Arabian Cement Company

9M 2016 Investors Presentation

Highlights

01
2.95 MM tons Sales

02
USD Debt reduced from 65 mm USD to 44 mm USD in 2016

03
EGP 578 MM EBITDA

04
5% Reduction in cost/ton EGP 329

05
7.0% Market Share

06
82% Clinker Utilization

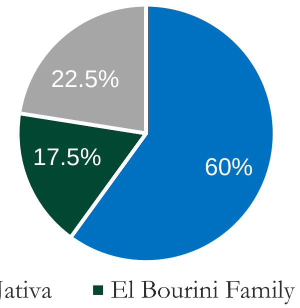
Contents

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% as of 9M 2016.
- 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 NLSupervision ("NLS"); a subsidiary of 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.
- In 9M 2016, ACC distributed 45% of its production through own channels, "Wassal"; delivery service.
- 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

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

2014
- 2014 Commissioning of coal mill

2015
- **2015** Line 1 AF (Hot Disc) Commissioning

2016
- Second coal mill Contract Signature

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

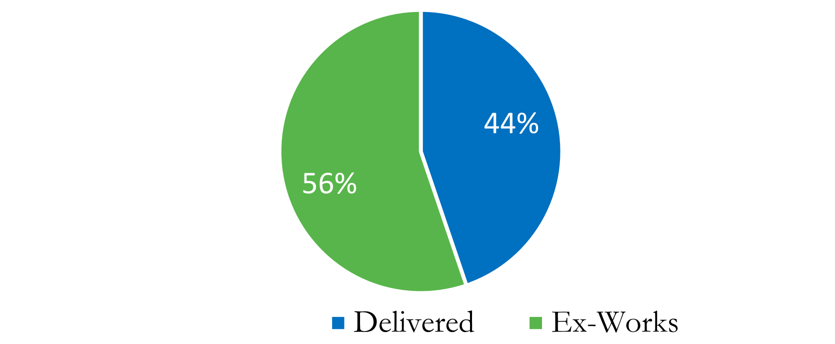
Medium Term Strategy			Long Term Strategy
1- Position ACC Among the Top Brands in the Market and Command a Price Premium and the Highest Profitability	2- Continue to Pay a Healthy Dividend Stream While Optimizing Capital Structure	3- Vertical Expansion: • Andalus Ready Mix • RDF Plants	4- Expanding production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

Introduction to ACC

Distribution Network Overview

- In 9M 2016 Arabian Cement distributed through direct Ex-Factory sales and Delivery.

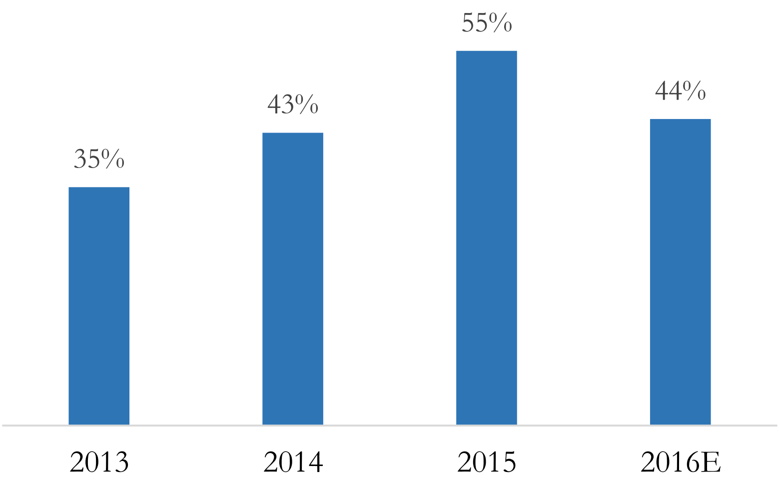
9M 2016 Distribution



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

- Egypt has floated its currency in a move that has reduced its value by about 50% against the dollar.
- The country's central bank said the move was one of a list of reforms designed to strengthen confidence in the economy.
- Egypt's main stock index jumped by more than 8% after the EGP floatation.
- The central bank has also increased interest rates by 3 percentage points to 14.75%.
- The move is a key requirement of the International Monetary Fund (IMF), from which Egypt is asking for a $12bn loan over three years.
- The IMF's mission chief for Egypt, Chris Jarvis, said the move would make more foreign exchange available and would "help foster growth, job creation and stronger external position for the country".

Production

- ACC produced 2.6 MM MT of clinker in 9M 2016 compared to 2.7 MM MT at the same period the previous year.

- ACC operated at 82% clinker utilization in 9M 2016 compared to 85% in the same period last year.

- This small but important drop in clinker production has been due to several technical issues, like the hot disc commissioning, that has been already overcome.

Energy

- 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.

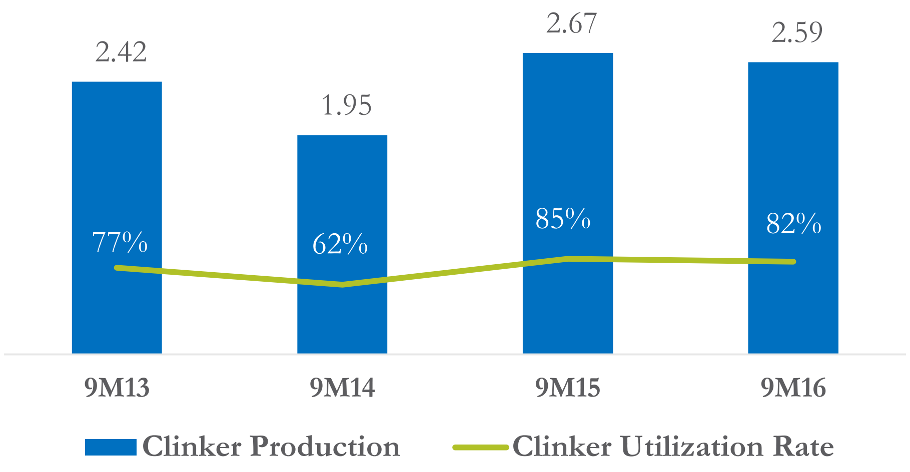
- The fuel mix in 9M 2016 was 73% Coal, 10% Alternative Fuel and 17% Diesel vs 74% Coal, 7% AF and 19% Diesel in 9M2015.

