



Arabian Cement Company

Q1 2017 Investors Presentation

Highlights



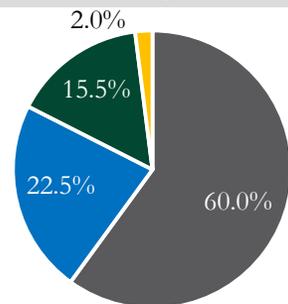
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ACC in a Snapshot

- 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 7.7% as of Q1 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 ■ Free Float ■ El Bourini Family ■ Mena Building Material

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

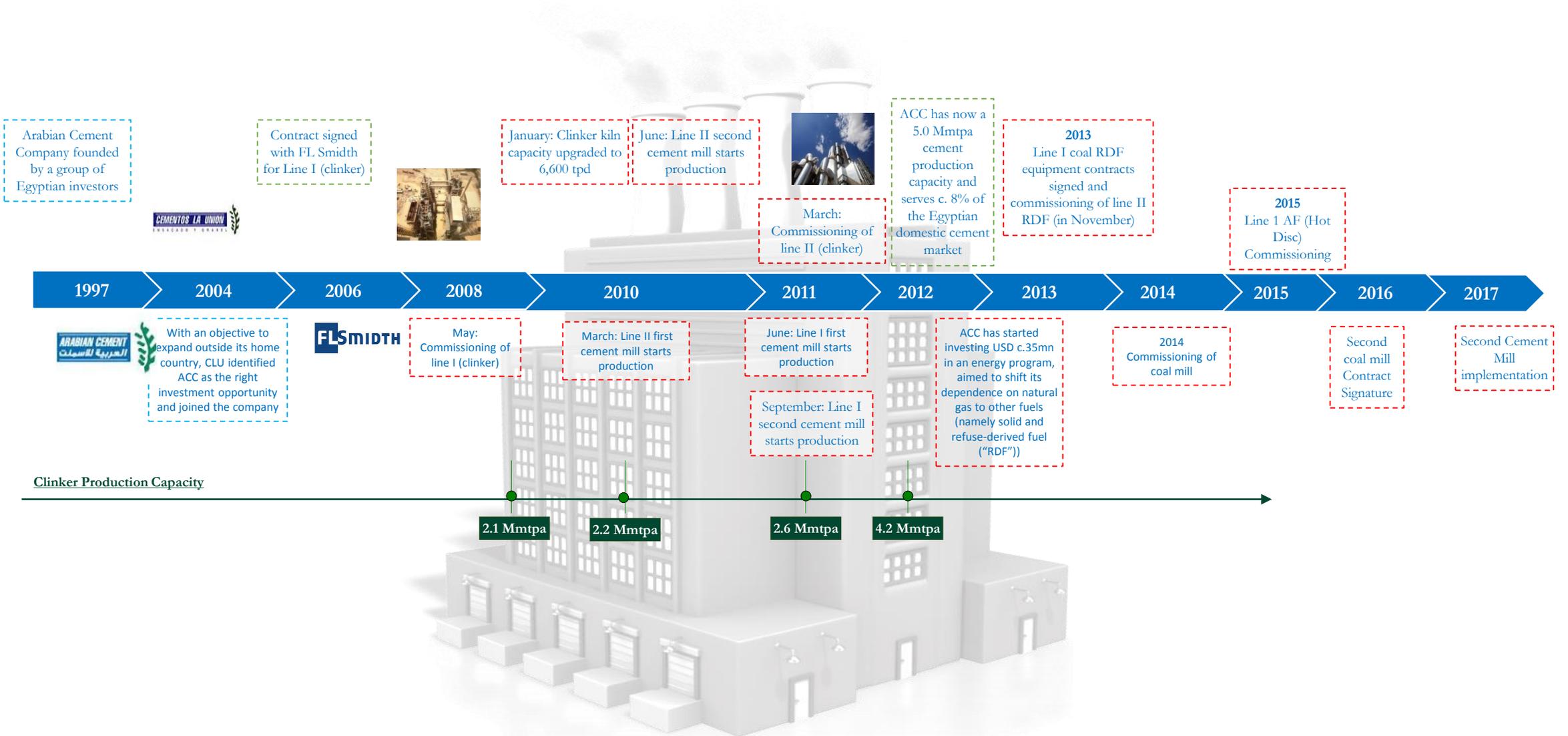
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

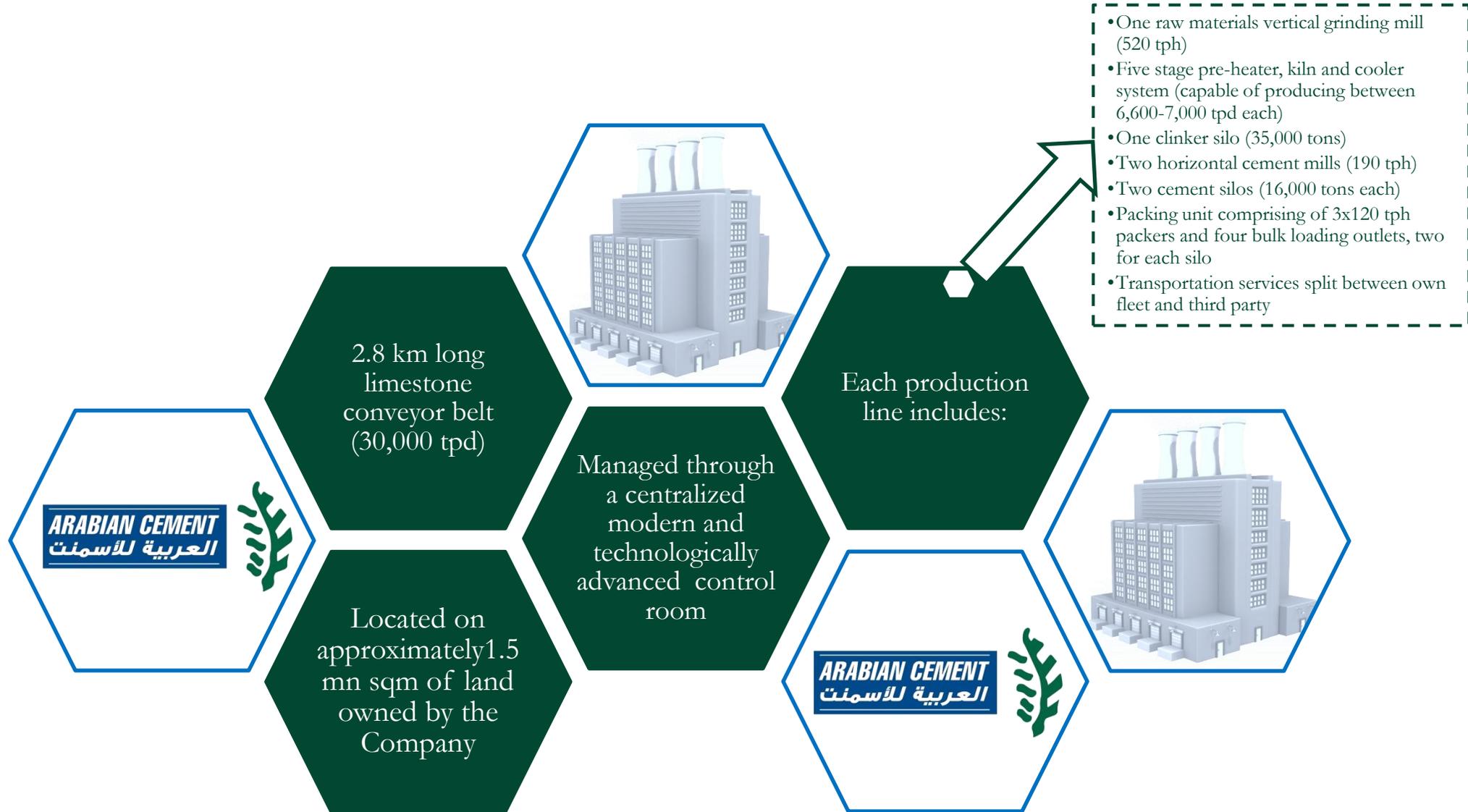
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information



