



Arabian Cement Company

FY 2018 Investors Presentation

Highlights



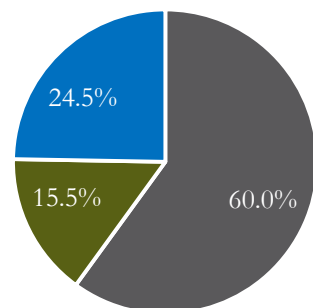
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ACC in a Snapshot

- 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 7.6% as of FY 2018.
- 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

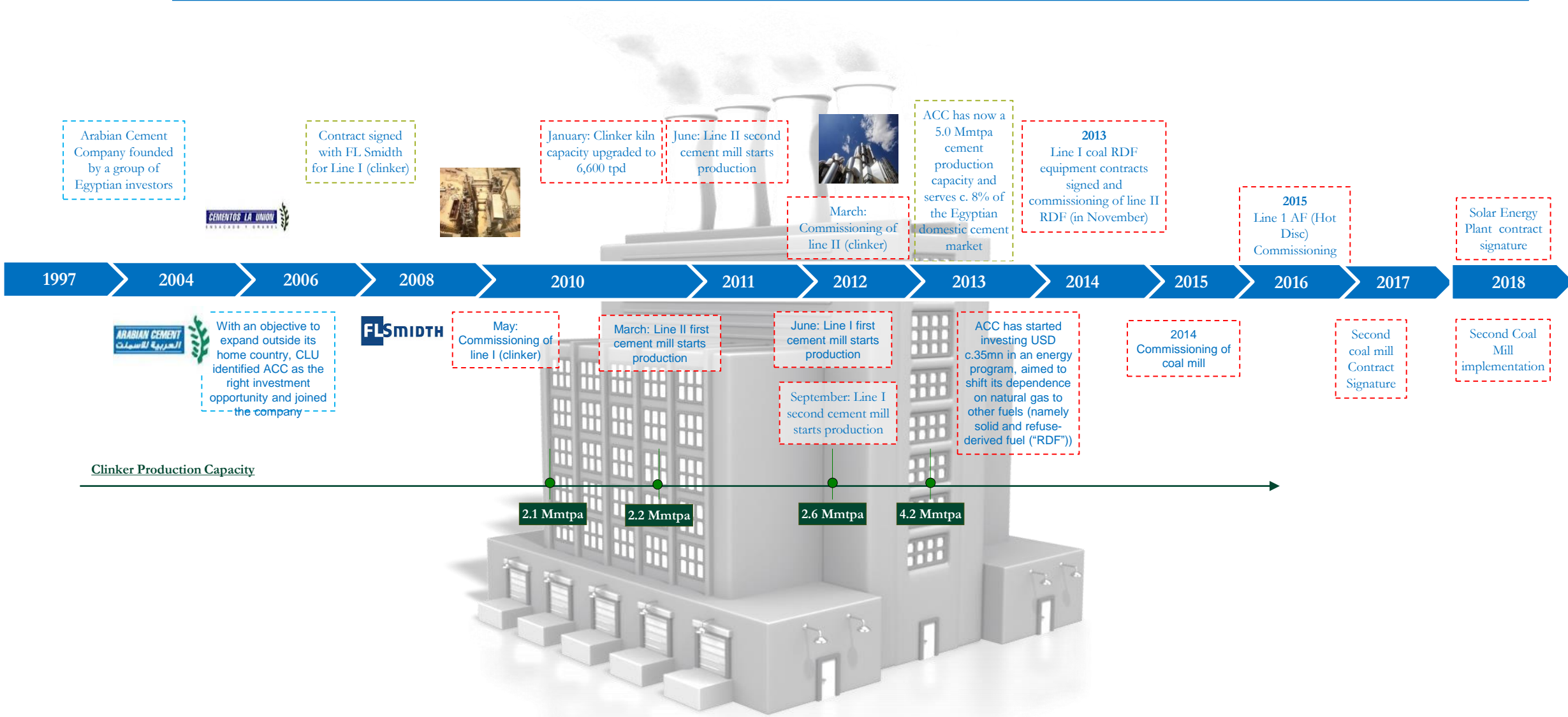
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

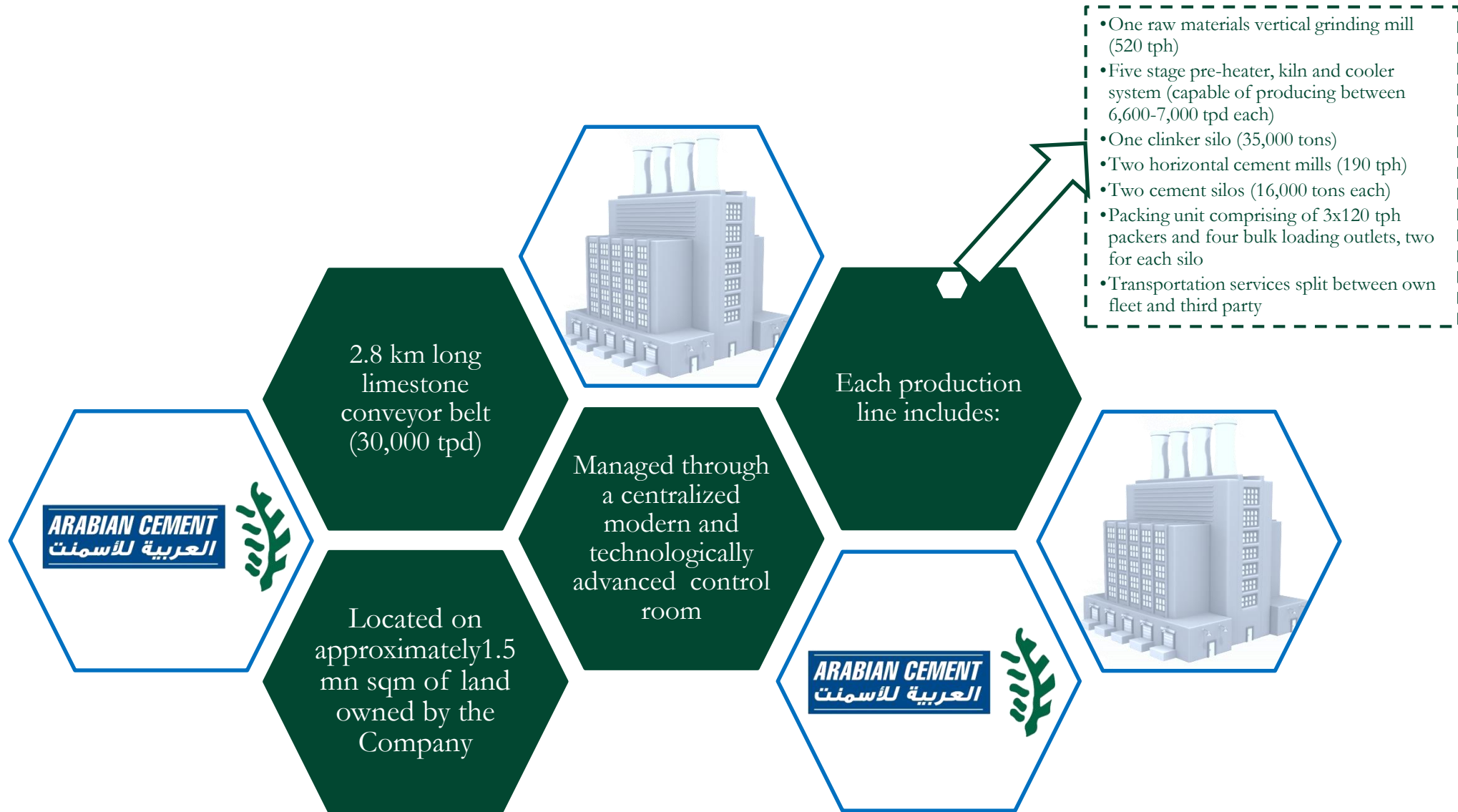
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information





