Arabian Cement Company

9M 2017 Investors Presentation

Highlights

01
3.0 MM tons Sales

02
USD Debt reduced from 44 mm USD to 34.6 mm USD in 9M17

03
EGP 362 MM EBITDA

04
39% increase in cost/ton EGP 459

05
7.7 % Market Share

06
82.0% Clinker Utilization

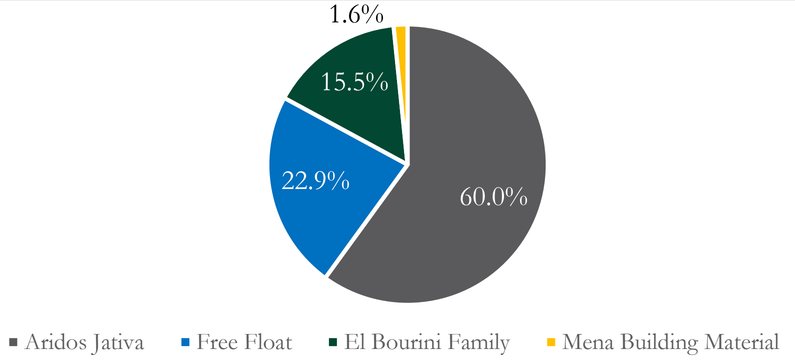
Contents

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 7.7% as of 9M 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



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

1997

Arabian Cement Company founded by a group of Egyptian investors

2004

With an objective to expand outside its home country, CLU identified ACC as the right investment opportunity and joined the company

2006

Contract signed with FL Smidth for Line I (clinker)

2008

May: Commissioning of line I (clinker)

2010

January: Clinker kiln capacity upgraded to 6,600 tpd

March: Line II first cement mill starts production

June: Line II second cement mill starts production

2011

March: Commissioning of line II (clinker)

June: Line I first cement mill starts production

September: Line I second cement mill starts production

2012

ACC has now a 5.0 Mmtpa cement production capacity and serves c. 8% of the Egyptian domestic cement market

ACC has started investing USD c.35mn in an energy program, aimed to shift its dependence on natural gas to other fuels (namely solid and refuse-derived fuel ("RDF"))

2013

2013
Line I coal RDF equipment contracts signed and commissioning of line II RDF (in November)

2014

2014 Commissioning of coal mill

2015

2015
Line 1 AF (Hot Disc) Commissioning

2016

Second coal mill Contract Signature

2017

Second Coal Mill implementation

Clinker Production Capacity

2.1 Mmtpa → 2.2 Mmtpa → 2.6 Mmtpa → 4.2 Mmtpa

Capacity Changes · *Corporate Changes* · *Others*

Introduction to ACC

Plant Information

2.8 km long limestone conveyor belt (30,000 tpd)

Located on approximately1.5 mn sqm of land owned by the Company

Managed through a centralized modern and technologically advanced control room

Each production line includes:

- One raw materials vertical grinding mill (520 tph)
- Five stage pre-heater, kiln and cooler system (capable of producing between 6,600-7,000 tpd each)
- One clinker silo (35,000 tons)
- Two horizontal cement mills (190 tph)
- Two cement silos (16,000 tons each)
- Packing unit comprising of 3x120 tph packers and four bulk loading outlets, two for each silo
- Transportation services split between own fleet and third party

Introduction to ACC

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.

Introduction to ACC

Our Strategy

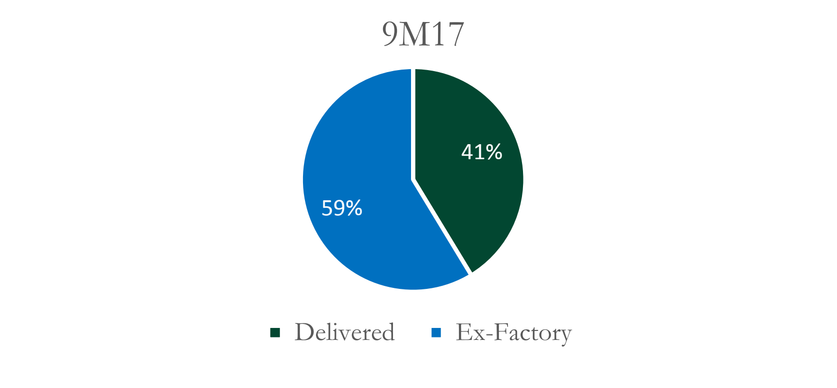
Medium Term Strategy			Long Term Strategy
1- Position ACC Among the Top Brands in the Market and Command a Price Premium and the Highest Profitability	2- Continue to Pay a Healthy Dividend Stream While Optimizing Capital Structure	3- Vertical Expansion: • Andalus Ready Mix • RDF Plants	4- Expanding production in Egypt or abroad

Introduction to ACC

Distribution Network Overview

- In 9M 2017 Arabian Cement distributed through direct Ex-Factory sales and Delivery.

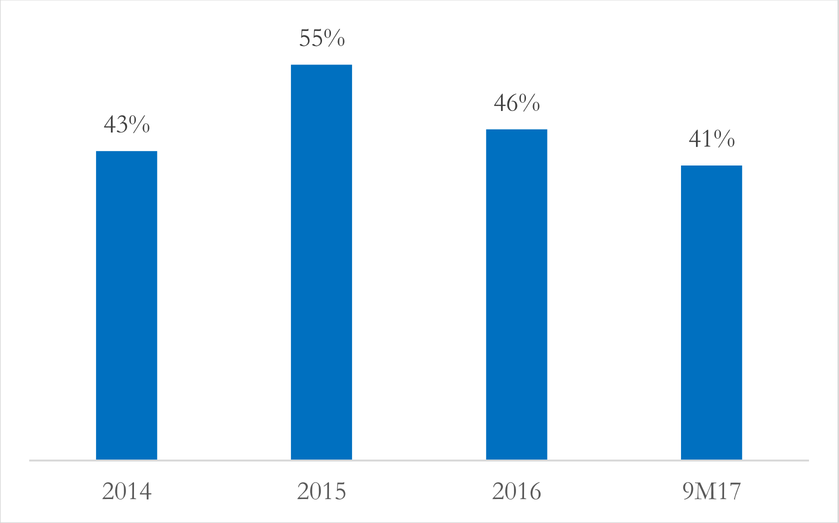
9M 2017 Distribution



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

Economy

- By the end of 2016, Egypt has floated its currency in a move that has reduced its value by about 50% against the dollar.
- The Egyptian market witnessed a GDP growth rate of 4.1% for 2017 YTD.
- Annual average inflation stood at 27.9% by the end of 9M17 and is expected to decrease over the coming year to an average of 15.7%.

