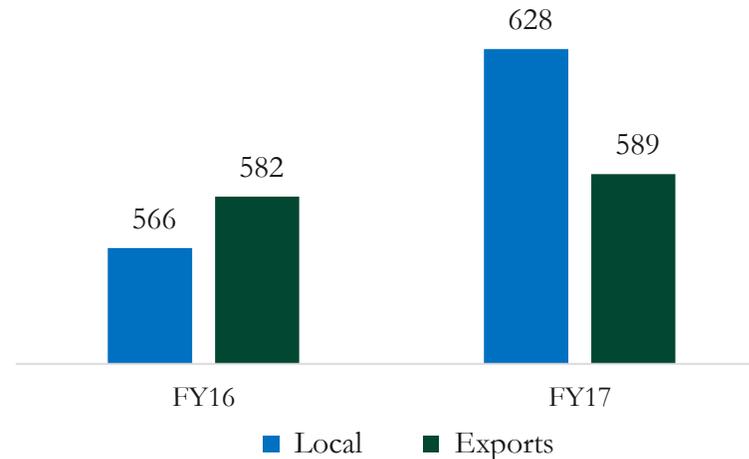
Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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Breakdown by Point of Sale



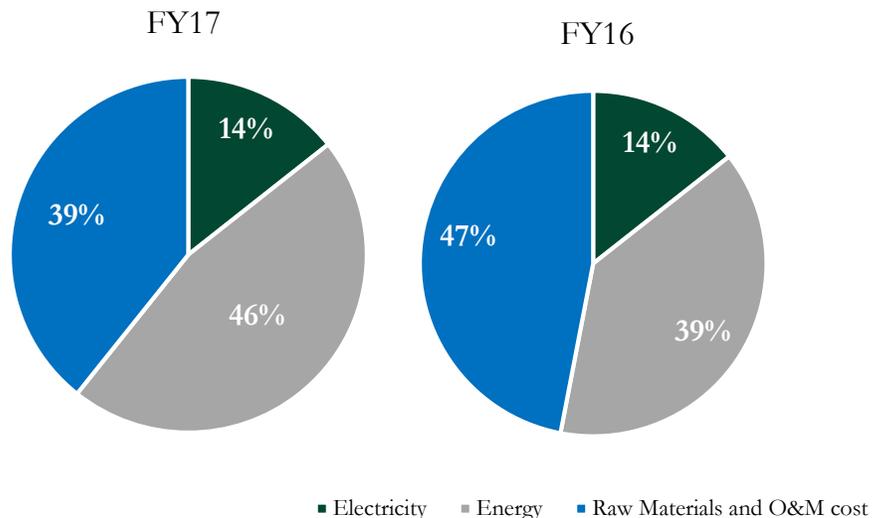
Breakdown by Market



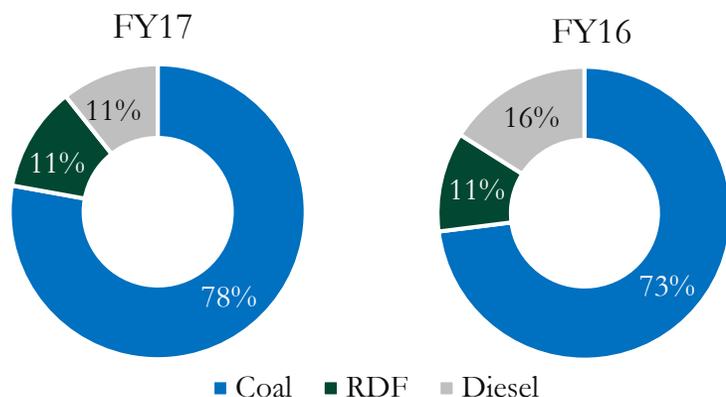
COGS Overview

COGS and ACC Cost Advantages

COGS Breakdown



Fuel Mix

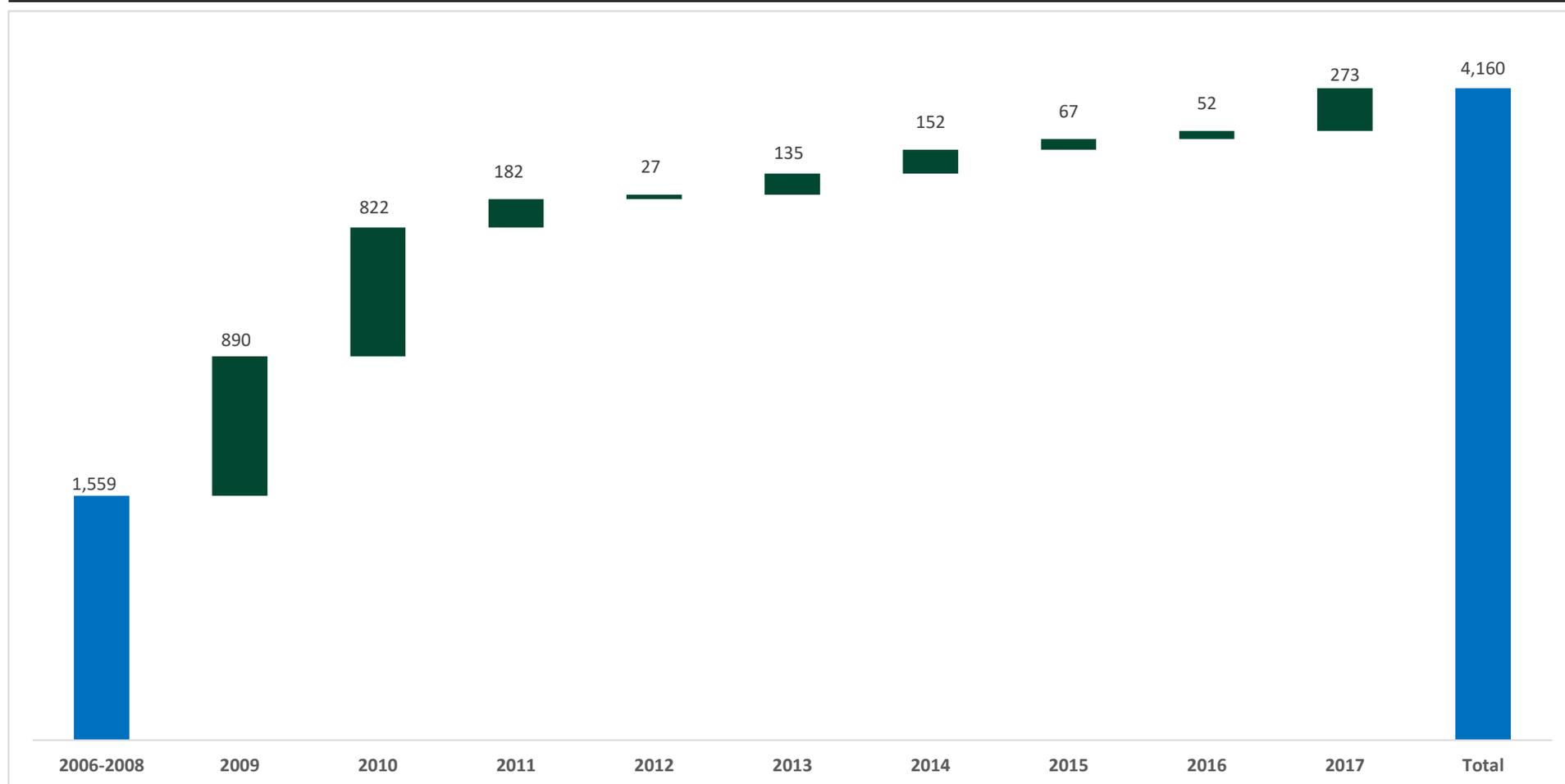


ACC Cost Advantages

- ACC started its production cost saving projects that include a second coal mill. This will enable the company to compose its fuel mix from coal and RDF only getting rid of diesel as it is getting more expensive. Also, production will be persisted if one of the coal mills is subjected to a technical problem. The company is carrying on other 2 projects; bypass dusting system project and bucket elevator. All these projects will improve our margins over the coming years.
- **RDF:**
 - The Company started using RDF in November 2013 in Line II.
 - Starting June 2015 the company started commissioning the hot disc to enable using a higher percentage of Alternative fuels in Line I, and in the total factory.
 - During 2017, the company maintained its RDF consumption at 11% of its fuel mix, the same period last year.
 - ACC is founding another sister company 'Evolve' to source part of its RDF needs.
- **Coal:**
 - After the implementation of the second coal mill, the company has the technical capability to substitute > 100% of energy needs through coal however our aim is to reach to 82% Coal and 18% through RDF.