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

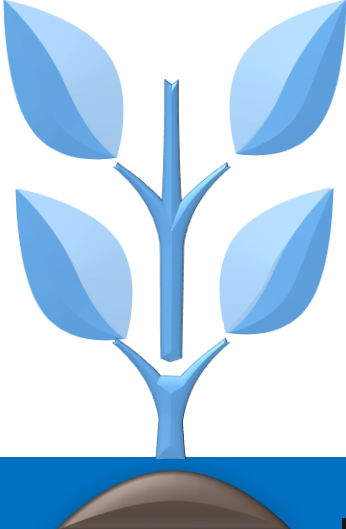
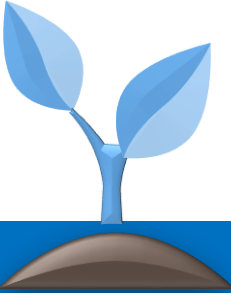
Long Term Strategy

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- Cost saving strategy



Introduction to ACC

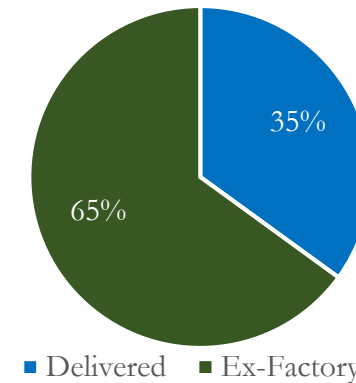
Distribution Network Overview

- In FY2018 Arabian Cement distributed through direct Ex-Factory sales and Delivery.
- The Ex-factory percentage increased as we sell all our exports as Ex-factory.

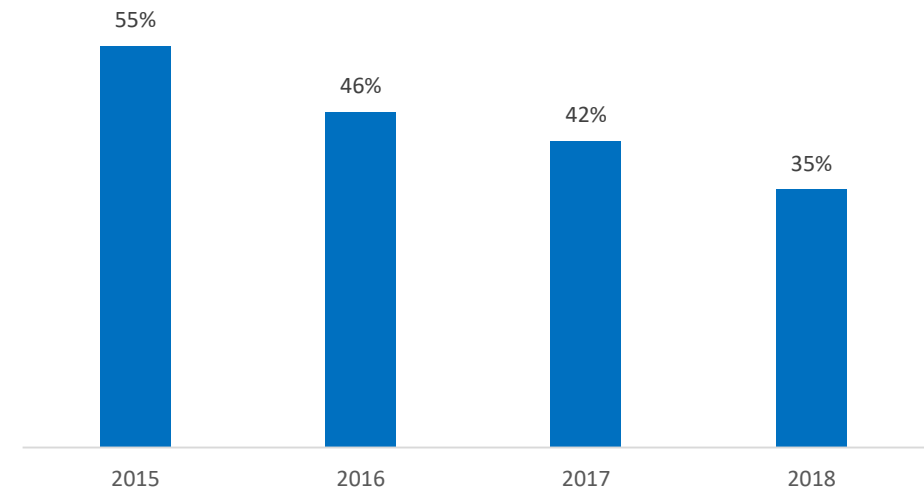
Express Wassal

- 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 2018 Distribution



Delivered volumes



Period Highlights

Main Highlights



Economy

- During 2017 and 2018, the foreign reserves jumped from \$36.7 billion to \$44.5 billion for the first time in the foreign monetary reserves' history, which enhances the central bank's capabilities to import commodities, and thus provide appropriate environment to attract more foreign investments to Egypt.
- The International Monetary Fund (IMF) expected Egypt's economy to record a growth rate of 5.3 percent in 2018 and 5.5 percent in 2019, compared to 4.2 percent in 2017.



Production

- ACC produced 4,123K T of clinker in FY 2018 compared to 3,434K T in FY 2017.
- ACC operated at 98% clinker utilization in FY 2018 compared to 82% last year.
- Cement production reached 4.3 mn tons for 2018 with utilization rate of 91%, 3% increase y-o-y.