- With the current installations in place, ACC expects to operate at the maximum clinker utilization rate in 2017.

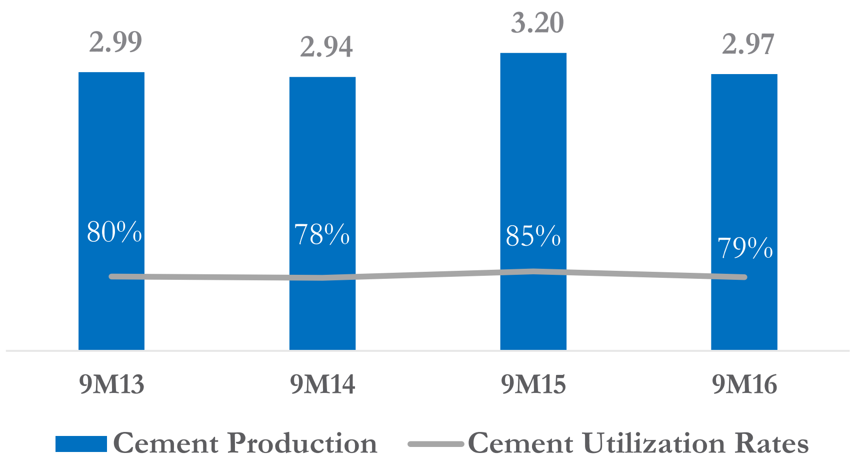
Period Highlights (continued)

Main KPIs

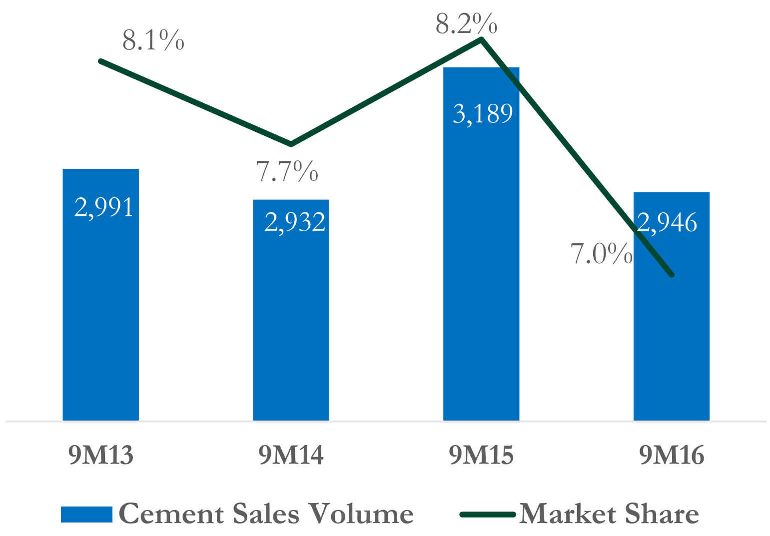
Clinker Production (MN MT) and Utilization Rates



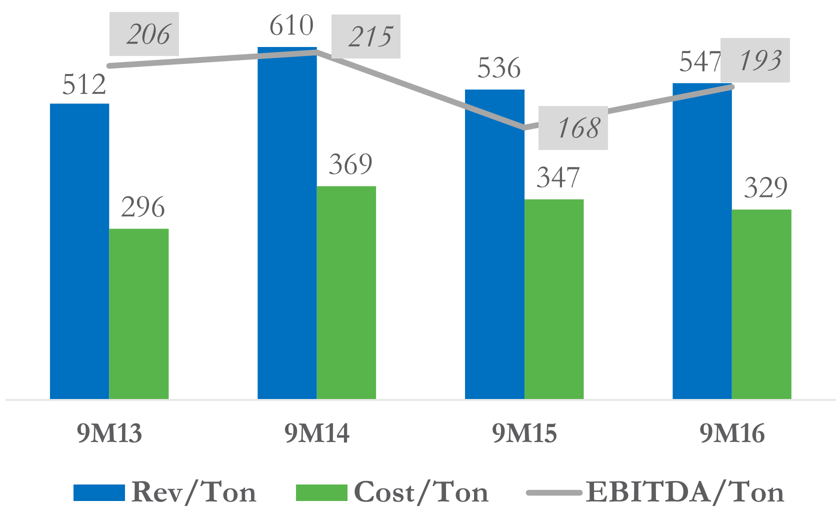
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



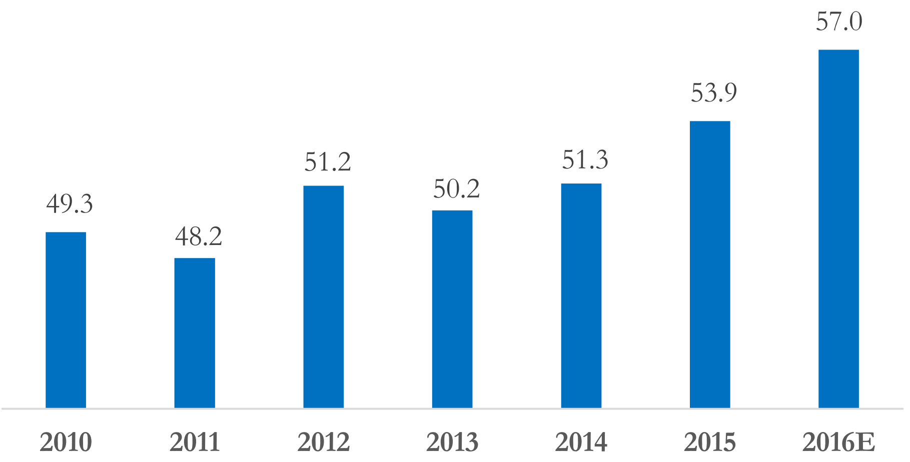
Revenues, COGS and EBITDA (EGP/ton)