Production

- ACC produced 2,578K T of clinker in 9M 2017 compared to 2,591K Tat the same period the previous year.
- ACC operated at 81.9% clinker utilization in 9M 2017 compared to 82.3% in the same period last year.
- Cement production reached 3.1 mn tons in 9M 2017 with utilization rate of 81.9%, 2.8% increase y-o-y.

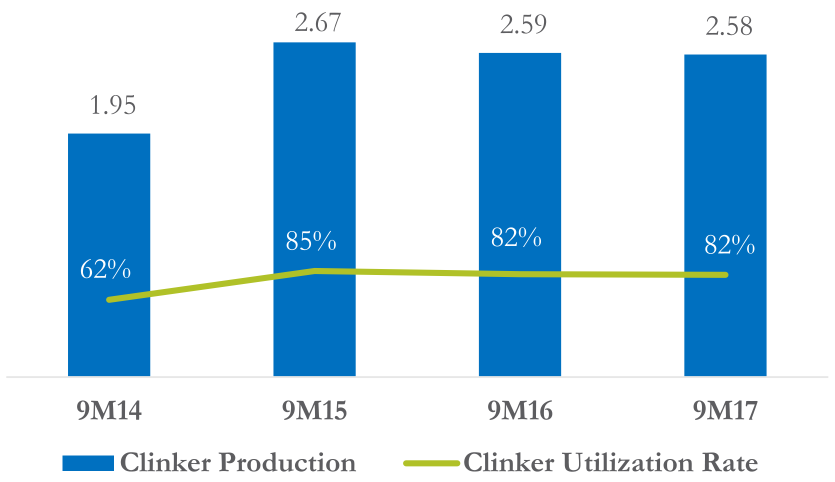
Energy

- The fuel mix in 9M 2017 was 76% Coal, 12% Alternative Fuel and 12% Diesel vs 72% Coal, 10% AF and 18% Diesel in 9M 2016.
- In order to overcome the increase in diesel prices, the company managed to change its fuel mix in 3Q2017 to 85% Coal, 11% RDF and 4% 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.

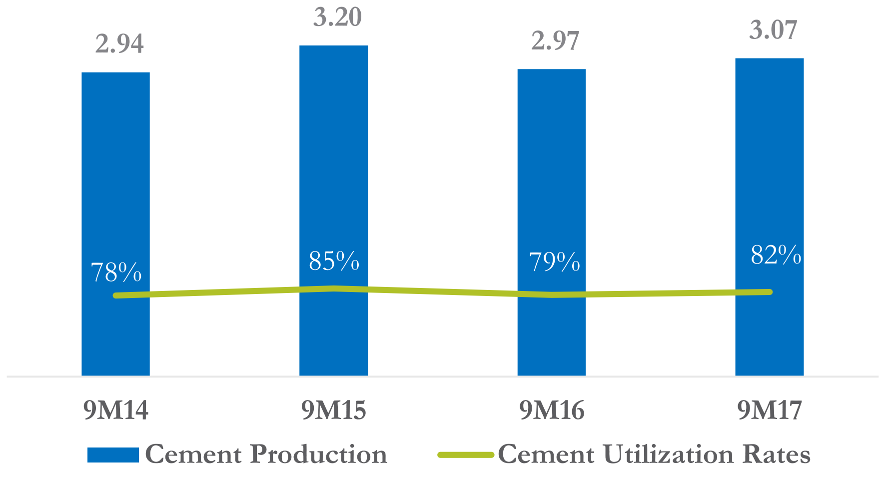
Period Highlights (continued)

Main KPIs

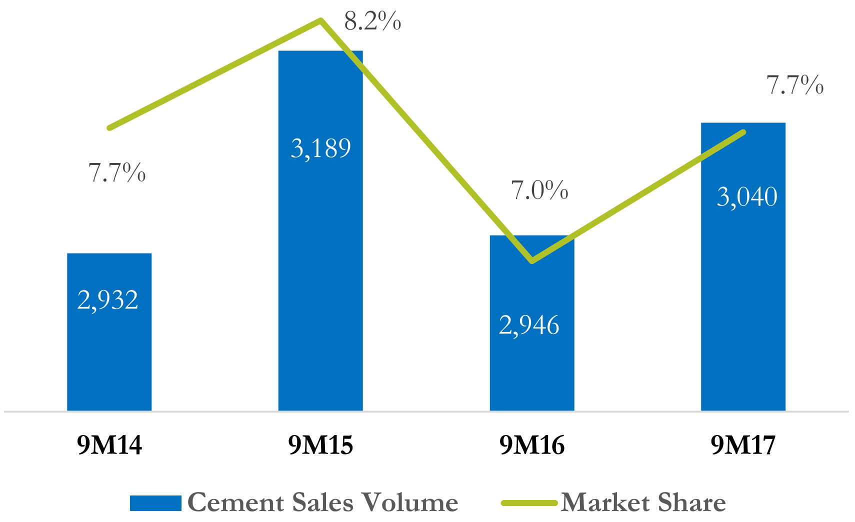
Clinker Production (MN MT) and Utilization Rates