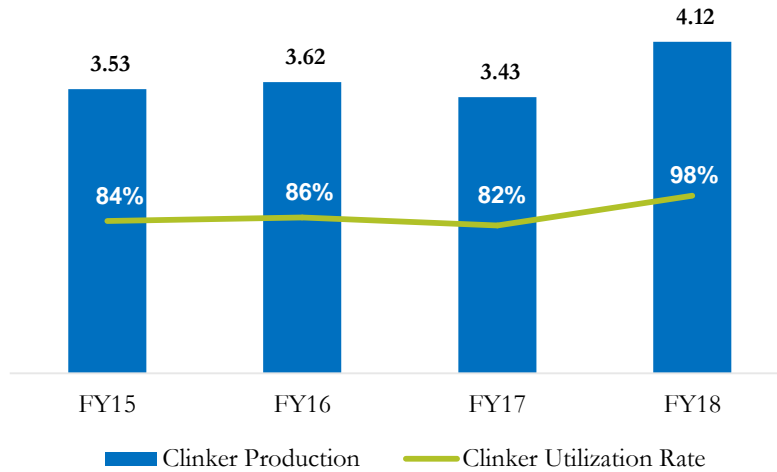
Energy

- The fuel mix in FY 2018 was 83% Coal, 15% Alternative Fuel and 2% Diesel vs 78% Coal, 11% AF and 11% Diesel in 2017.
- For 2019, the company is working to reach a fuel mix of 85% coal, 14% RDF and 1% Diesel.
- The company installed the second Coal mill that started operating in 2Q2018 which allowed us to get rid of the Diesel consumption. This will support our cost advantage after cutting diesel subsidy

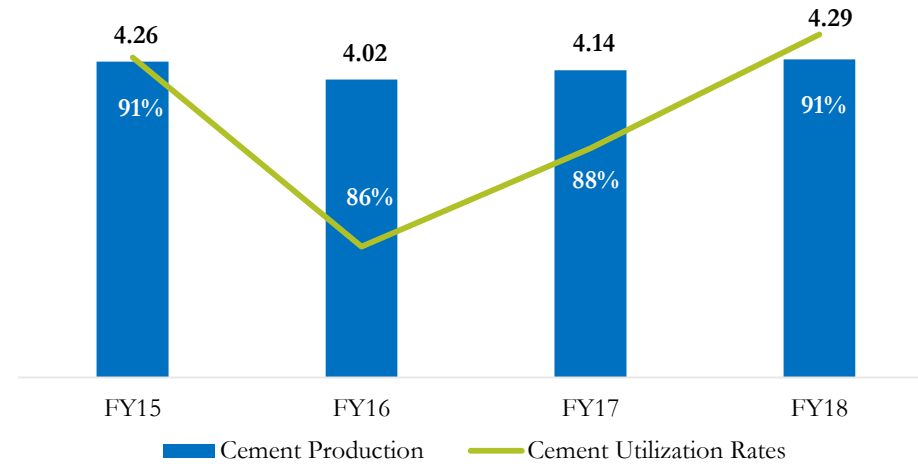
Period Highlights (continued)

Main KPIs

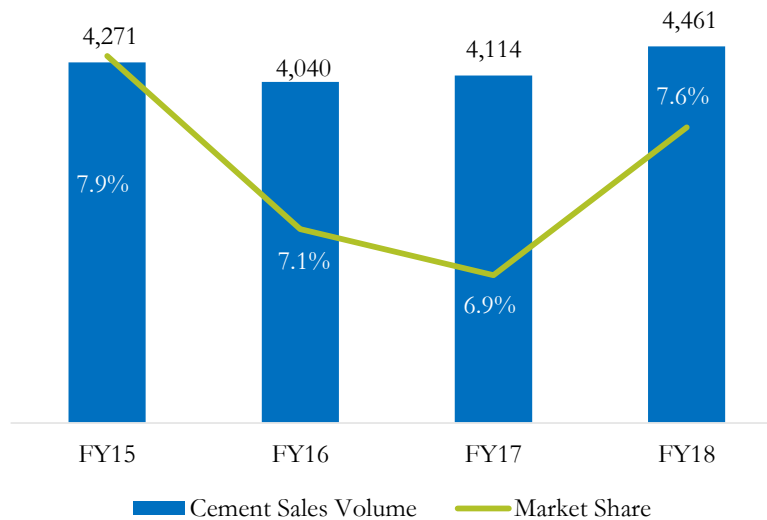
Clinker Production (MN MT) and Utilization Rates



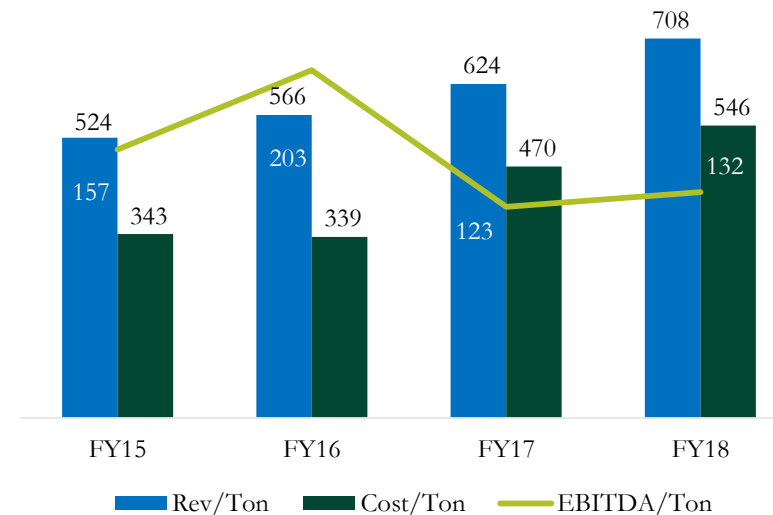
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



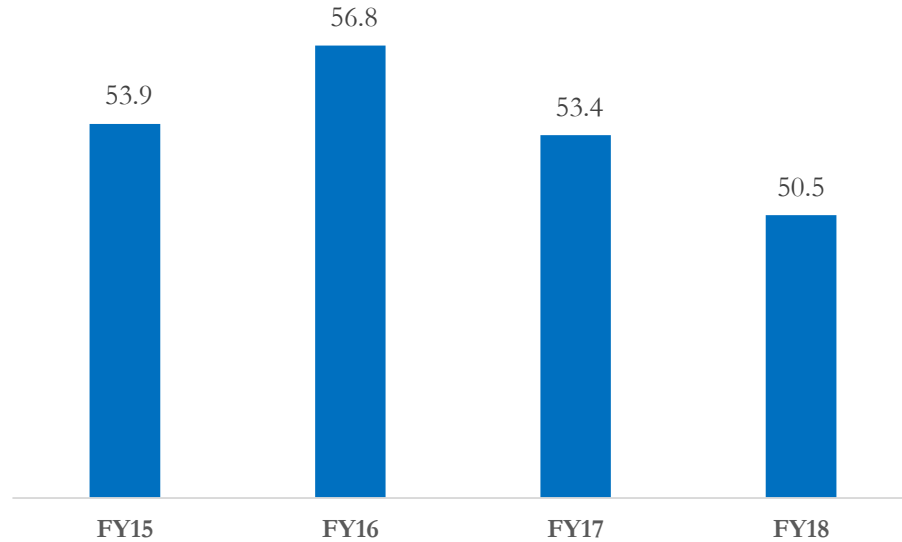
Revenues, COGS and EBITDA (EGP/ton)