Egyptian Cement Market

Demand and Supply Synopsis

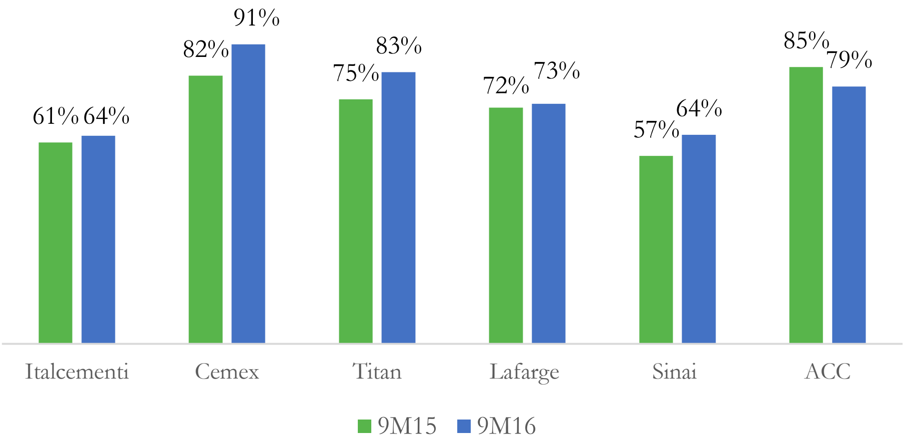
Domestic Consumption (MMT)



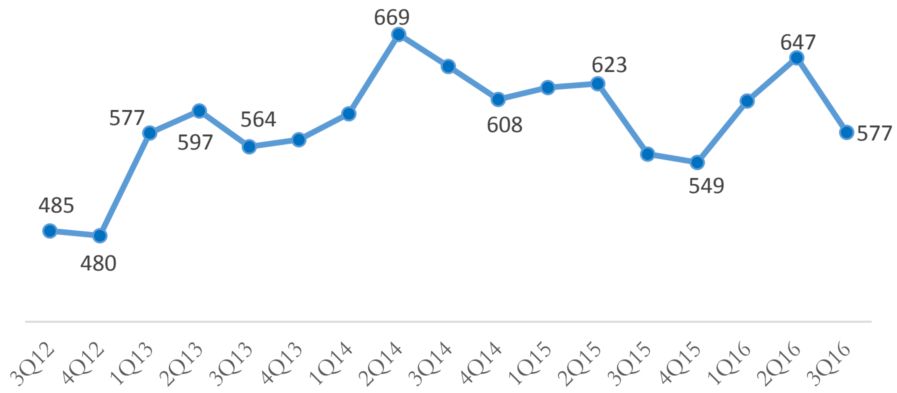
Egyptian Market Overview

- The market is driven by local consumption, which has been relatively increasing over the past few years despite economic unrest.
- Egypt current installed capacity is 70 mm tons cement and the consumption in 2016 will be around 57 mm tons which represents a 6% growth rate, in 2019 the army will add 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.
- Egypt suffers from low levels of spending on infrastructure. Also the quality of the infrastructure is relatively low that requires constant maintenance and repair.
- Cement prices increased starting from Q2 2016 but accelerated right after the EGP flotation and the increase in petroleum products prices that took place in November, which affected both the production cost/t and the transportation cost.

Cement Domestic Capacity Utilization



Average Market Retail Prices (EGP/ton)

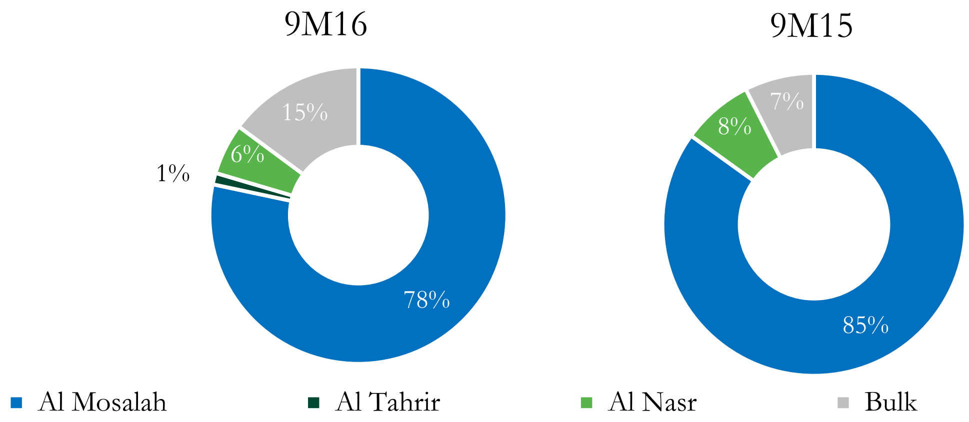


Sales Overview

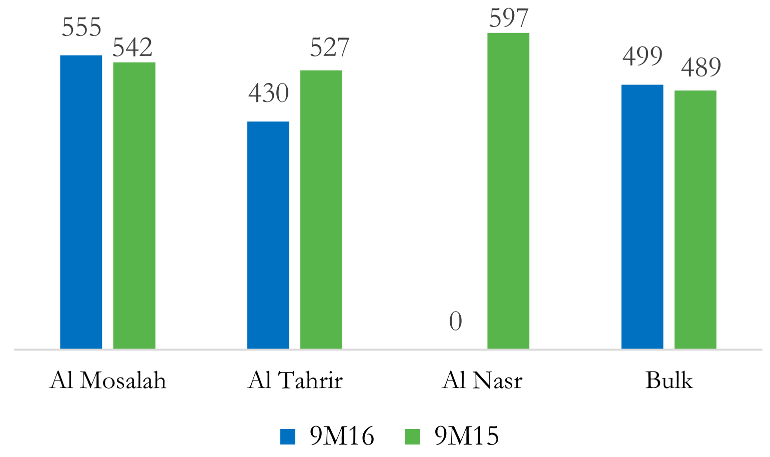
Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)