CAPEX Overview

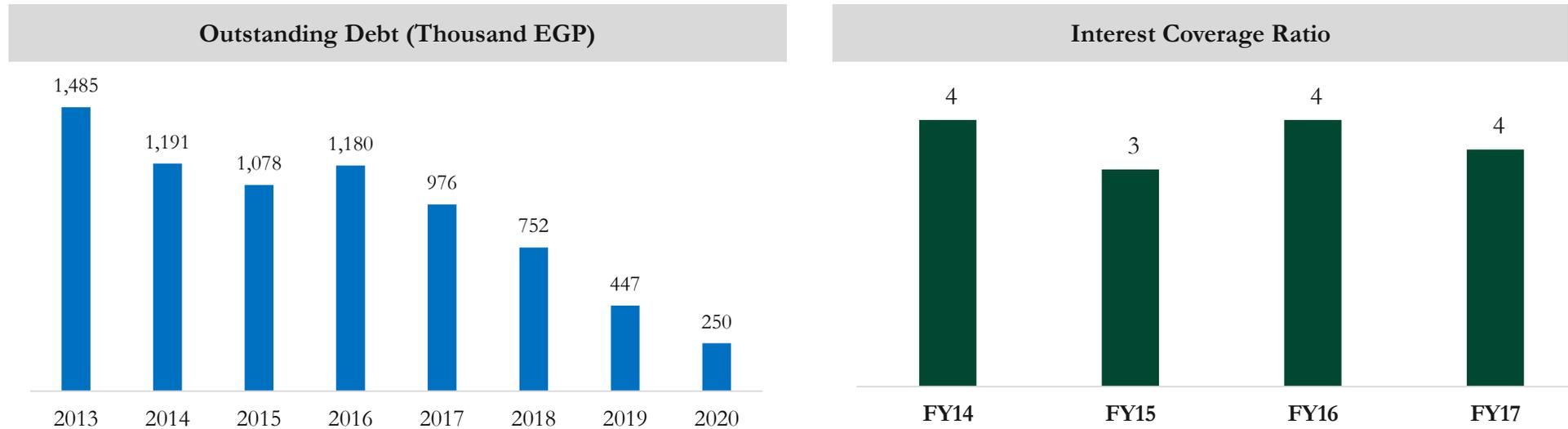
CAPEX (MN EGP)



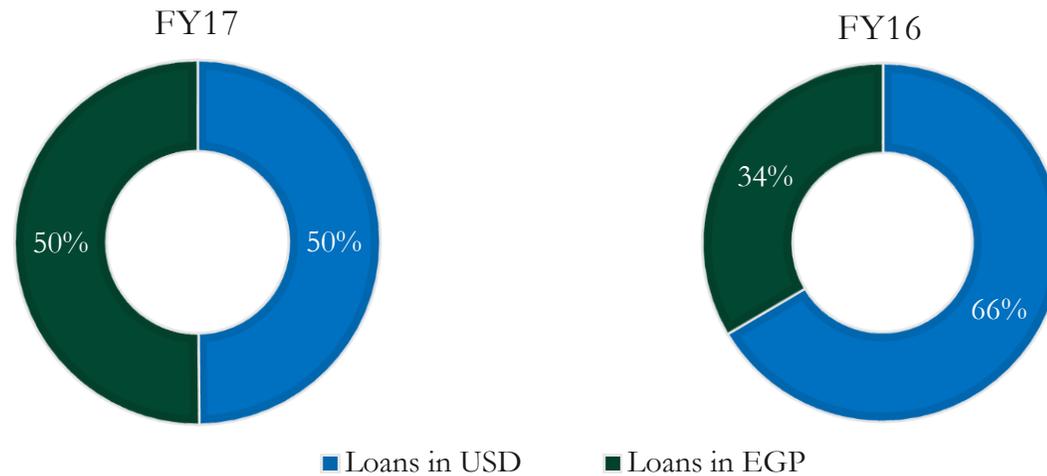
- Total CAPEX for 2017 is higher than normal due to the implementation of our cost savings projects (Second Coal mill mainly).