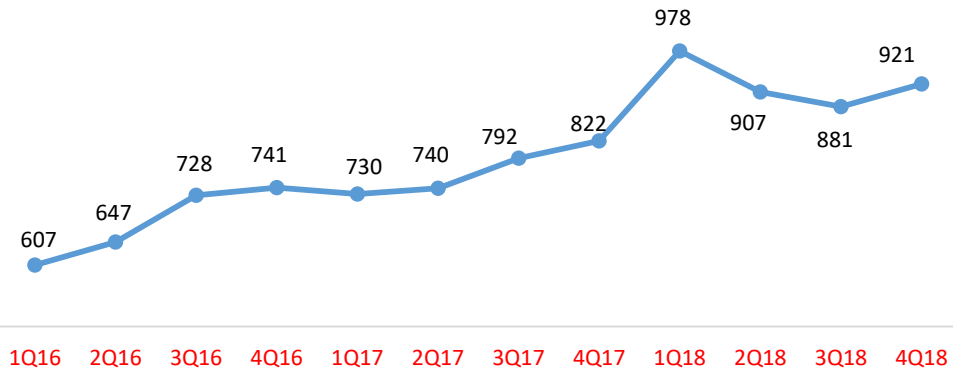
Egyptian Cement Market

Demand and Supply Synopsis

Domestic Consumption (MMT)



Average Market Retail Prices (EGP/ton)



Egyptian Market Overview

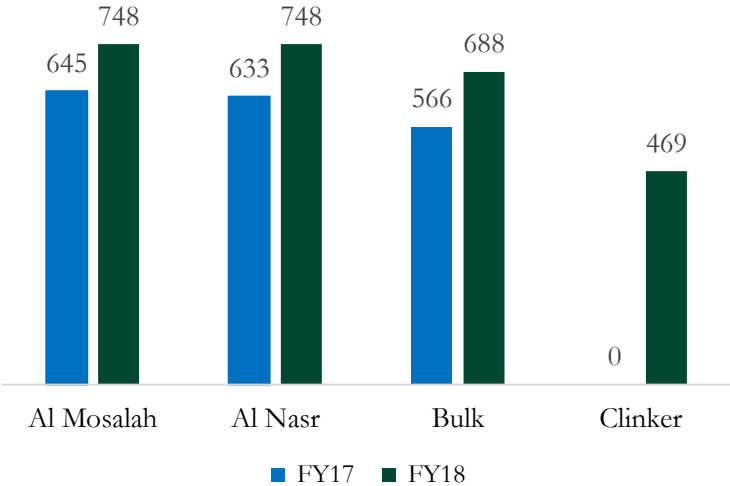
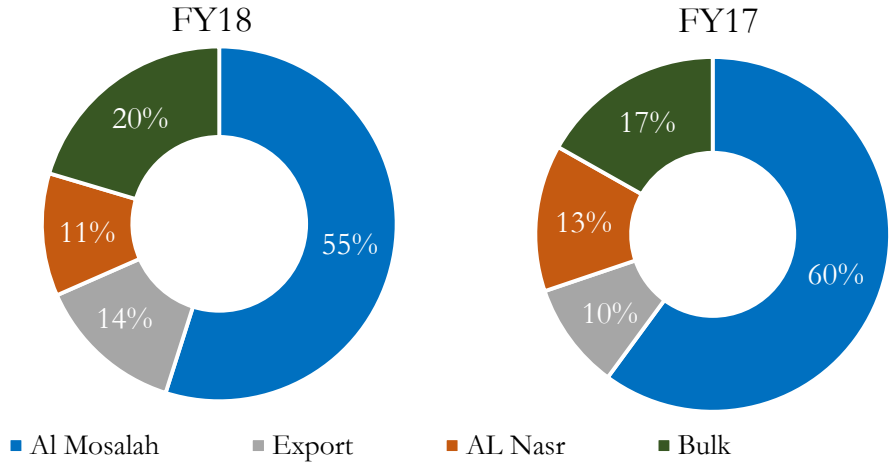
- The market is driven by local consumption, which has decreased by 6% y-o-y. We expect that H1 2019 will be tough and cement prices in the market will be depressed, however will start increasing towards mid 2019 driven by a mix of rising production cost (Electricity and fuel prices) and a not sustainable dynamic for the cement industry in general.
- 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.
- Government is working on some mega projects like the new capital city, enhancing roads and rail infrastructure, and restructuring the energy sector.

Sales Overview

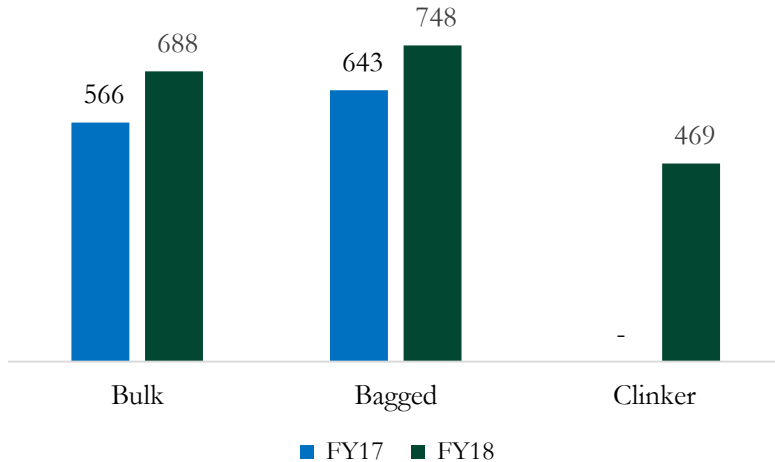
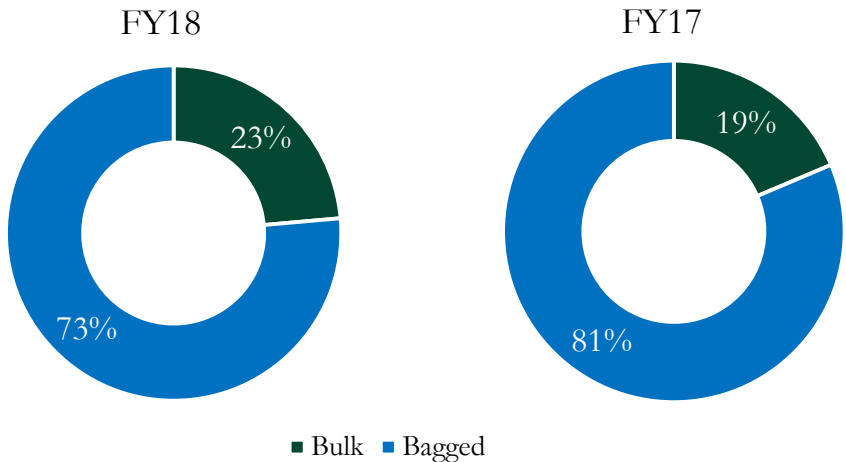
Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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Breakdown by Brand