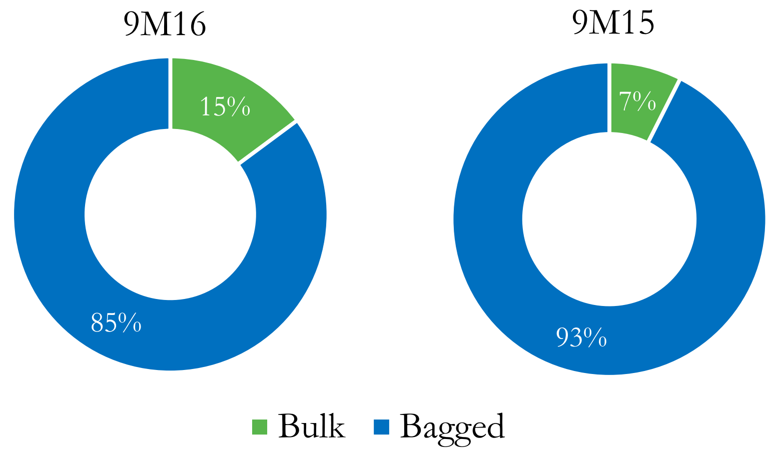
Breakdown by Brand

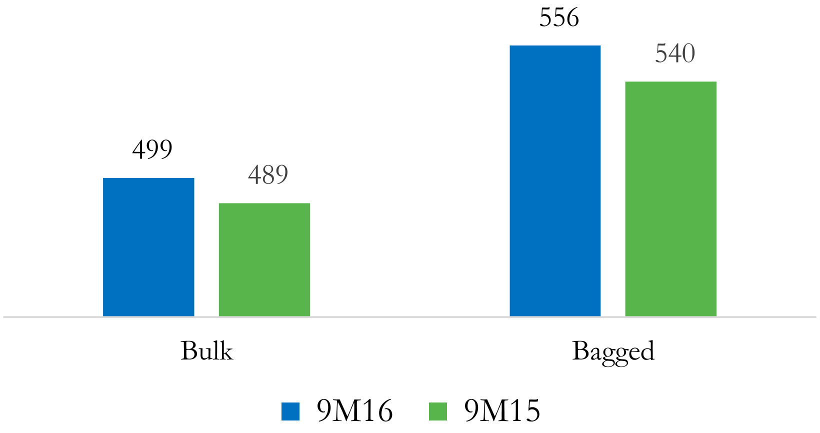


Tahrir cement was discontinued and substituted by El Nasr in January 2016



Breakdown by Type





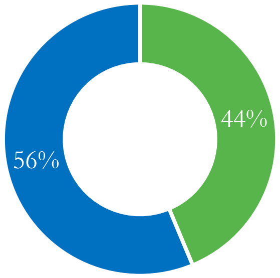
Sales Overview

Quantities Breakdown

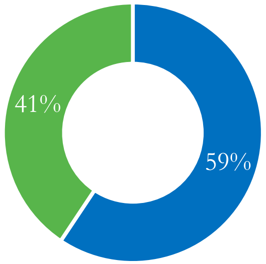
Quantities Breakdown	Prices (EGP/ton)