Debt

Outstanding Debt & Debt Structure



Debt Structure (EGP vs. USD)

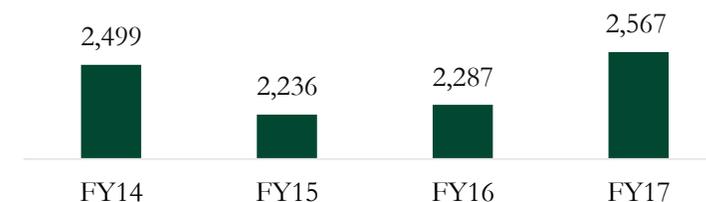


FY17 Financials Review

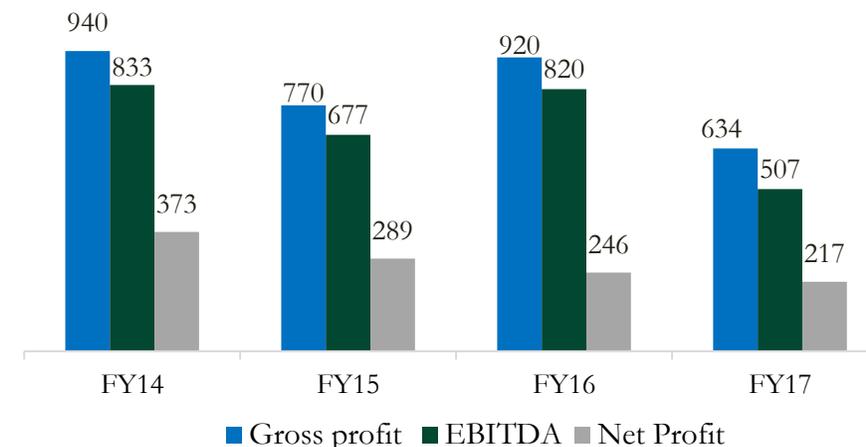
Income Statement

MN EGP	FY14	FY15	FY16	FY17
Revenue	2,499	2,236	2,287	2,567
Cost of goods sold	1,559	1,466	1,368	1,933
Gross profit	940	770	920	634
GPM	38%	34%	40%	25%
SG&A Expenses	106	93	99	127
EBITDA	833	677	820	507
EBITDA Margin	33%	30%	36%	20%
Other income	-1	-8	14	-6
Depreciation & Amortization	191	197	204	235
EBIT	642	472	630	266
EBIT Margin	26%	21%	28%	10%
Foreign exchange	26	44	246	-31
Loss/gain on disposal of PPE		.3	-7	
Finance cost, net	94	90	7	103
Net Profit Before Tax	522	339	370	194
NPBT Margin	21%	15%	16%	8%
Deferred tax	14	-22	10	-3
Income tax expense	135	72	115	-21
Net Profit	373	289	246	217
NPM	15%	13%	11%	8%

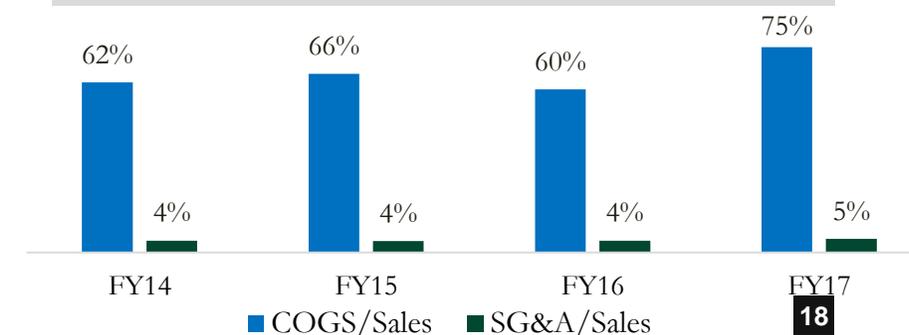
Revenues (Thousand EGP)



GP, EBITDA & Net Profit (Thousand EGP)