Breakdown by Type

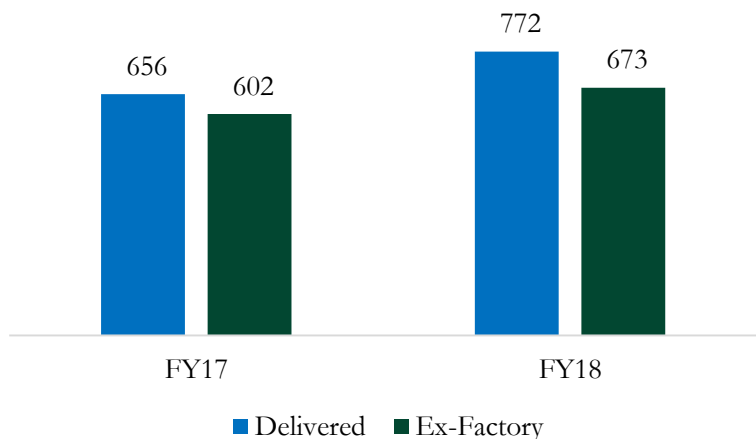
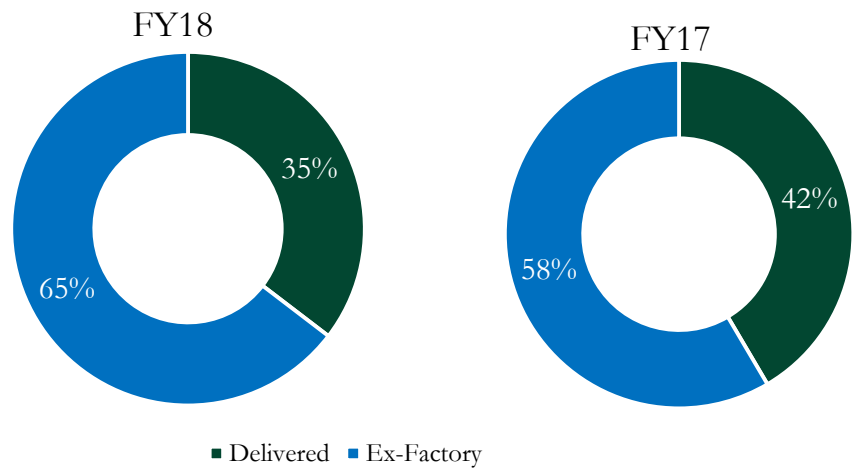


Sales Overview

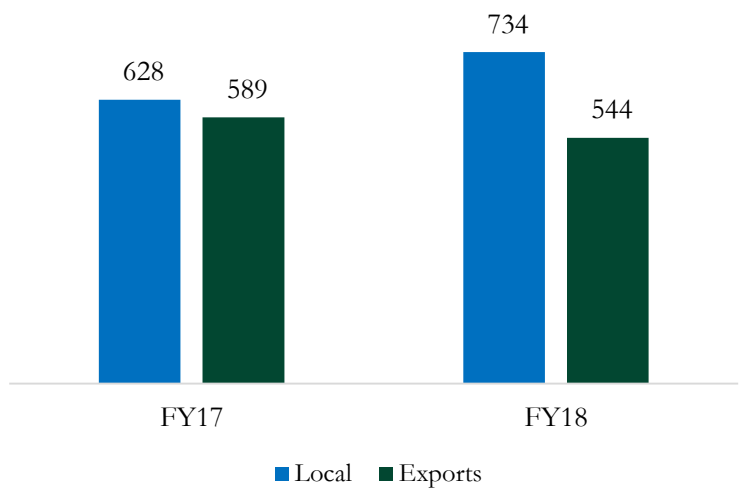
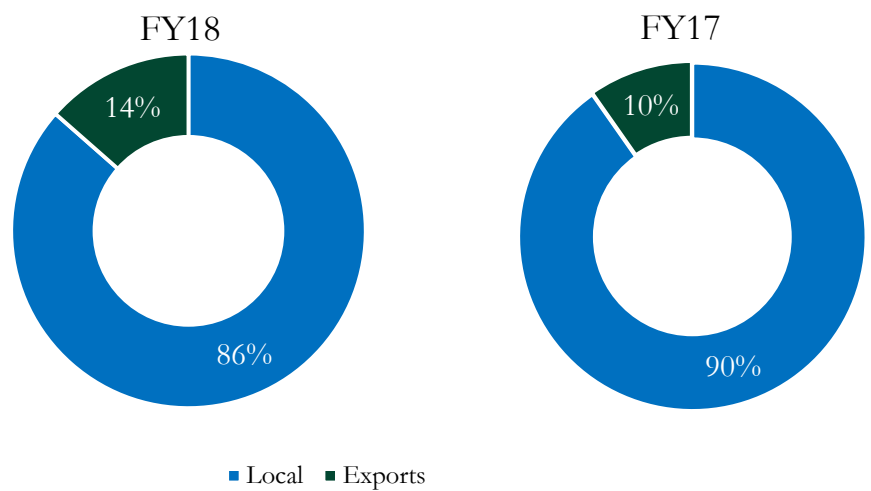
Quantities Breakdown