Breakdown by Point of Sale

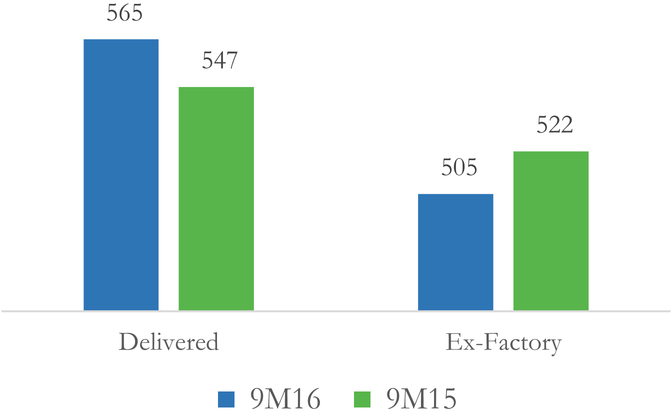
9M16



9M15

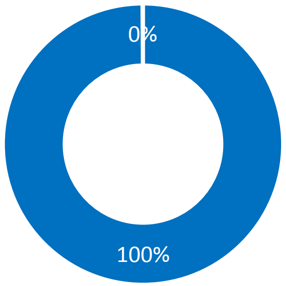


■ Delivered ■ Ex-Factory

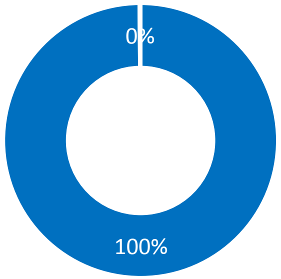


Breakdown by Market

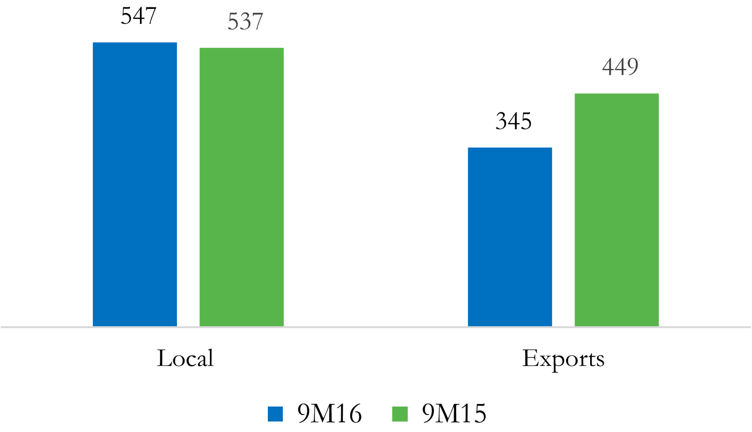
9M16



9M15



■ Local ■ Exports

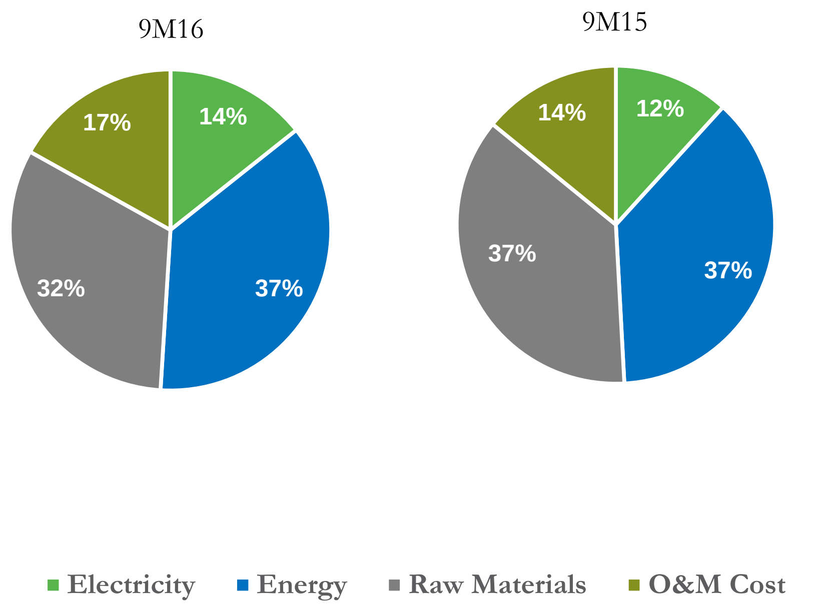


The export price is evaluated at 1$ = 8.88 EGP (official bank rate until flotation)

COGS Overview

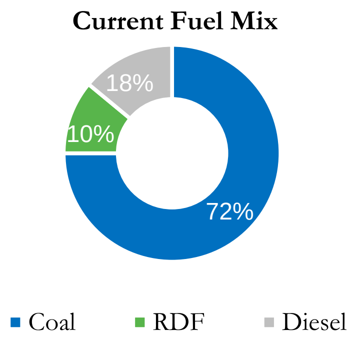
COGS and ACC Cost Advantages

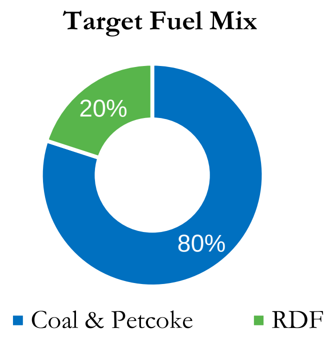
COGS Breakdown



ACC Cost Advantages

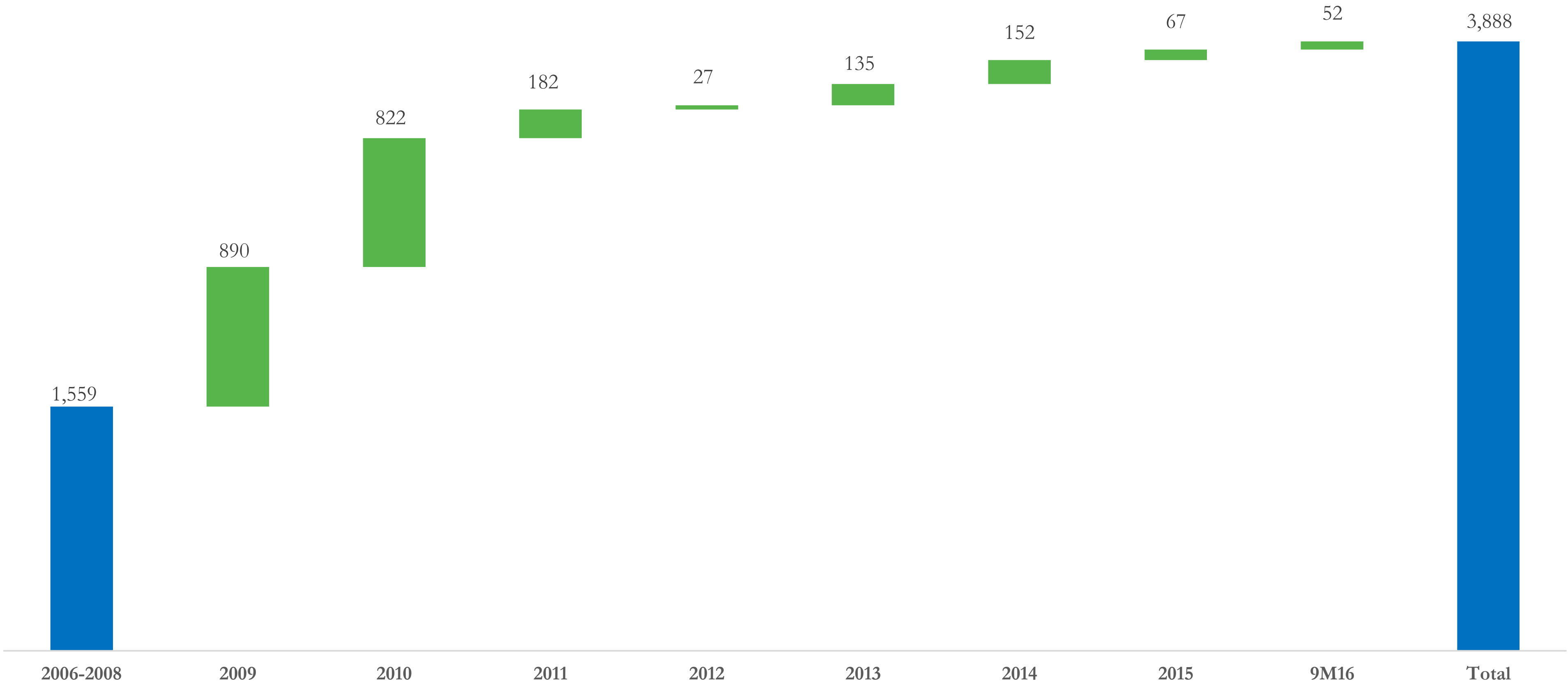
- ACC moved ahead of other industry players with embarking on alternative energy investments with aims to offer the ability to substitute up to 100% of its energy needs.
- **RDF:**
  - The Company started using RDF in November 2013 in Line II.
  - Starting June 2015 the company started commissioning the hot disc to enable using a higher percentage of Alternative fuels in Line I, and in the total factory.
  - During 9M 2016, the company used RDF to generate around 10% of its energy requirements.
- **Coal:**
  - The company now has the technical capability to substitute > 70% of energy needs through coal and 20% through RDF. The remaining should be diesel.
  - Over the coming year , the company will invest in a second coal mill. This will enable the use of both Petcoke and Coal. Further, it will reduce the need for using diesel when one mill is under maintenance.





