ACC Reports a Net Profit of EGP 108 Million

Strong performance offset by change in fiscal policies

Cairo, Egypt--August 24th, 2014--ACC "Arabian Cement Company" released its consolidated financial results for the first half ending 30thof June 2014.

Consolidated Income Statement Figures for the period ending 30th of June 2014:

- **Revenues:** EGP 1,156 million
- **Gross Profit:** EGP 372 million
- **Net Profit:** EGP 108 million

Consolidated Balance Sheet Figures as of 30th of June 2014:

- **Fixed Assets:** EGP 2,630 million
- **Projects Under Construction:** EGP 124 million
- **Loans:** EGP 786 million

Strong Operational Performance

During H1 2014, the Egyptian cement industry has gone through drastic changes due to the continuous shortage of energy, both gas and heavy fuel oils (HFO). Although overall sales stood at similar levels as of the same period in 2013, companies had to resort to importing clinker to meet the domestic demand. It is expected that throughout 2014 at least 10 MMT of clinker and cement will be imported, in order to bridge the gap between demand and supply.

The situation is expected to prevail throughout the course of the next year and hence companies have started to look to new sources of energy, mainly solid alternative fuels. ACC already completed the necessary installation to supply 70% of its energy needs through coal and petcoke milling, complimenting it with another 10% of several other alternative fuels. Commissioning of such installations will be completed during Q3 2014.

Sales

The total market cement sales in H1 2014 are 26.8 MMT, of which 26.3MMT are in the local market and 0.538MMT are in exports. This represents an overall increase of 1.3% [26.4MMT in H1 2013], 1.2 % [25.9MMT in H1 2013] locally and an increase of 7.5% [0.505MMT in H1 2013] in exports, compared to H1 2013.

During H1 2014, ACC sold 1.887MMT, 1.879MMT in the local market and 7,600 tons for export, representing market shares of 7.1 % and 1.5%, respectively and 7.1 % in total. Comparing to H1 2013, we sold 1.986MMT, 1.943 MMT locally and 43,000 tons in exports. H1 2014 sales were divided in 815,000 tons delivered through our Wassal delivery service and 1.072 MMT as ex-factory. In terms of format, 97 % was sold as bagged and 3% in bulk.

Due to the high cost of importation of clinker and shortage of production, prices have increased on average by 17% to 608 EGP per ton (in 2013, 518 EGP per ton). Such increase has driven revenues 11% up to 1,146 MM EGP (compared to 1,028 MM EGP in 2013).

Production

The overall clinker production of the market during H1 2014 was 18.2 MMT. This represents an overall decrease compared to H1 2013 of 17% [21.9 MMT]. During H1 2014, ACC produced 1.284 MMT, 20% less than the same period in 2013 [1.598 MMT].

On the COGS front, overall cost per ton increased by 17% to 361 EGP, driven by the increase in costs of raw materials, imported clinker and packaging. Such increase in COGS offset the increase in revenues; GPM recorded

41%, compared to 43% in H1 2013. EBITDA margin stood at 36% on the back of high G&A expenses resulting from an increase in advertising expenses and the one-off IPO fees.

Finance

Nevertheless, the major impact on the income statement came from the amendment of the tax law in Egypt that resulted in an increase of the tax rate by 5%. This affected the company in two ways. First, the income tax expense increased by an additional 5% to become 30%. Second, the deferred tax liability increased by 5%, resulting in an additional one-off hit to the income statement by 68MM EGP bringing the deferred tax expense to 74MM EGP.

Despite all these adverse facts, ACC's managed to achieve a 9% net profit margin.

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About Arabian Cement Company

Arabian Cement Company (ACC) was first established in 1997 by a group of Egyptian entrepreneurs, who aspired to establish a leading Egyptian cement company. The ACC cement factory is located in the Suez Governorate. It has an annual cement production capacity of five million tons (5.0 mtpa), approximately 8% of Egypt's total cement production capacity. The company is a joint venture between Cementos La Union, a Spanish investor holding the majority of shares, and a group of Egyptian investors.

Its brand "Al Mosalah" enjoys undisputed prestige and is considered among the best cements produced in Egypt.

For any inquiries please contact:
Email: IR@arabiancementcompany.com