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



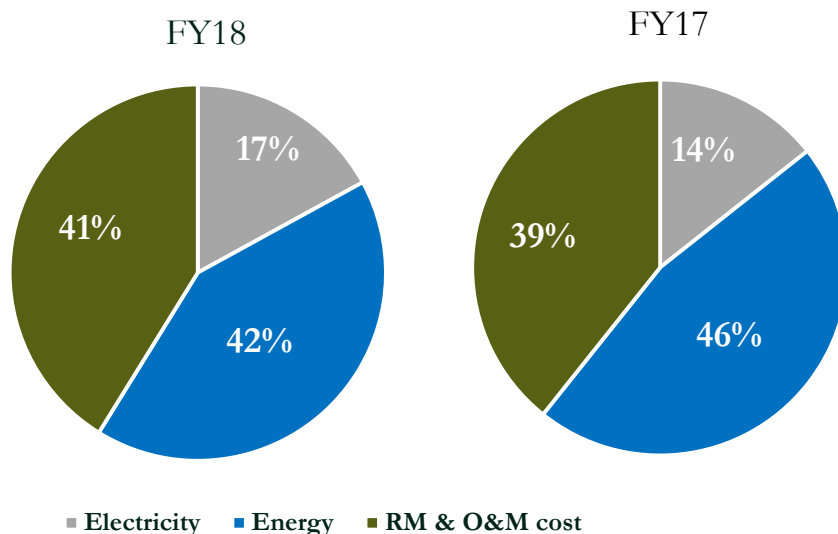
Breakdown by Market



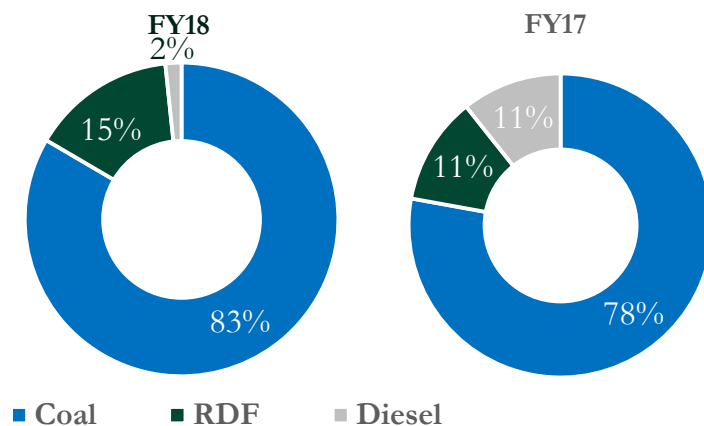
COGS Overview

COGS and ACC Cost Advantages

COGS Breakdown



Fuel Mix

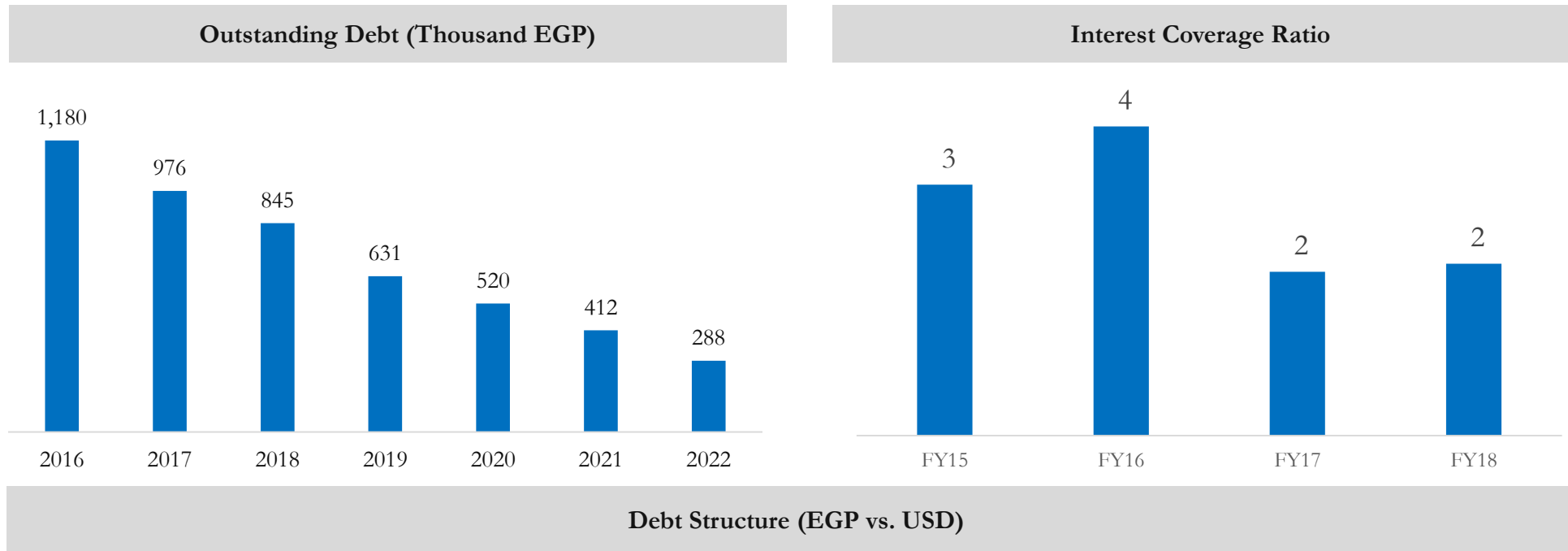


ACC Cost Advantages

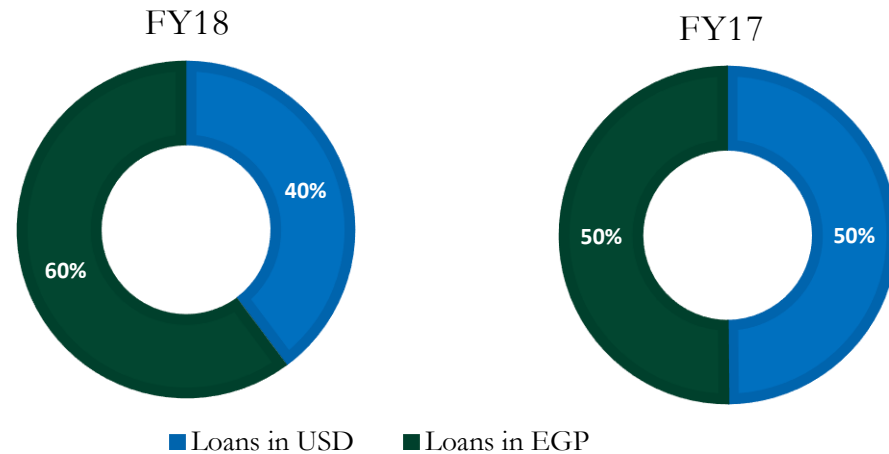
- ACC is always working on controlling its cash cost/ton. After the operation of our second coal mill in 2Q2018, the company was able to get rid of the diesel input, depending only on coal and RDF. We achieved a fuel mix of 83% coal and 15% RDF, and 2% diesel in FY2018. Also, production will be persisted 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:**
 - ACC 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 4Q2018, the company increased its y-o-y RDF consumption from 10% to 16% of its fuel mix.
 - 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.