Efficiency Ratios

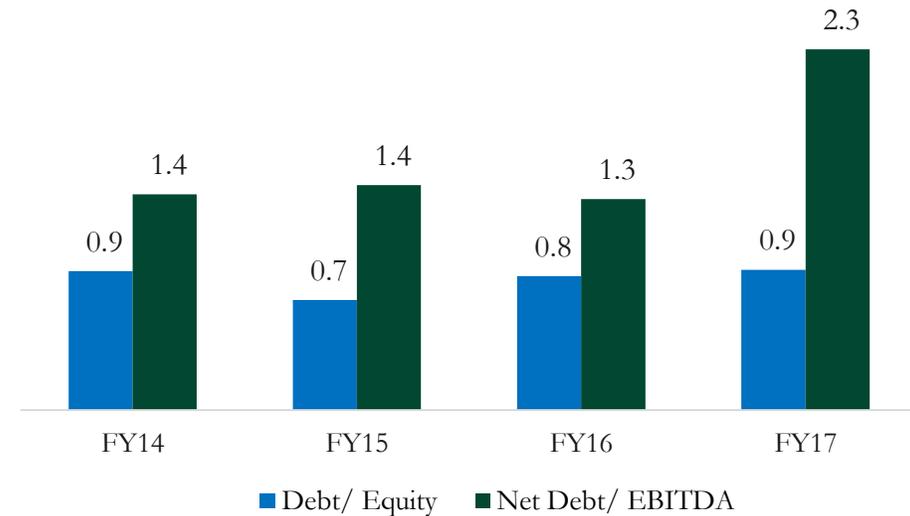


FY17 Financials Review

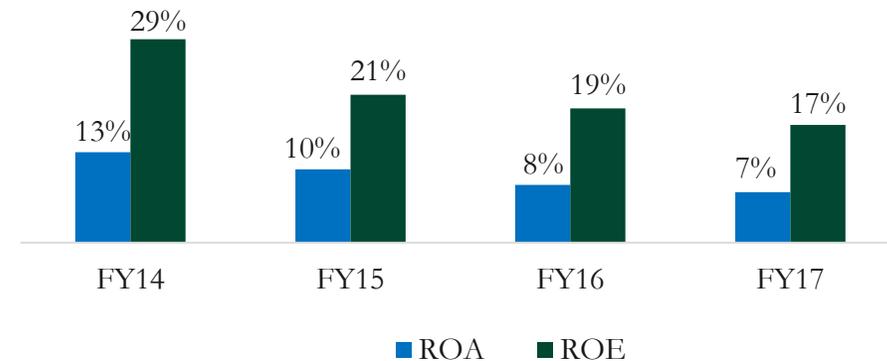
Balance Sheet

MN EGP	FY14	FY15	FY16	FY17
Assets				
Non-current Assets				
Property plant and equipment, net	2,665	2,534	2,877	2,356
Projects under construction	98	125	18	249
Intangible assets	132	109	87	396
Investment in subsidiaries	9	21	21	38
Payments under long-term investment				
Total Non-current Assets	2,905	2,789	3,003	3,039
Current Assets				
Inventory	201	196	276	253
Debtors and other debit balances	48	59	103	78
Due from related parties	17	15	13	9
Cash and bank balances	156	365	130	117
Total Current Assets	423	634	523	457
Current Liabilities				
Provisions	9	16	9	16
Current tax liabilities	135	72	116	
Trade payables and other credit balances	324	522	518	559
Due to related parties	6	52	8	8
Borrowings - short term portions	294	206	436	458
Short-term liabilities	69	86	146	114
Total Current Liabilities	837	955	1,235	1,155
Net (Deficit) Surplus in Working Capital	-414	-320	-712	-698
Total Invested Funds	2,490	2,469	2,291	2,342
Equity				
Paid up capital	757	757	757	757
Legal reserve	129	156	185	210
Retained earnings	408	468	350	337
Total Equity	1,295	1,382	1,292	1,305
Non-current Liabilities				
Borrowings - long term portions	342	358	464	601
Deferred income tax liability	351	329	339	336
Long-term liabilities	503	400	196	100
Total Non-current Liabilities	1,195	1,087	998	1,037
Total Equity and Non-current Liabilities	2,490	2,469	2,291	2,342