Executive Management Team

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

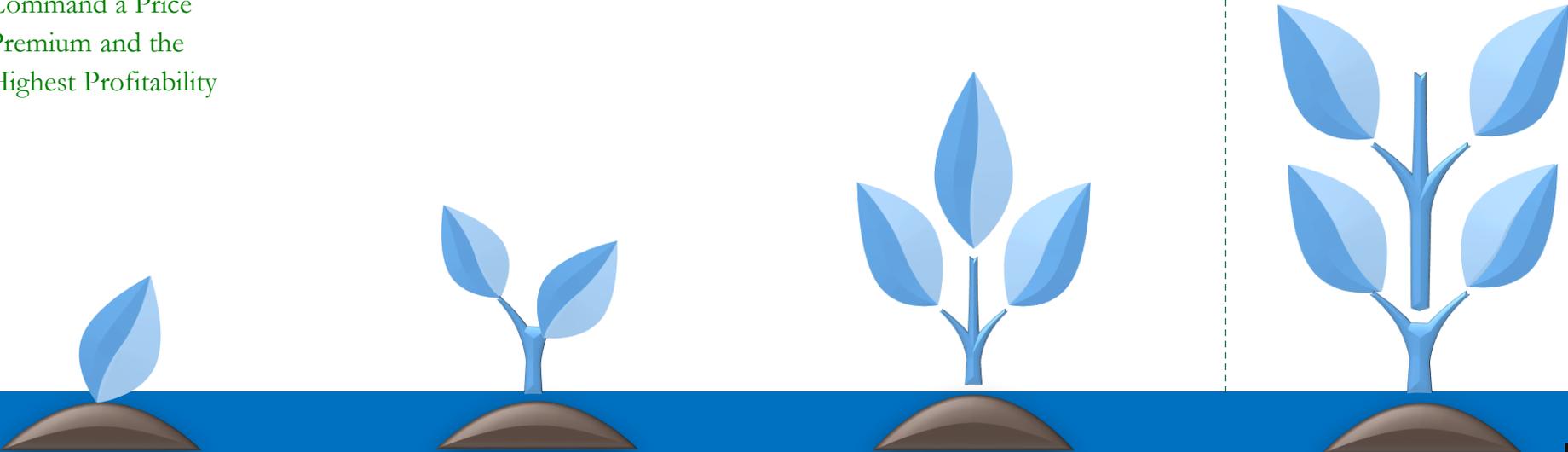
1- Position ACC Among the Top Brands in the Market and Command a Price Premium and the Highest Profitability

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

3- Vertical Expansion:

- Andalus Ready Mix
- RDF Plants

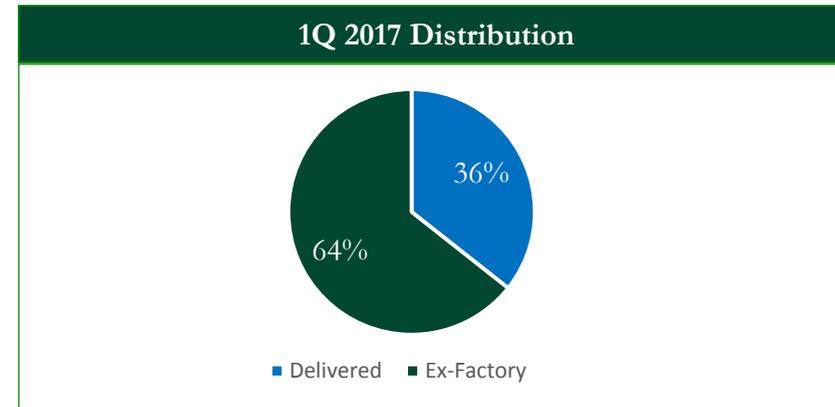
4- Expanding production in Egypt or abroad



Introduction to ACC

Distribution Network Overview

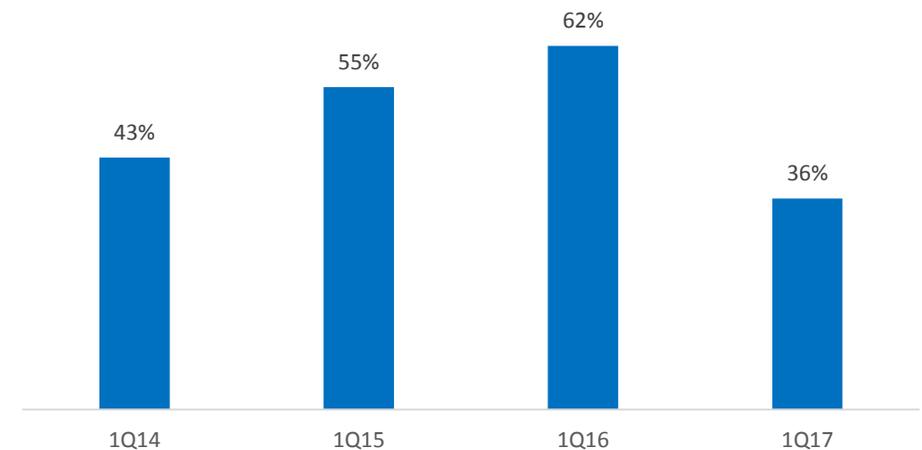
- In Q1 2017 Arabian Cement distributed through direct Ex-Factory sales and Delivery.