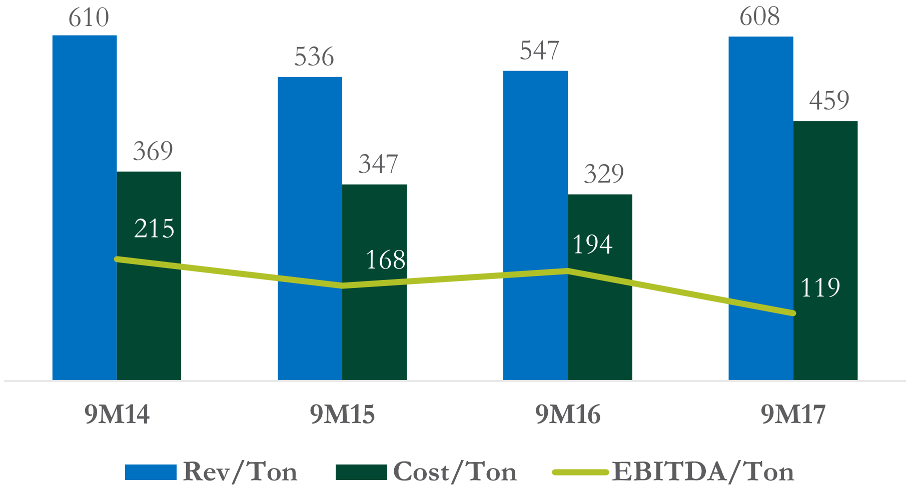
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



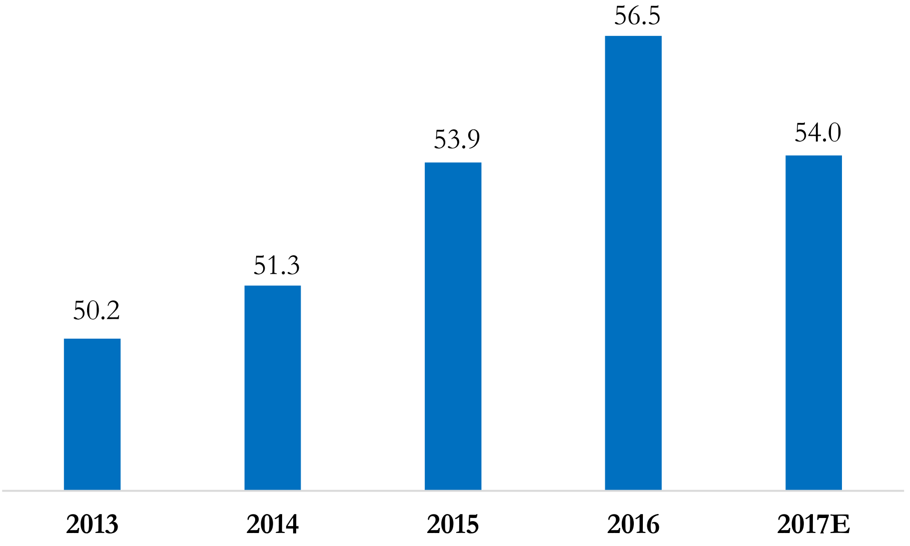
Revenues, COGS and EBITDA (EGP/ton)



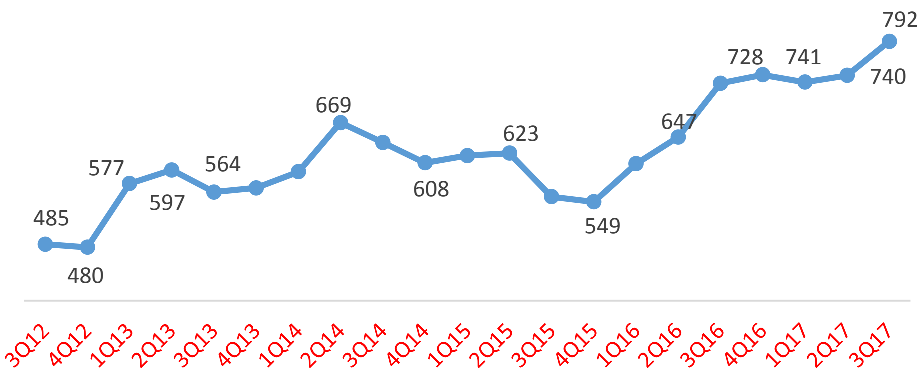
Egyptian Cement Market

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 by 6% over the 9M period. Volumes are expected to go up in the coming period as demand is getting higher. 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 Floatation Egyptian cement exports started to have a significant contribution in the market

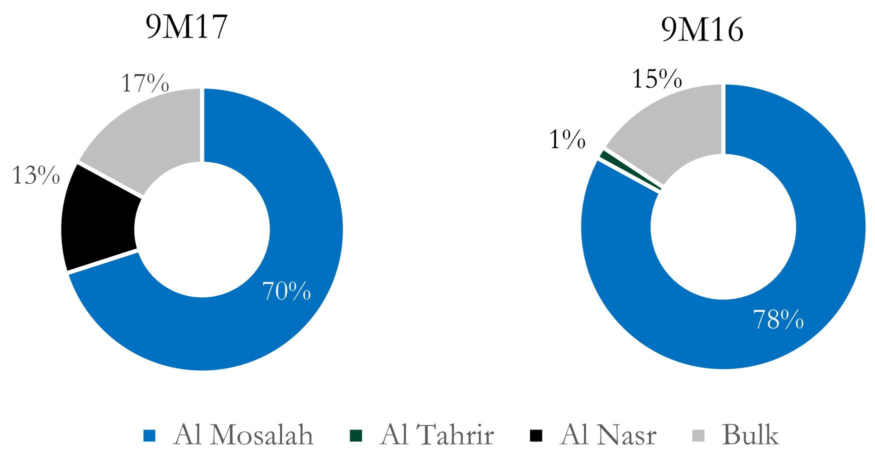
- Residential housing demand is expected to continue to be driven by its growing population and marriage rates, ensuring a consistent demand.