CAPEX Overview

CAPEX (MN EGP)

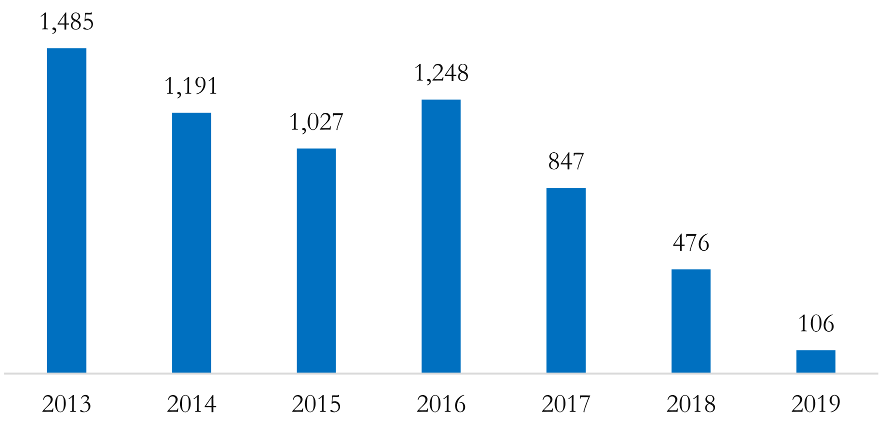


- Total CAPEX for 2016 is around the same as 2015 which is mainly maintenance CAPEX.

Debt

Outstanding Debt & Debt Structure

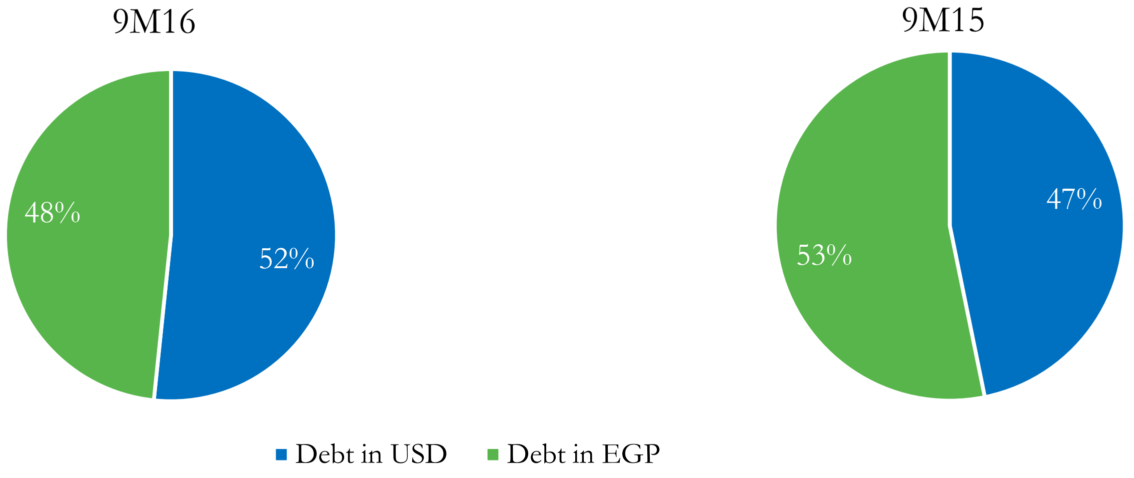
Outstanding Debt (Thousand EGP)



Interest Coverage Ratio

Debt in EGP increased due to the flotation, however in USD terms during 2016 the debt was reduced from 65 to 44 MMUSD

Debt Structure (EGP vs. USD)