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

Ex-Works volumes

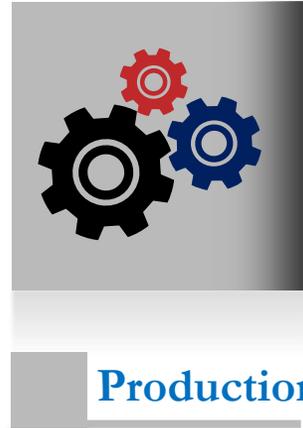


Period Highlights

Main Highlights



- By the end of 2016, Egypt has floated its currency in a move that has reduced its value by about 50% against the dollar.
- Q1 2017 witnessed a slowdown in its growth rate to reach 3.4% compared to 5.1% for the same period last year.
- Private investment is expected to increase in the second half of 2017 with exports to upsurge as well.
- On the other hand, growth will be undermined by lower consumption as a result of higher inflation rates and lower purchasing power.
- stock exchange main index rose by 5.2% by the end of 1Q 2017 with expectations of better improvements in the market for the coming period.



- ACC produced 898K T of clinker in Q1 2017 compared to 940K T at the same period the previous year.
- ACC operated at 85% clinker utilization in Q1 2017 compared to 90% in the same period last year.
- Cement production reached 1.1 mn tons in 1Q 2017 with utilization rate of 97% or 10% increase y-o-y.

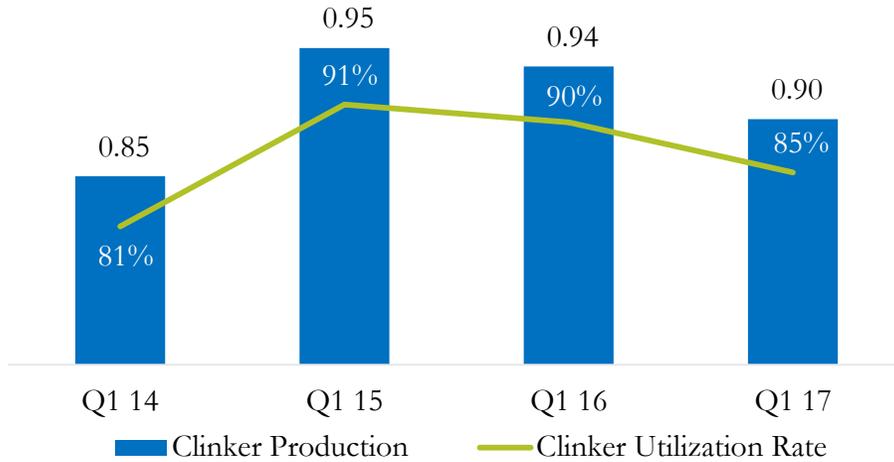


- ACC was able to run its maximum coal capacity for both lines. On the back of the availability of diesel and AF as a complimentary source of fuel.
- The fuel mix in Q1 2017 was 72% Coal, 14% Alternative Fuel and 14% Diesel vs 75% Coal, 11% AF and 14% Diesel in Q1 2016.
- With the current installations in place, ACC expects to operate at the maximum clinker utilization rate in 2017.

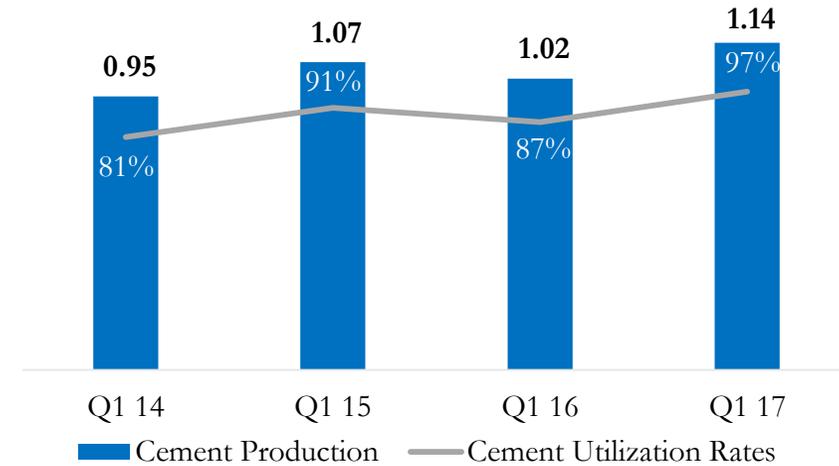
Period Highlights (continued)

Main KPIs

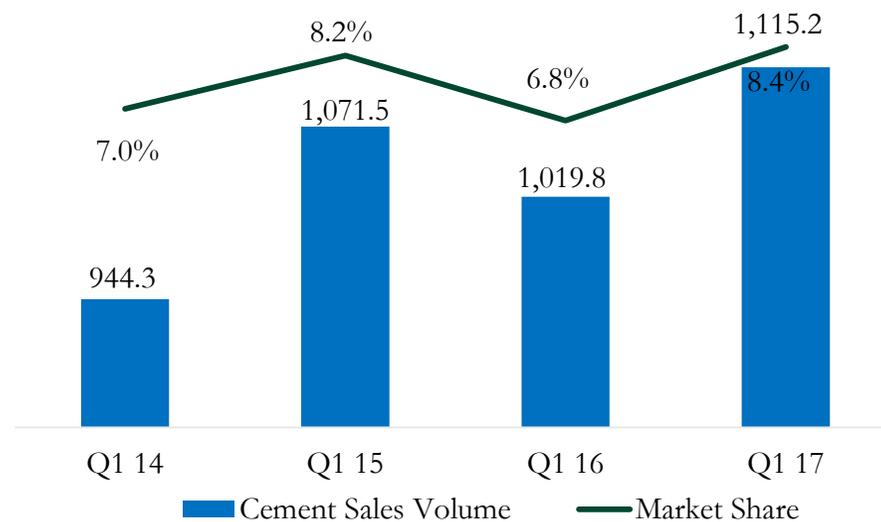
Clinker Production (MN MT) and Utilization Rates