Debt

Outstanding Debt & Debt Structure



Debt Structure (EGP vs. USD)

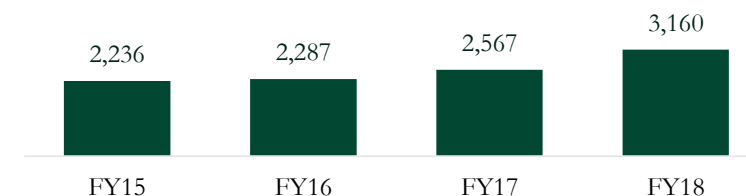


FY18 Financials Review

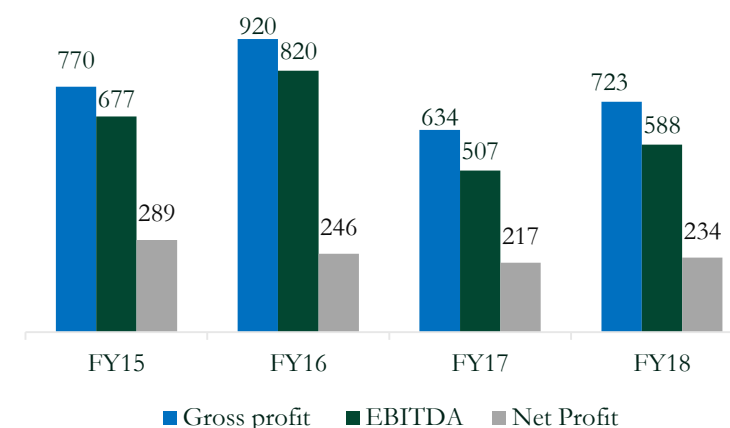
Income Statement

MN EGP	FY15	FY16	FY17	FY18
Revenue	2,236	2,287	2,567	3,160
Cost of goods sold	1,466	1,368	1,933	2,437
Gross profit	770	920	634	723
GPM	34%	40%	25%	23%
SG&A Expenses	93	99	127	135
EBITDA	677	820	507	588
EBITDA Margin	30%	36%	20%	19%
Other income	-8	14	-6	10
Depreciation & Amortization	197	204	235	248
EBIT	472	630	266	350
EBIT Margin	21%	28%	10%	11%
Foreign exchange	44	246	-31	4
Loss/gain on disposal of PPE	.3	-7		
Finance cost, net	90	7	103	106
Net Profit Before Tax	339	370	194	241
NPBT Margin	15%	16%	8%	8%
Deferred tax	-22	10	-3	7
Income tax expense	72	115	-21	
Net Profit	289	246	217	234
NPM	13%	11%	8%	7%

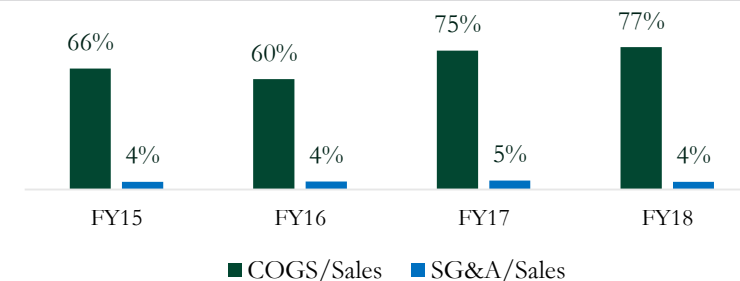
Revenues (Thousand EGP)



GP, EBITDA & Net Profit (Thousand EGP)