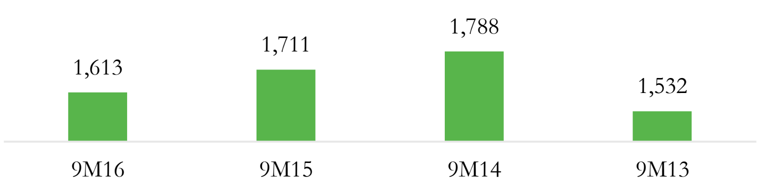


9M16 Financials Review

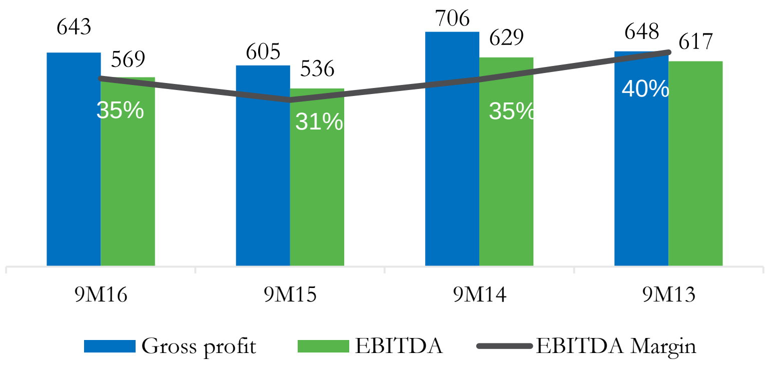
Income Statement

MN EGP	9M13	9M14	9M15	9M16
Revenue	1532	1788	1711	1,613
Cost of goods sold	885	1083	1105	969
Gross profit	**648**	**706**	**605**	**643**
GPM	**42%**	**39%**	**35%**	***40%***
SG&A Expenses	44	78	71	81
Other income	13	1	2	7
EBITDA	**617**	**629**	**536**	**569**
EBITDA Margin	**40%**	**35%**	**31%**	***35%***
Depreciation & Amortization	140	142	147	149
EBIT	**477**	**487**	**389**	**420**
EBIT Margin	31%	27%	23%	***26%***
Foreign exchange	63	30	44	145
Loan interest expense	47	27	19	21
Operating license interest expense	34	34	34	34
Electricity agreement interest expense	9	9	9	9
Long-term notes payables	0	0	0	1
Interest income	1	1	5	0
Finance cost, net	152	71	68	65
Net profit before tax	**325**	**386**	**278**	**194**
PBT Margin	21%	22%	16%	***19%***
Deferred tax	15	85	-24	3
Income tax expense	0	100	58	51
Net profit	**309**	**200**	**244**	**159**
NPM	20%	11%	14%	10%

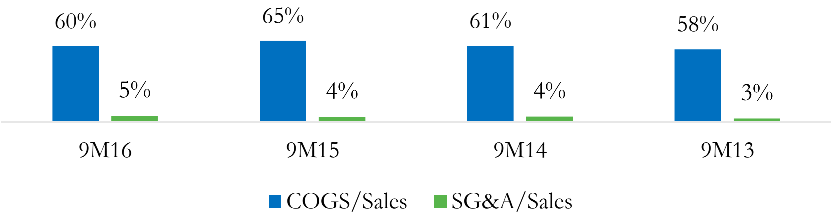
Revenues (Thousand EGP)



GP and EBITDA (Thousand EGP)