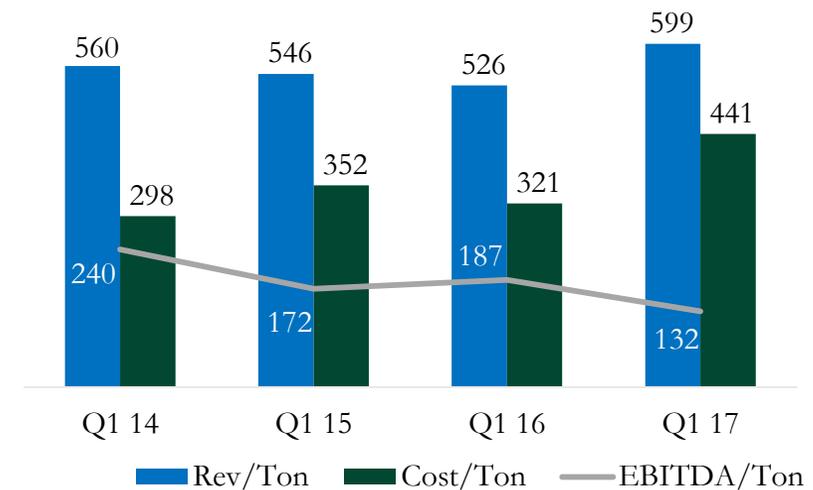
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



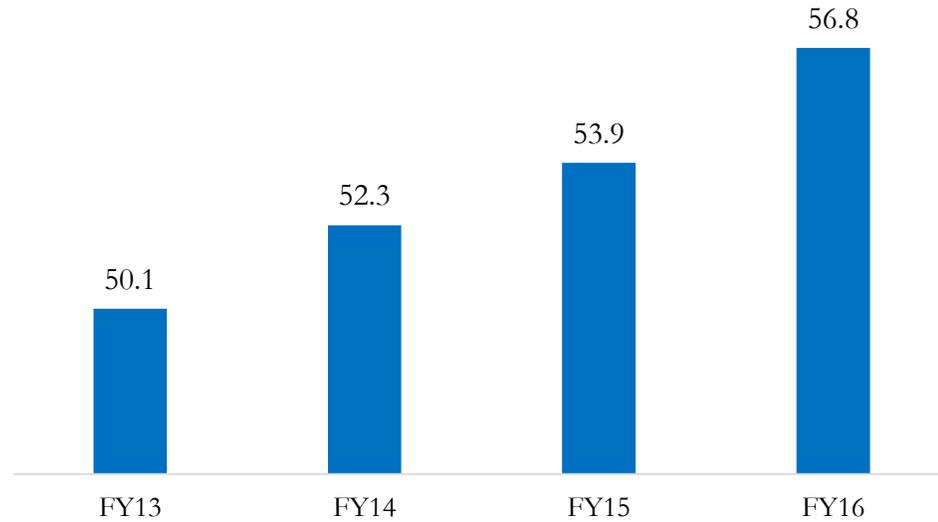
Revenues, COGS and EBITDA (EGP/ton)



Egyptian Cement Market

Demand and Supply Synopsis

Domestic Consumption (MMT)



Average Market Retail Prices (EGP/ton)



Egyptian Market Overview

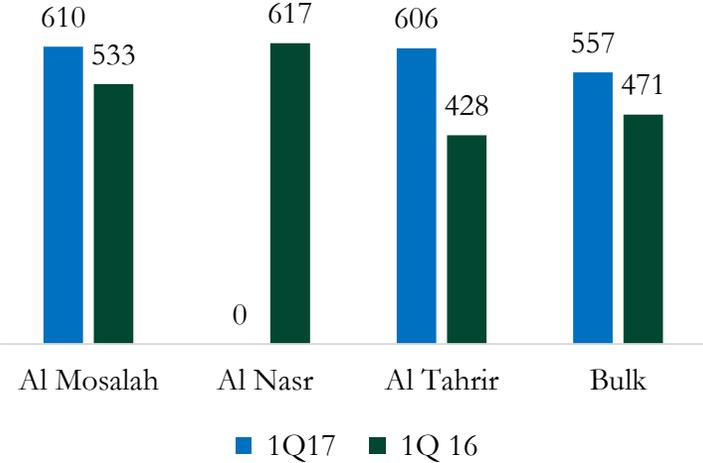
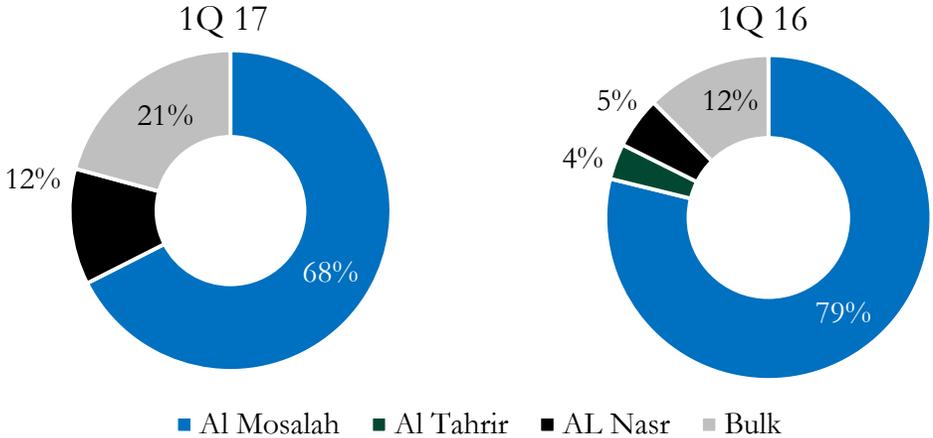
- The market is driven by local consumption, which has decreased over the first quarter of 2017 by 13% y-o-y.
- Egypt’s current installed capacity is 73 mm tons cement and the consumption in 2017 is expected to stay at the same level as 2016. It’s expected that by 2018, the army will add its 6 new lines to the market with capacity of 12 mm tons and IDA awarded 3 new licenses with 6 mm tons capacity, however 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 .
- Residential housing demand is expected to continue to be driven by its growing population and marriage rates, ensuring a consistent demand.

Sales Overview

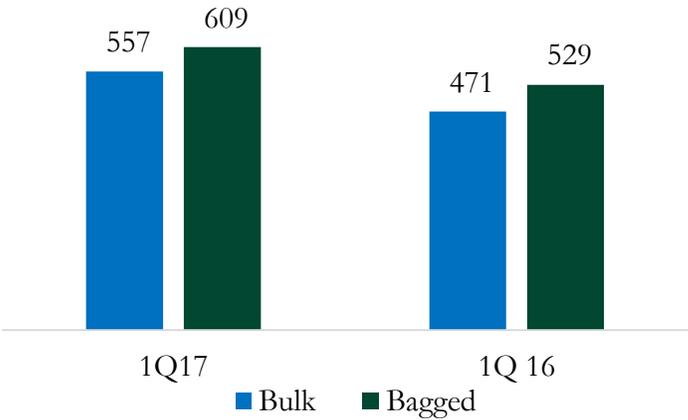
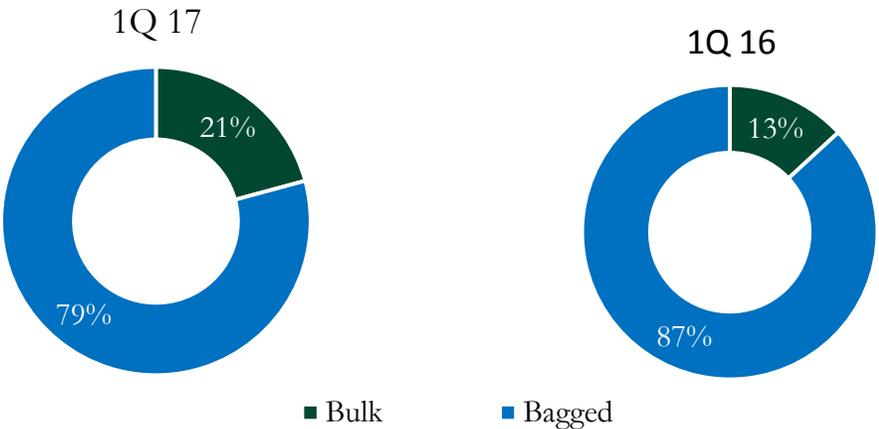
Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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Breakdown by Brand