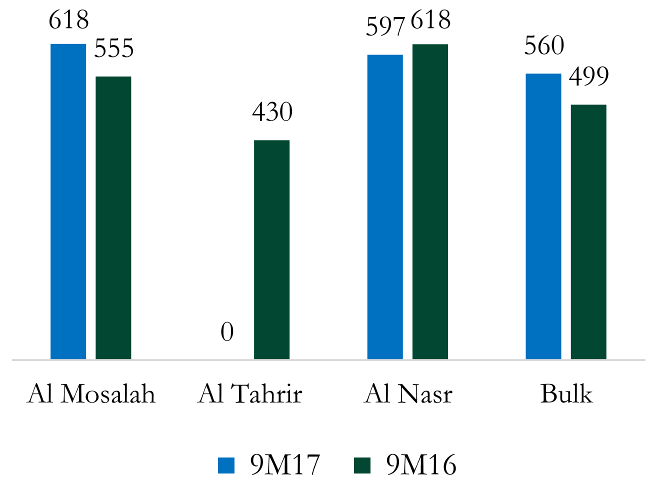
Sales Overview

Quantities Breakdown

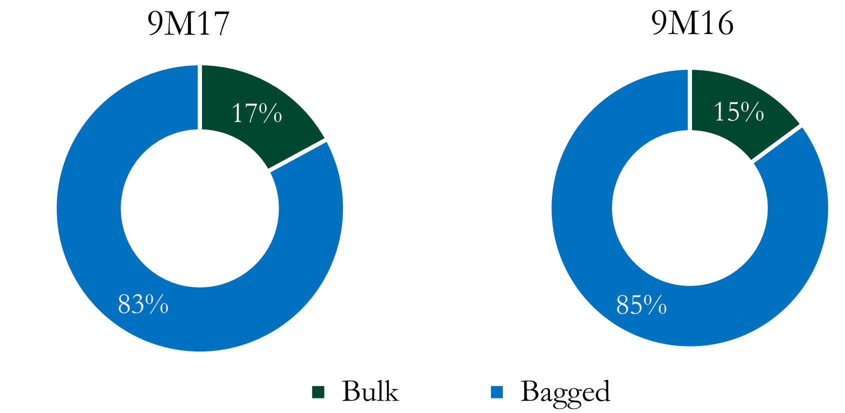
Quantities Breakdown	Prices (EGP/ton)

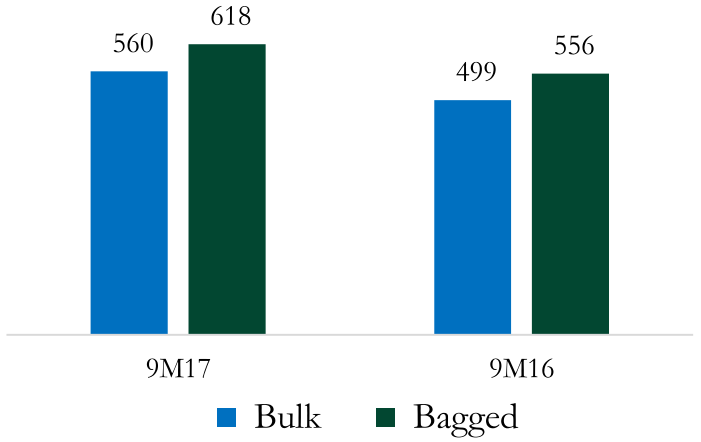
Breakdown by Brand





Breakdown by Type



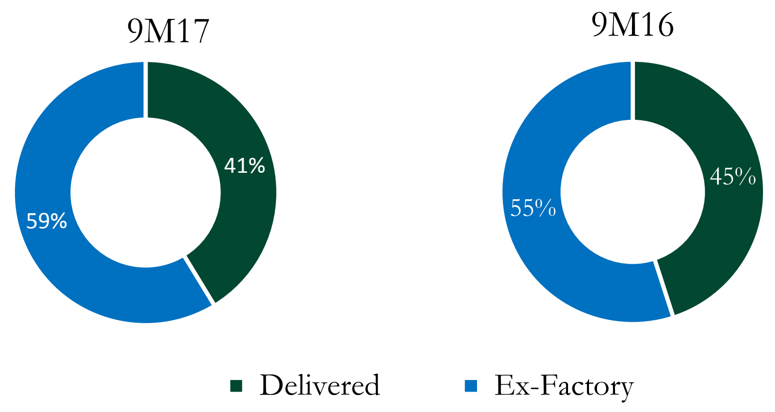


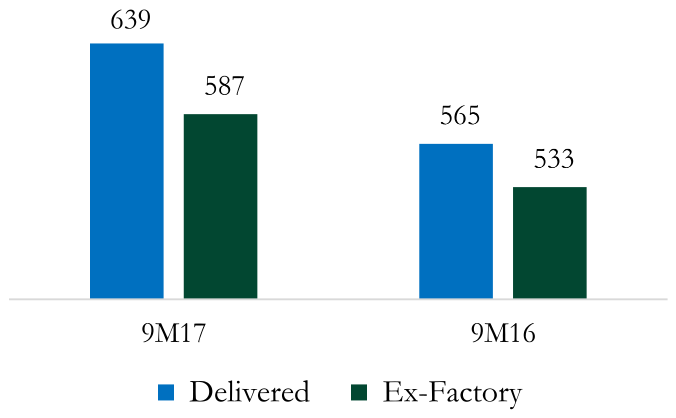
Sales Overview

Quantities Breakdown

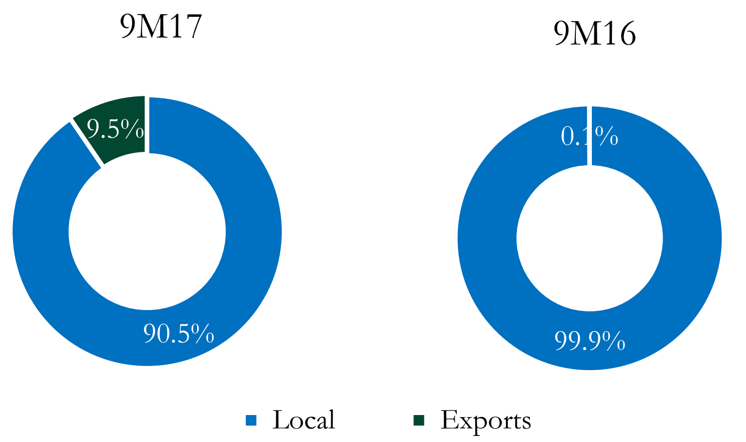
Quantities Breakdown	Prices (EGP/ton)