Gearing



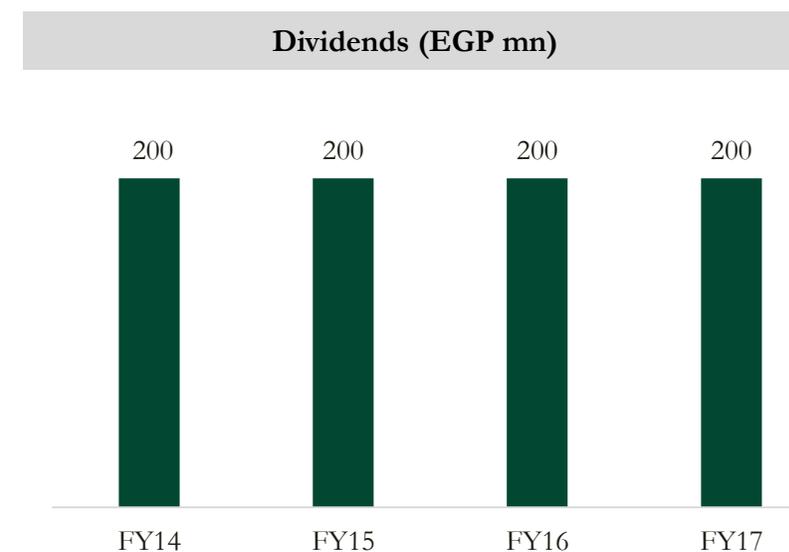
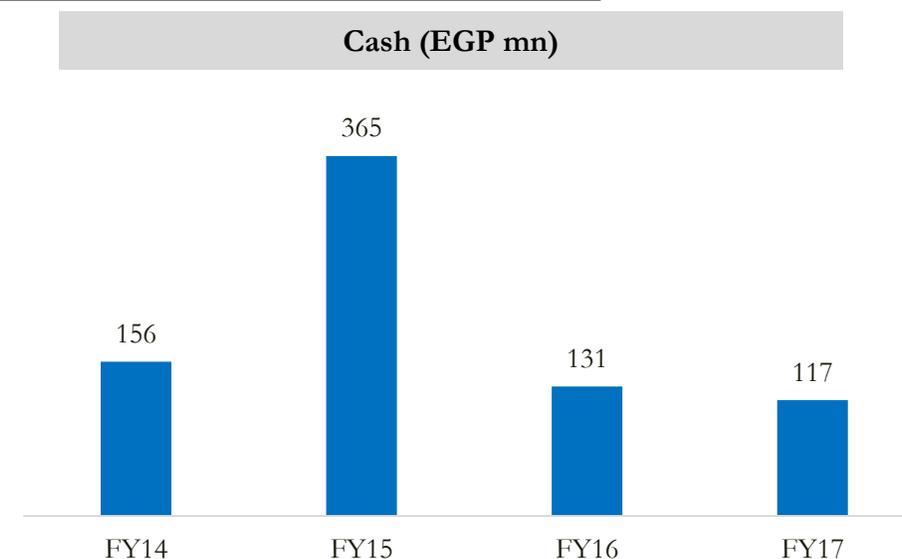
Return Ratios



FY17 Financials Review

Cash Flow Statement

MN EGP	FY14	FY15	FY16	FY17
Cash flows from operating activities				
Net profit before tax	522.0	339.0	370.0	194.1
Interest income	-1.0	-3.0	-7.0	-4.6
Interest expense	95.0	131.0	-39.6	-9.2
Depreciation expense	168.0	174.0	182.0	184.0
Amortization of intangible assets	23.0	23.0	23.0	50.6
Gain from sale of property plant and equipment	0.0	-0.1	7.3	-0.3
Dividends from joint venture	0.0	-0.1	0.0	0.0
Net Foreign exchange (Profit) / loss	12.7	41.8	33.2	-21.9
Provision	2.0	7.0	-7.7	6.5
Changes in working capital	821.7	712.6	561.2	399.2
Debtors and other debit balances	-1.0	-11.0	-33.3	22.8
Inventory, net	-105.0	5.0	-112.0	23.5
Trade payables and other credit balances	31.0	177.0	-5.0	56.0
Due from related parties	-0.1	2.0	1.0	4.1
Tax paid	-0.1	-131.0	-67.0	-93.7
Due to related parties	3.0	0.6	44.0	-0.6
Net cash from operating activities	749.5	755.2	388.9	411.3
Cash flows from investing activities				
Proceeds from dividends from joint venture	0.0	0.1	0.0	0.0
Proceeds from sale of assets	0.0	0.2	7.0	0.3
Interest income	1.0	3.0	7.0	4.6
Purchase of property, plant and equipment	-23.0	-16.0	-13.0	-13.1
Additions in projects under construction	-124.0	-53.0	-22.0	-242.1
Payments under long-term investments	0.0	-11.9	-0.2	-16.3
Net cash flows used in investing activities	-146.0	-77.6	-21.2	-266.6
Cash flows from financing activities				
Payments of license liability	-74.0	-78.0	-104.0	-135.1
Payments of borrowings	-223.0	-114.0	-270.0	-45.1
Interest paid	-95.0	-78.0		
Dividends paid	-201.0	-157.0	-205.0	-205.2
Proceeds from bank overdraft	0.0	0.0	64.0	226.2
Net cash flows from financing activities	-593.0	-427.0	-515.0	-159.2
Net increase (decrease) in cash and cash equivalents	-1.9	208.7	-234.0	-13.3
Cash and cash equivalents at beginning of the year	158.0	156.0	365.0	130.5
Cash and cash equivalents at end of the period	156.1	364.7	131.0	117.2





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