Breakdown by Type

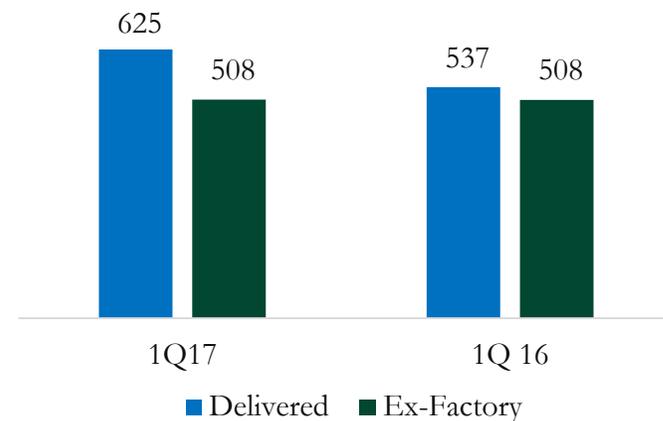
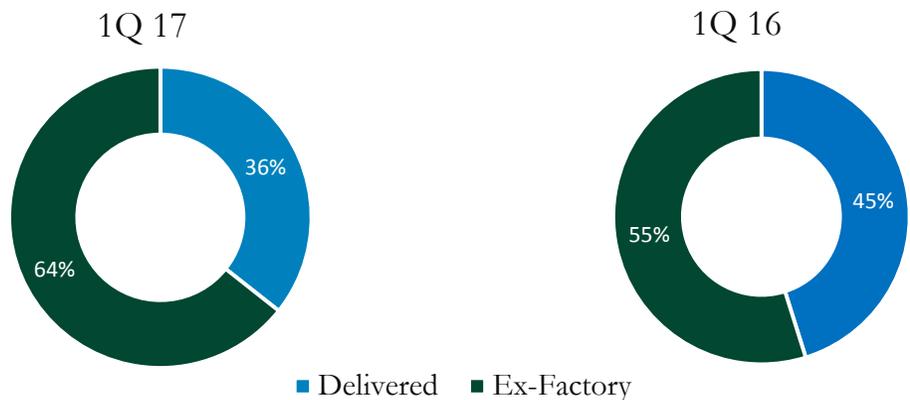