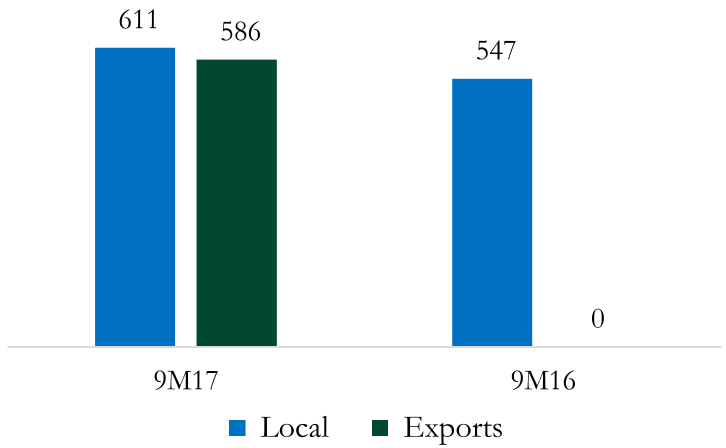
Breakdown by Point of Sale





Breakdown by Market

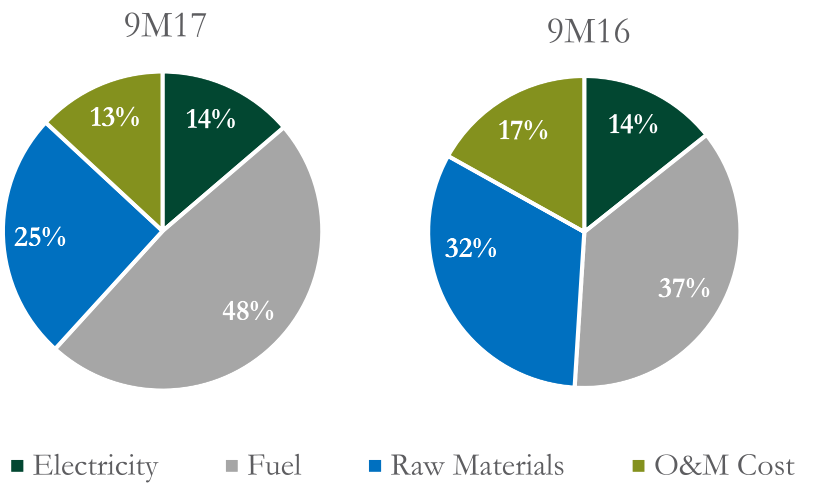




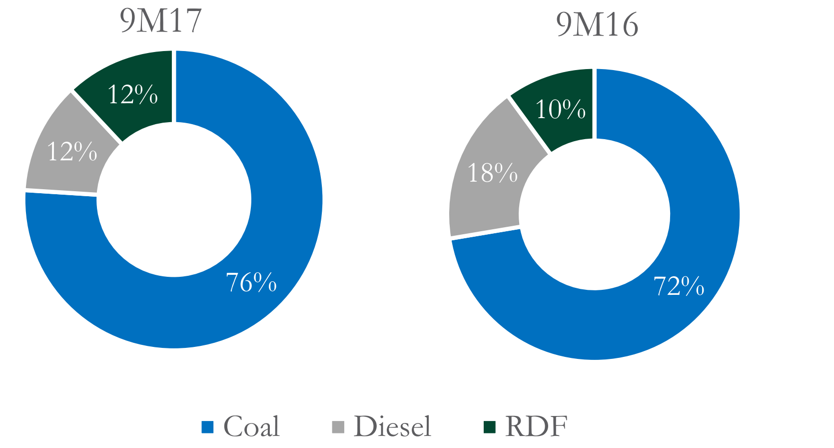
COGS Overview

COGS and ACC Cost Advantages

COGS Breakdown



Fuel Mix

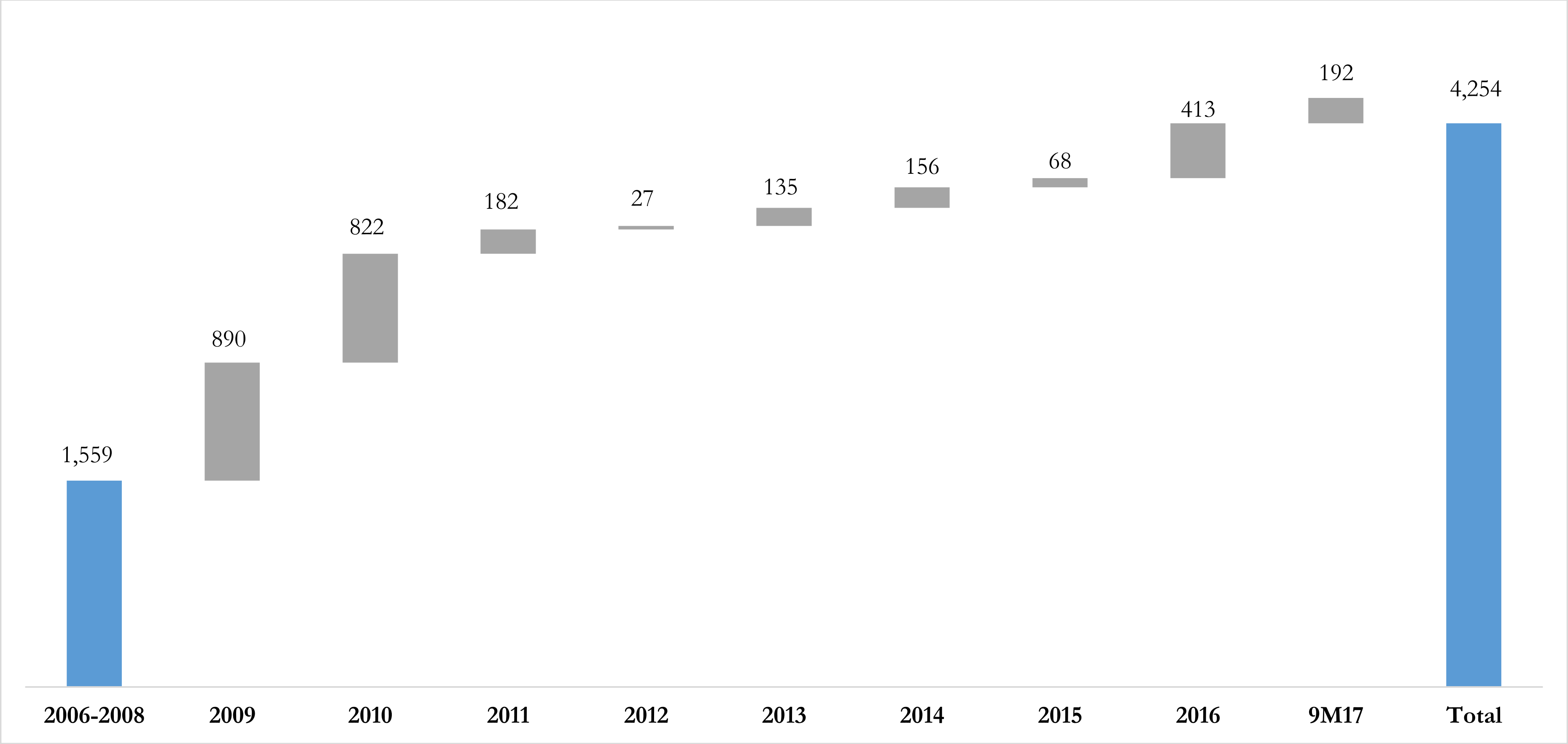


ACC Cost Advantages

- 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 9M 2017, the company increased its RDF consumption to 12% of its fuel mix, 2% 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)