Efficiency Ratios

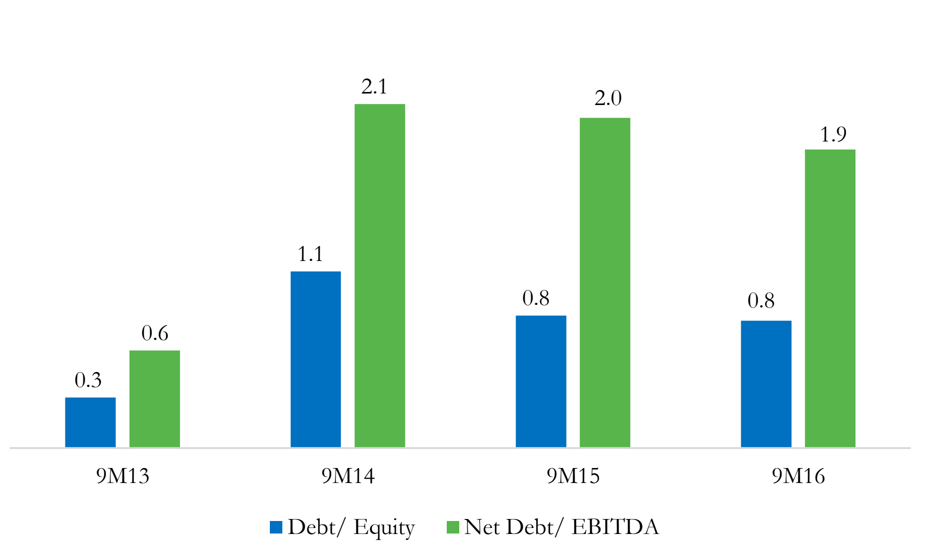


1H16 Financials Review

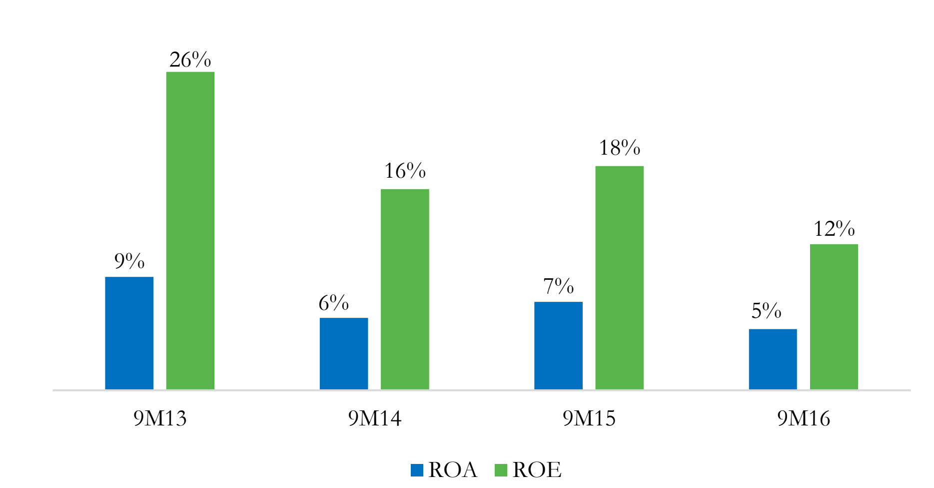
Balance Sheet

MN EGP	9M13	9M14	9M15	9M16
Assets				
Non-current Assets				
Property plant and equipment, net	2,685	2,696	2,570	2,447
Projects under construction	46	67	116	122
Intangible assets	160	137	115	92
Investment in subsidiaries	9	9	9	21
Payments under long-term investment	0	0	0	0
Total Non-current Assets	**2,900**	**2,909**	**2,811**	**2,683**
Current Assets				
Inventory	75	187	216	165
Debtors and other debit balances	148	112	50	88
Due from related parties	15	17	17	10
Cash and bank balances	208	169	289	245
Total Current Assets	**445**	**485**	**572**	**508**
Current Liabilities				
Provisions	1	8	12	31
Current tax liabilities		100	58	52
Trade payables and other credit balances	265	354	573	483
Due to related parties		5	3	4
Borrowings - short term portions	374	289	174	237
Short-term liabilities	127	69	82	86
Total Current Liabilities	**767**	**826**	**902**	**893**
Net (Deficit) Surplus in Working Capital	**-322**	**-340**	**-329**	**-385**
Total Invested Funds	**2,578**	**2,569**	**2,481**	**2,297**
Represented in:				
Equity				
Paid up capital	757	757	757	757
Legal reserve	77	130	156	185
Retained earnings	359	336	423	393
Total Equity	**1,193**	**1,224**	**1,336**	**1,336**
Non-current Liabilities				
Borrowings - long term portions	554	412	394	281
Deferred income tax liability	332	422	328	332
Long-term liabilities	499	511	424	348
Total Non-current Liabilities	**1,385**	**1,345**	**1,145**	**962**
Total Equity and Non-current Liabilities	**2,578**	**2,569**	**2,481**	**2,297**

Gearing



Return Ratios

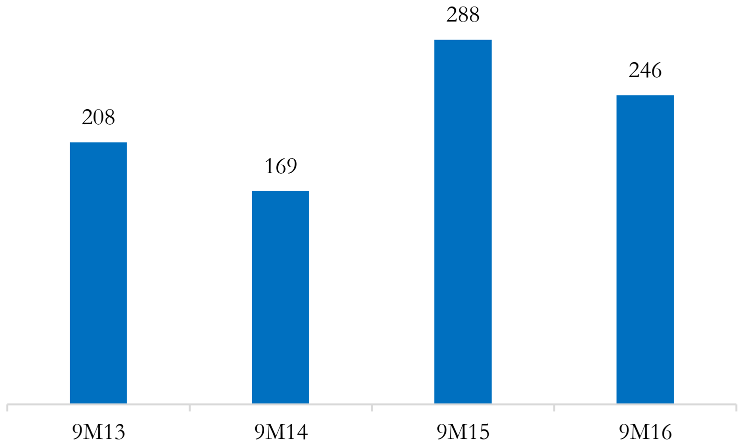


1H16 Financials Review

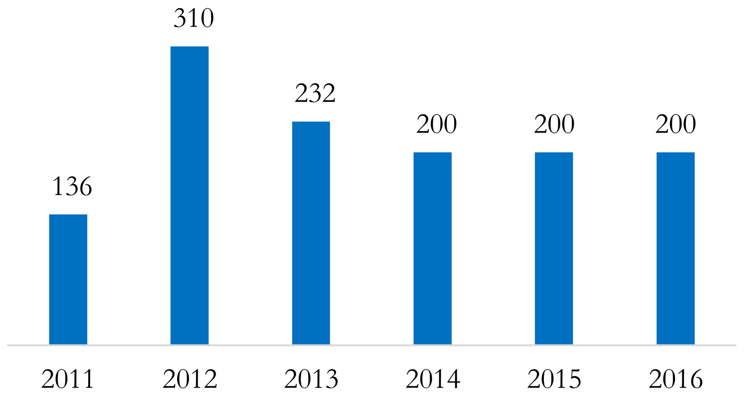
Cash Flow Statement

MN EGP	9M16	9M15	9M14	9M13
<u>**Cash flows from operating activities**</u>				
Net profit before tax	213	278	386	325
Interest income	-7	-2	-0.5	-1
Interest expense	65	68	71	90
Depreciation expense	140	130	125	124
Amortization of intangible assets	17	17	17	16.0
Gain from sale of property plant and equipment	-2	0	0	0
Dividends from joint venture	0	0	0	0
Provision	15	3	1	0
Changes in working capital	**441**	**493**	**600**	**554**
Debtors and other debit balances	-31	-5	-65	188
Inventory, net	5	-15	-90	-7
Trade payables and other credit balances	-114	58	73	24
Due from related parties	4	-2	0.1	-4
Tax paid	-67	-132	-0.5	
Due to related parties	-2		3	-2
Net cash from operating activities	**235**	**397**	**520**	**752**
<u>**Cash flows from investing activities**</u>				
Provceeds from dividends from joint venture	0.0	0.1	0	0
Proceeds from sale of assets	5.7	0.2	0	0
Interest income	7	2	0.5	1
Purchase of property, plant and equipment	-10	-8	-10	-6
Additions in projects under construction	-17	-44	-93	-43
Payments under long-term investments	-0.2	-0.1	0	
Net cash flows used in investing activities	**-15**	**-51**	**-103**	**-48**
<u>**Cash flows from financing activities**</u>				
Payments of license liability	-75	-59	-66	-72
Payments of borrowings	-115	-68	-157	-186
Interest paid	-44	-63	-84	-90
Dividends paid	-106	-24	-99	-310
Proceeds from bank overdraft		0	0	0
Net cash flows from financing activities	**-339**	**-214**	**-406**	**-657**
Net increase (decrease) in cash and cash equivalents	-119	132	11	47
Cash and cash equivalents at beginning of the period	365	156	158	161
Cash and cash equivalents at end of the period	**246**	**288**	**169**	**208**

Cash (EGP mn)



Dividends (EGP mn)



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