Sales Overview

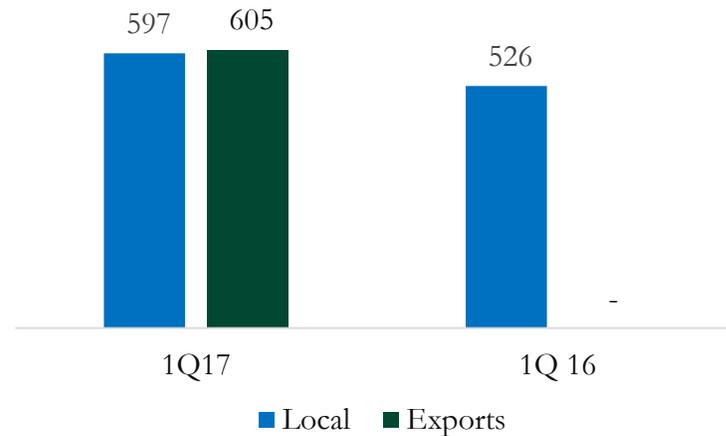
Quantities Breakdown

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



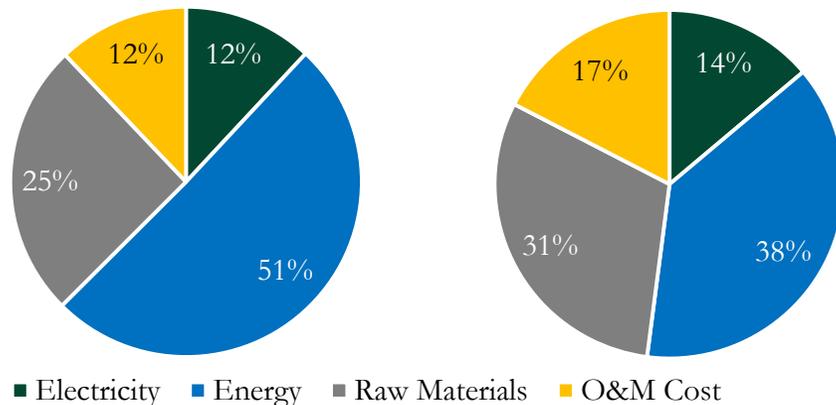
Breakdown by Market



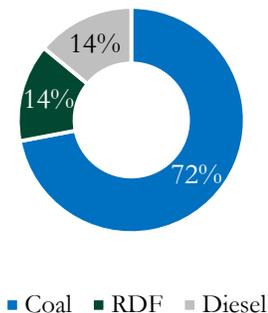
COGS Overview

COGS and ACC Cost Advantages

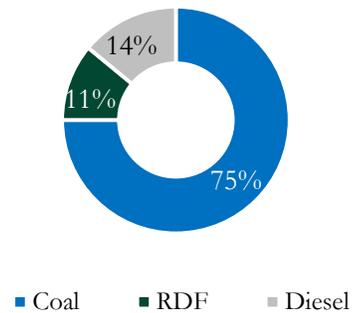
COGS Breakdown



1Q17 Fuel Mix



1Q16 Fuel Mix

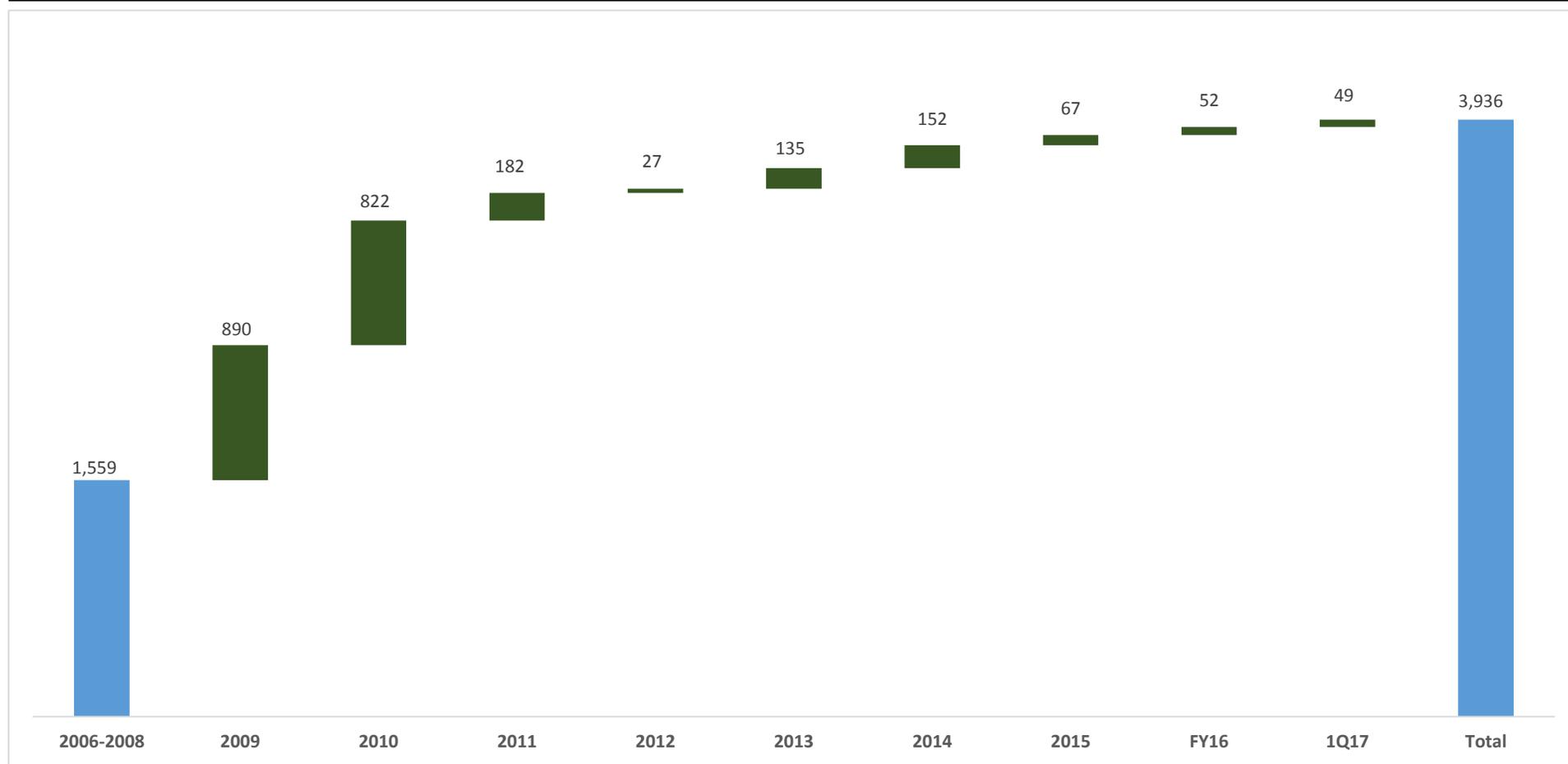


ACC Cost Advantages

- 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 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 Q1, 2017, the company increased its RDF consumption to 14% of its fuel mix, 3% higher than 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 > 80% of energy needs through coal and 20% through RDF.

CAPEX Overview

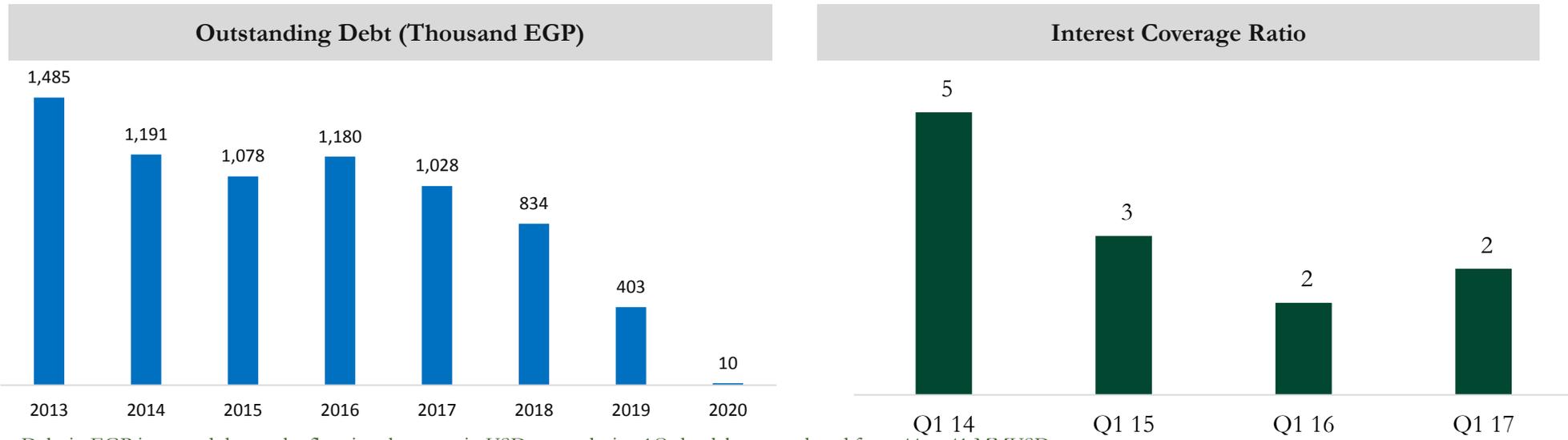
CAPEX (MN EGP)



- Total CAPEX for Q1 2017 is 49 mm EGP .