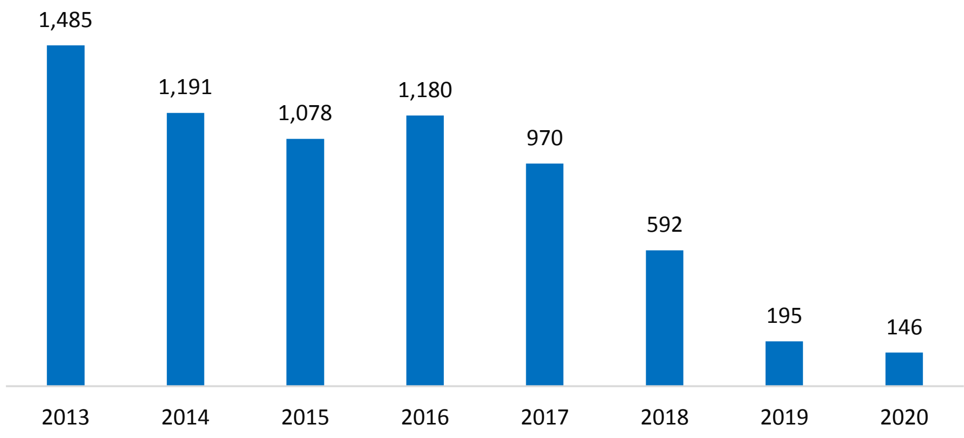


- CAPEX in 9M2017 increased by 192 mm EGP which is mainly coming from the construction of the New Coal mill.

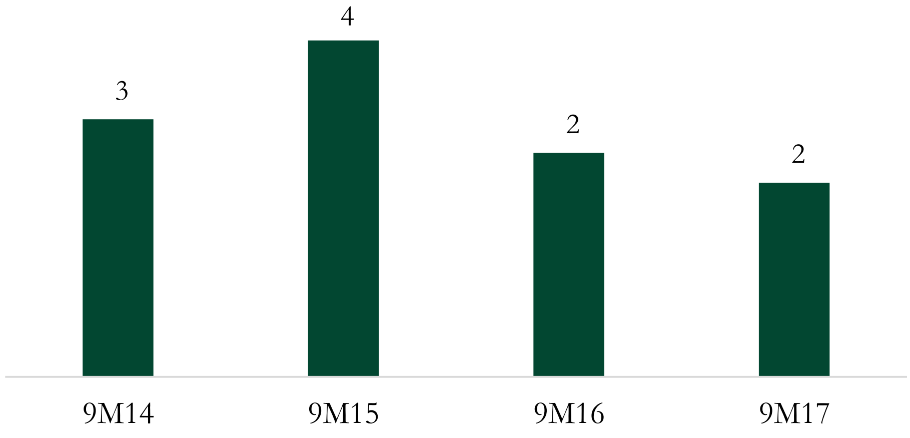
Debt

Outstanding Debt & Debt Structure

Outstanding Debt (Thousand EGP)

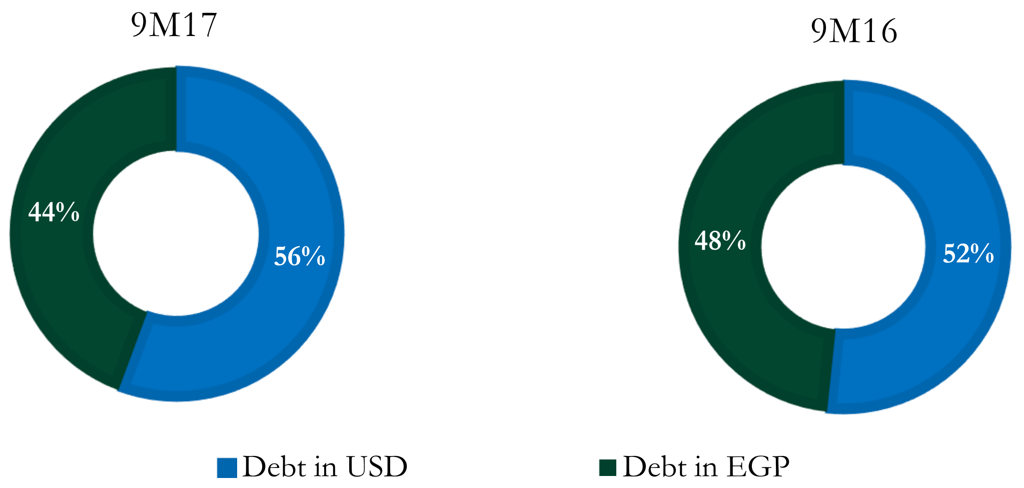


Interest Coverage Ratio



Debt in EGP increased due to the flotation, however in USD terms during 9M17 the debt was reduced from 44 to 35 MMUSD

Debt Structure (EGP vs. USD)