Debt

Outstanding Debt & Debt Structure



Debt in EGP increased due to the flotation, however in USD terms during 1Q the debt was reduced from 44 to 41 MMUSD

Bank Debt Structure (EGP vs. USD)

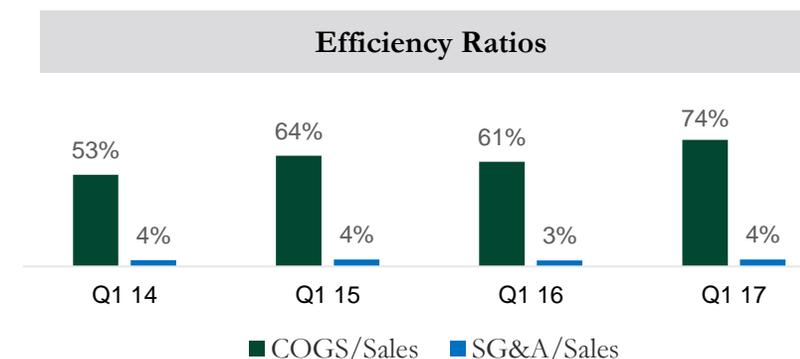
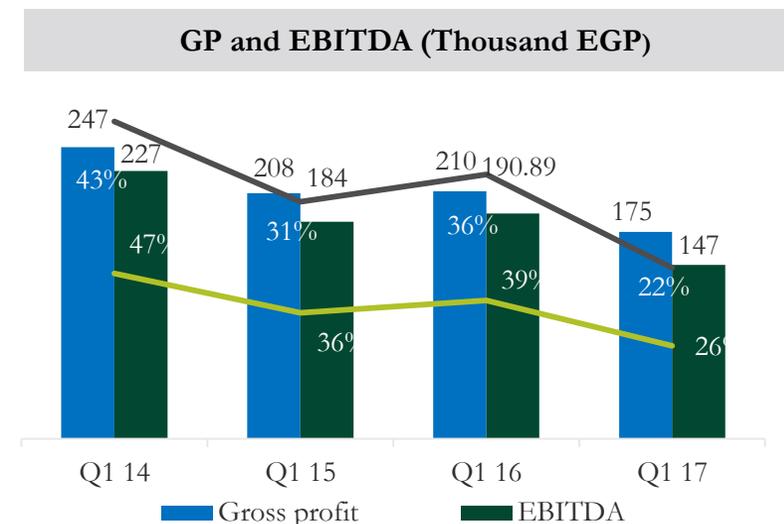
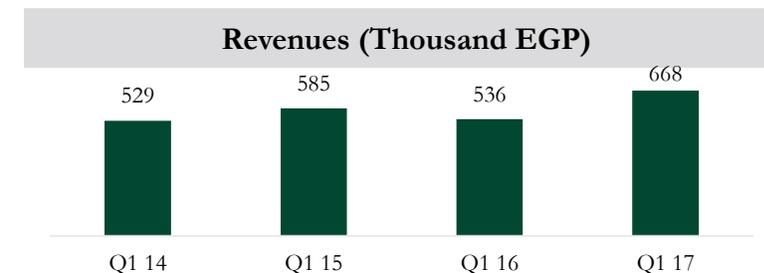


1Q17 Financials Review

Income Statement



MN EGP	Q1 14	Q1 15	Q1 16	Q1 17
Revenue	529	585	536	668
Cost of goods sold	282	377	327	492
Gross profit	247	208	210	175
GPM	47%	36%	39%	26%
SG&A Expenses	20	24	19	28
EBITDA	227	184	191	147
EBITDA Margin	43%	31%	36%	22%
Other income		1		1
Depreciation & Amortization	47	48	49	58
EBIT	180	136	142	90
EBIT Margin	34%	23%	26%	14%
Foreign exchange	2	31	76	10
Loss/gain on disposal of PPE				
Finance cost, net	23	19	20	26
Net Profit Before Tax	155	86	46	74
NPBT Margin	29%	15%	9%	11%
Deferred tax	3	6	2	
Income tax expense	36	24	11	15
Net Profit	116	56	33	59
NPM	22%	10%	6%	9%

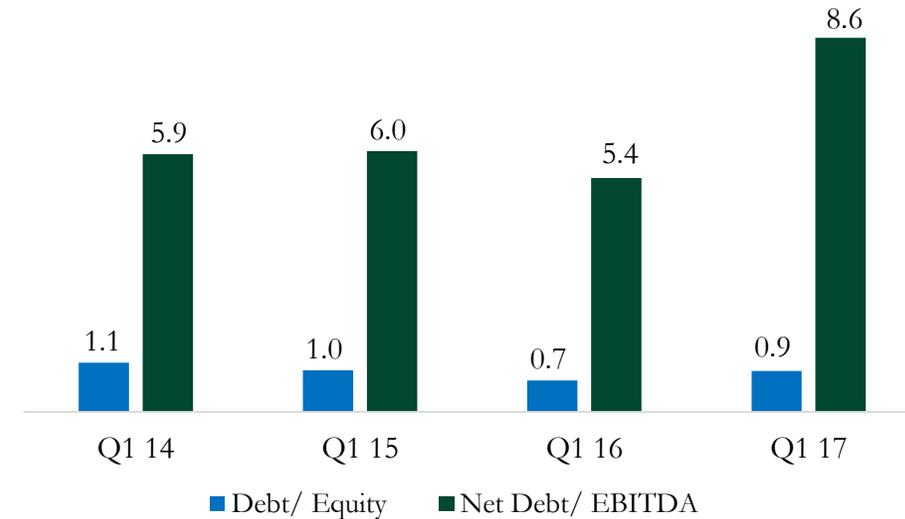


1Q17 Financials Review

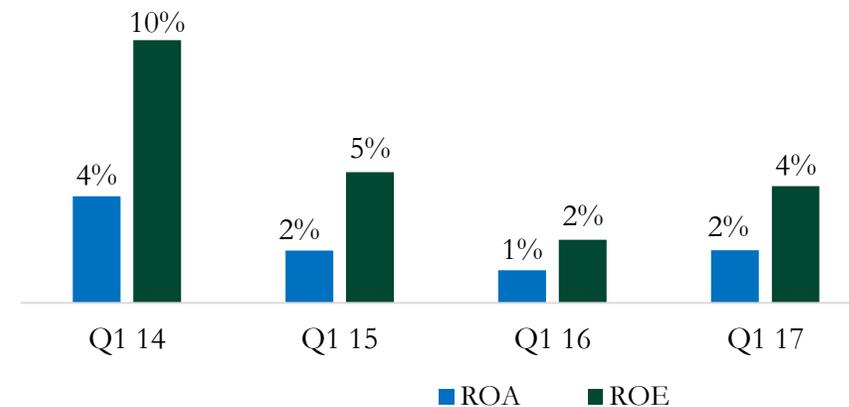
Balance Sheet

MN EGP	Q1 14	Q1 15	Q1 16	Q1 17
Assets				-
Non-current Assets				
Property plant and equipment, net	2,657	2,639	2,494	2,530
Projects under construction	103	97	128	
Intangible assets	149	126	104	435
Investment in subsidiaries	9	9	21	21
Payments under long-term investment				
Total Non-current Assets	2,918	2,872	2,747	2,987
Current Assets				-
Inventory	143	293	178	321
Debtors and other debit balances	73	94	81	-68
Due from related parties	16	17	7	8
Cash and bank balances	119	196	338	184
Total Current Assets	350	600	604	445
Current Liabilities				-
Provisions	7	9	16	
Current tax liabilities	37	159	82	132
Trade payables and other credit balances	284	622	388	346
Due to related parties	1	3	7	
Borrowings - short term portions	321	353	126	182
Short-term liabilities	69	69	82	
Total Current Liabilities	720	1,215	702	660
Net (Deficit) Surplus in Working Capital	-370	-615	-98	-215
Total Invested Funds	2,549	2,257	2,649	2,771
Represented in:				-
Equity				
Paid up capital	757	757	757	757
Legal reserve	119	156	156	185
Retained earnings	306	235	501	403
Total Equity	1,183	1,148	1,415	1,345
Non-current Liabilities				-
Borrowings - long term portions	470	269	520	8
Deferred income tax liability	340	357	331	338
Long-term liabilities	556	482	383	1,080
Total Non-current Liabilities	1,366	1,108	1,234	1,426
Total Equity and Non-current Liabilities	2,549	2,257	2,649	2,772

Gearing



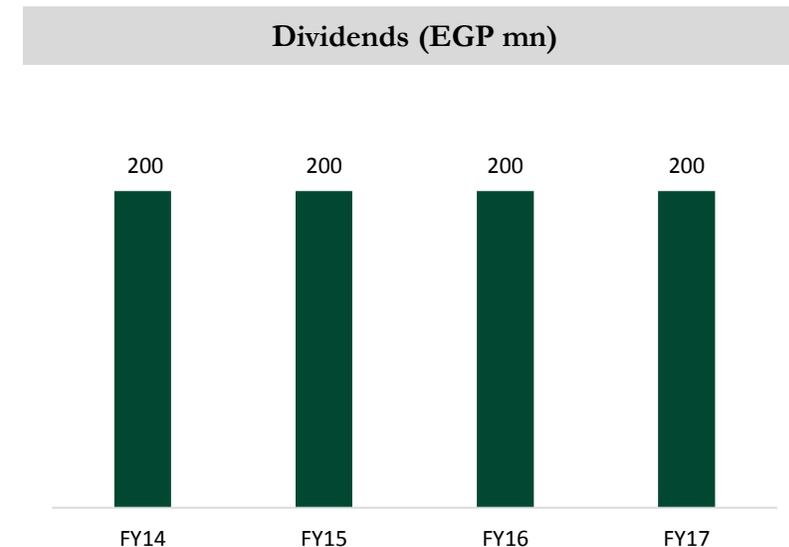
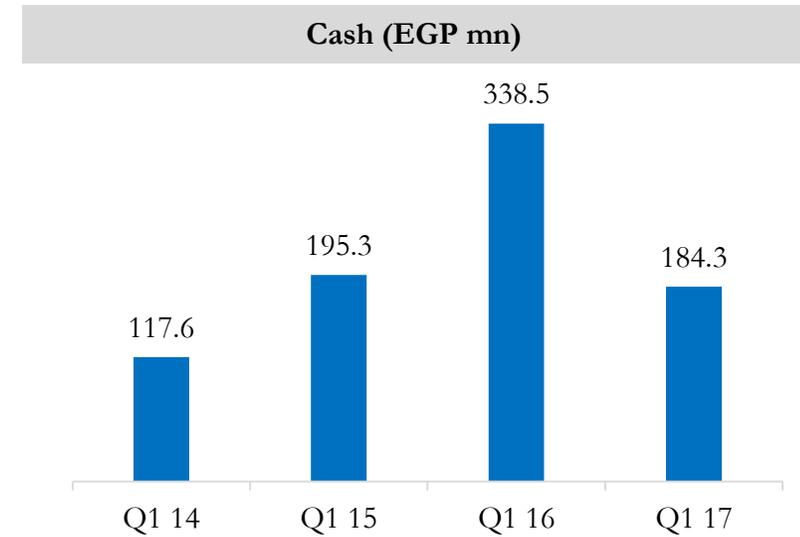
Return Ratios



1Q17 Financials Review

Cash Flow Statement

MN EGP	Q1 14	Q1 15	Q1 16	Q1 17
<u>Cash flows from operating activities</u>				
Net profit before tax	155.0	86.0	46.0	74.3
Interest income	23.0	19.0	-0.7	-0.2
Interest expense	-0.1	-0.2	20.2	23.7
Depreciation expense	41.0	43.0	43.6	52.2
Amortization of intangible assets	6.0	6.0	5.6	5.6
Gain from sale of property plant and equipment	0.0	0.0	0.0	0.0
Foreign exchange (gain)/losses differences	0.0	0.0	69.2	-9.4
Dividends from joint venture	0.0	0.0	0.0	0.0
Provision	0.0	0.0	0.4	-1.1
Changes in working capital	224.9	153.8	184.3	145.0
Debtors and other debit balances	-26.0	-48.0	-22.1	-12.3
Inventory, net	-47.0	-92.0	17.8	-13.6
Trade payables and other credit balances	-43.0	96.0	-118.0	-47.9
Due from related parties	2.0	0.4	7.9	1.6
Tax paid		0.0		0.0
Due to related parties	-0.4	-3.0	1.0	-2.5
Net cash from operating activities	110.5	107.2	70.9	70.3
<u>Cash flows from investing activities</u>				
Proceeds from dividends from joint venture				0.0
Proceeds from sale of assets				0.0
Interest income	0.1	0.1	0.7	0.2
Purchase of property, plant and equipment	-3.0	-4.0	0.0	-4.3
Additions in projects under construction	-14.0	-10.0	-3.6	-16.1
Payments under long-term investments	0.0	0.0	-3.6	0.0
Net cash flows used in investing activities	-16.9	-13.9	-6.5	-20.2
<u>Cash flows from financing activities</u>				
Payments of license liability	-20.0	-21.0	-21.6	-46.2
Payments of borrowings	-68.0	-13.0	-6.5	-44.4
Interest paid	-23.0	-20.0	-16.7	-23.7
Dividends paid	-23.0	0.0	-46.0	0.0
Proceeds from bank overdraft				118.1
Net cash flows from financing activities	-134.0	-54.0	-90.8	3.8
Net increase (decrease) in cash and cash equivalents	-40.4	39.3	-26.4	53.8
Cash and cash equivalents at beginning of the year	158.0	156.0	364.8	130.5
Cash and cash equivalents at end of the period	117.6	195.3	338.5	184.3





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