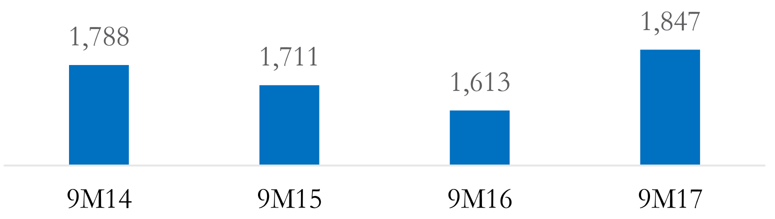


9M17 Financials Review

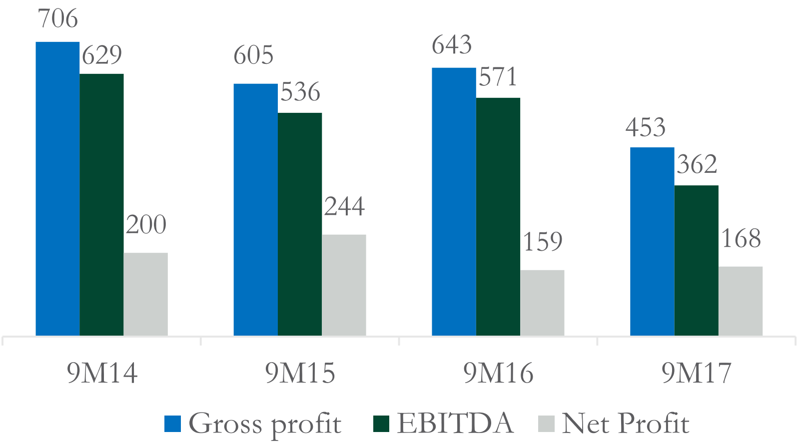
Income Statement

	9M14	9M15	9M16	9M17
Revenue	1,788	1,711	1,613	1,847
Growth	17%	-4%	-6%	15%
Cost of goods sold	1,083	1,105	969	1394
Gross profit	**706**	**605**	**643**	**453**
GPM	***39%***	***35%***	***40%***	***25%***
SG&A Expenses	78	71	81	97
Other income	1	2	9	6
EBITDA	**629**	**536**	**571**	**362**
EBITDA Margin	***35%***	***31%***	***35%***	***20%***
Depreciation & Amortization	142	147	149	175
EBIT	**487**	**389**	**423**	**187**
EBIT Margin	***27%***	***23%***	***26%***	***10%***
Foreign exchange	30	44	145	-33
Finance cost, net	71	66	65	79
Net Profit Before Tax	**386**	**278**	**213**	**141**
NPBT Margin	***22%***	***16%***	***13%***	***8%***
Deferred tax	85	-24	3	-1
Income tax expense	100	58	51	-25
Net Profit	**200**	**244**	**159**	**168**
NPM	***11%***	***14%***	***10%***	***9%***

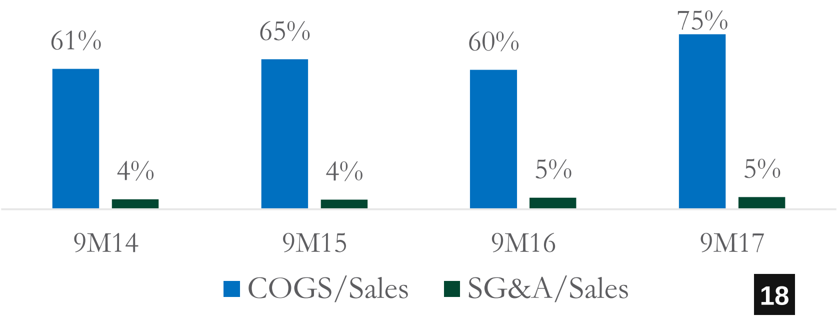
Revenues (Thousand EGP)



GP, EBITDA & Net Profit (Thousand EGP)



Efficiency Ratios

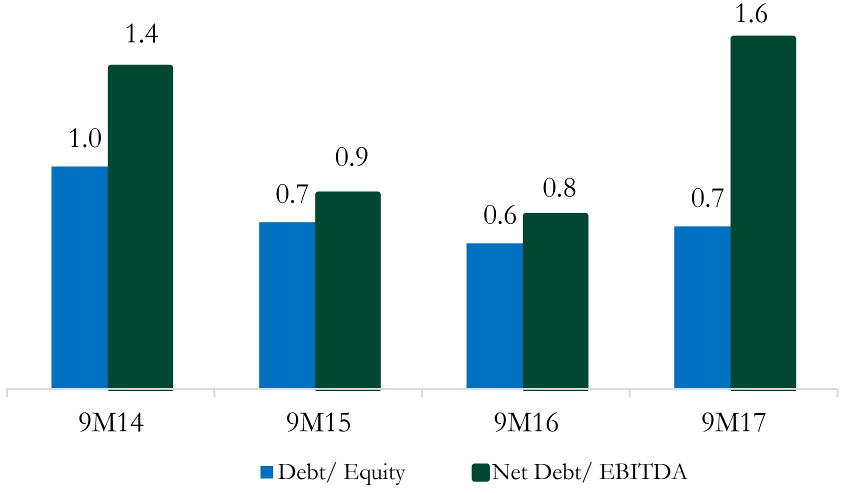


9M17 Financials Review

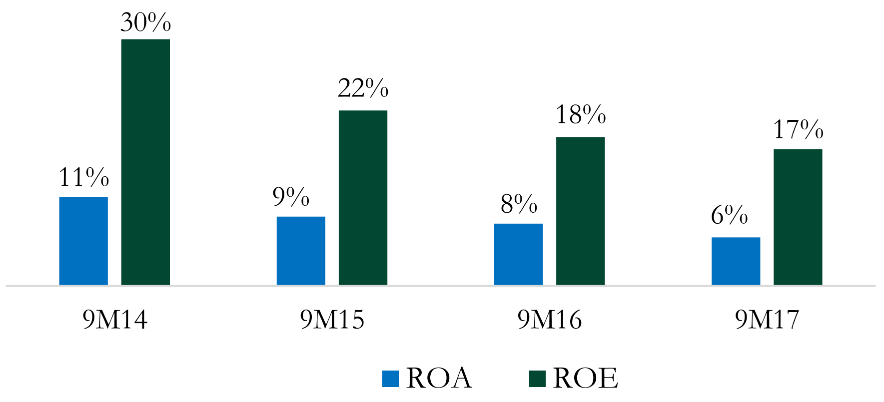
Balance Sheet

	9M14	9M15	9M16	9M17
Assets				
Non-current Assets				
Property plant and equipment, net	2,696	2,570	2,447	2,727
Projects under construction	67	116	122	201
Intagible assets	137	115	92	70
Investment in subsidiaries	9	9	21	38
Payments under long-term investment				
Total Non-current Assets	**2,909**	**2,811**	**2,683**	**3,036**
Current Assets				
Inventory	187	216	165	303
Debtors and other debit balances	112	50	88	71
Due from related parties	17	17	10	12
Cash and bank balances	169	289	245	106
Total Current Assets	**485**	**572**	**508**	**491**
Current Liabilities				
Provisions	8	12	31	12
Current tax liabilities	100	58	52	
Trade payables and other credit balances	354	573	483	668
Due to related parties	5	3	4	5
Borrowings - short term portions	289	174	237	295
Short-term liabilities	69	82	86	342
Total Current Liabilities	**826**	**902**	**893**	**1,322**
Net (Deficit) Surplus in Working Capital	**-340**	**-329**	**-385**	**-830**
Total Invested Funds	**2,569**	**2,481**	**2,297**	**2,205**
Represented in:	-	-	-	
Equity				
Paid up capital	757	757	757	757
Legal reserve	130	156	185	210
Retained earnings	336	423	393	288
Total Equity	**1,224**	**1,336**	**1,336**	**1,255**
Non-current Liabilities				
Borrowings - long term portions	412	394	281	487
Deferred income tax liability	422	328	332	337
Long-term liabilities	511	424	348	127
Total Non-current Liabilities	**1,345**	**1,145**	**962**	**951**
Total Equity and Non-current Liabilities	**2,569**	**2,481**	**2,297**	**2,205**

Gearing



Return Ratios

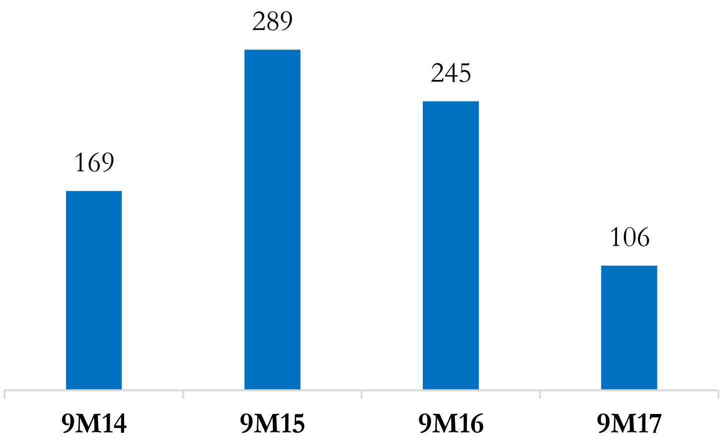


9M17 Financials Review

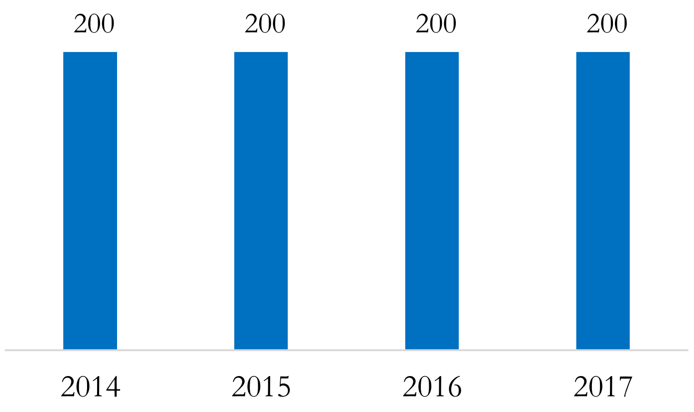
Cash Flow Statement

MN EGP	9M14	9M15	9M16	9M17
Cash flows from operating activities				-
Net profit before tax	386	278	213	141
Interest income	-0.5	-2	-7	-4
Interest expense	71	68	65	79
Depreciation expense	125	130	140	159
Amortization of intangible assets	17	17	17	17
Gain from sale of property plant and equipment	0	0	-2	0
Foreign exchange (gain)/losses differences			69	-19
Dividends from joint venture	0	0	0	0
Provision	1	3	15	3
Changes in working capital	**600**	**493**	**509**	**375**
Debtors and other debit balances	-65	-5	-31	32
Inventory, net	-90	-15	5	-27
Trade payables and other credit balances	73	58	-114	-23.0
Due from related parties	0.1	-2	4	2
Tax paid	-0.5	-132	-112	-185
Due to related parties	3		-2	-3.4
Net cash from operating activities	**520**	**397**	**260**	**170**
Cash flows from investing activities				-
Proceeds from dividends from joint venture	0	0.1	0.0	
Proceeds from sale of assets	0	0.2	5.7	0
Interest income	0.5	2	7	4
Purchase of property, plant and equipment	-10	-8	-10	-9
Payments for acquiring investments in sub				-16
Additions in projects under construction	-93	-44	-17	-165
Payments under long-term investments	0	-0.1	-0.2	
Net cash flows used in investing activities	**-103**	**-51**	**-15**	**-186**
Cash flows from financing activities				-
Payments of license liability	-66	-59	-75	-92
Payments of borrowings	-157	-68	-115	-36
Interest paid	-84	-63		
Dividends paid	-99	-24	-175	-4.5
Proceeds from bank overdraft	0	0		124
Net cash flows from financing activities	**-406**	**-214**	**-365**	**-9**
Net increase (decrease) in cash and cash equivalents	11	132	-119	-24
Cash and cash equivalents at beginning of the year	158	156	365	130.4
Cash and cash equivalents at end of the period	**169**	**288**	**245**	**106**

Cash (EGP mn)



Dividends (EGP mn)



Future Ready

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