Efficiency Ratios

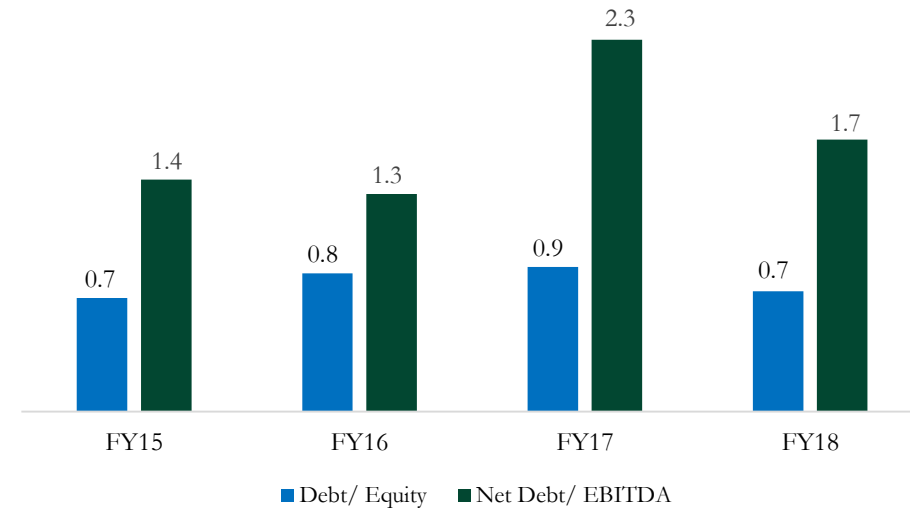


FY18 Financials Review

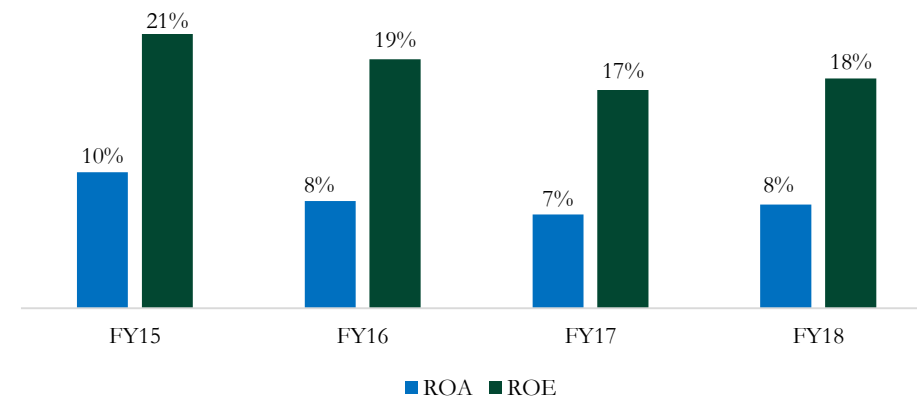
Balance Sheet

MN EGP	FY15	FY16	FY17	FY18
<u>Assets</u>			-	-
Non-current Assets				
Property plant and equipment, net	2,534	2,877	2,356	2,457
Projects under construction	125	18	249	96
Intangible assets	109	87	396	345
Investment in subsidiaries	21	21	38	48
Payments under long-term investment				
Total Non-current Assets	2,789	3,003	3,039	2,946
<u>Current Assets</u>				
Inventory	196	276	253	282
Debtors and other debit balances	59	103	78	169
Due from related parties	15	13	9	20
Cash and bank balances	365	130	117	165
Total Current Assets	634	523	457	637
<u>Current Liabilities</u>				
Provisions	16	9	16	10
Current tax liabilities	72	116		
Trade payables and other credit balances	522	518	559	784
Due to related parties	52	8	8	7
Borrowings - short term portions	206	436	458	351
Short-term liabilities	86	146	114	125
Total Current Liabilities	955	1,235	1,155	1,277
Net (Deficit) Surplus in Working Capital	-320	-712	-698	-641
Total Invested Funds	2,469	2,291	2,342	2,306
<u>Equity</u>				
Paid up capital	757	757	757	757
Legal reserve	156	185	210	231
Retained earnings	468	350	337	342
Total Equity	1,382	1,292	1,305	1,331
<u>Non-current Liabilities</u>				
Borrowings - long term portions	358	464	601	619
Deferred income tax liability	329	339	336	343
Long-term liabilities	400	196	100	12
Total Non-current Liabilities	1,087	998	1,037	975
Total Equity and Non-current Liabilities	2,469	2,291	2,342	2,306

Gearing



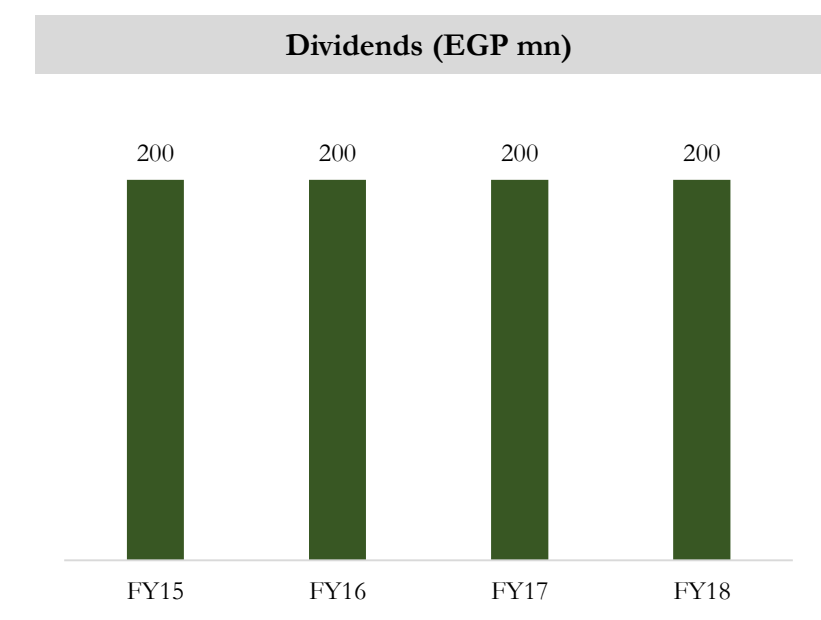
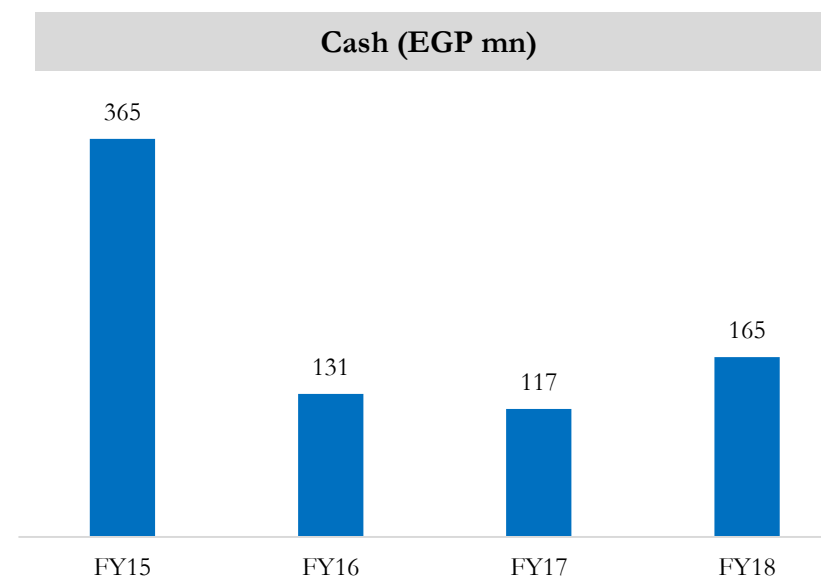
Return Ratios



FY18 Financials Review

Cash Flow Statement

MN EGP	FY15	FY16	FY17	FY18
Cash flows from operating activities				
Net profit before tax	339.0	370.0	194.1	240.7
Interest income	-3.0	-7.0	-4.6	-3.8
Interest expense	131.0	-39.6	-9.2	5.4
Depreciation expense	174.0	182.0	184.0	196.9
Amortization of intangible assets	23.0	23.0	50.6	50.6
Gain from sale of property plant and equipment	-0.1	7.3	-0.3	
Dividends from joint venture	-0.1	0.0	0.0	
Net Foreign exchange (Profit) / loss	41.8	33.2	-21.9	
Provision	7.0	-7.7	6.5	-5.9
Changes in working capital	712.6	561.2	399.2	483.9
Debtors and other debit balances	-11.0	-33.3	22.8	-22.4
Inventory, net	5.0	-112.0	23.5	-52.9
Trade payables and other credit balances	177.0	-5.0	56.0	145.7
Due from related parties	2.0	1.0	4.1	-11.1
Tax paid	-131.0	-67.0	-93.7	
Due to related parties	0.6	44.0	-0.6	-0.5
Net cash from operating activities	755.2	388.9	411.3	542.7
Cash flows from investing activities				
Proceeds from dividends from joint venture	0.1	0.0	0.0	
Proceeds from sale of assets	0.2	7.0	0.3	
Interest income	3.0	7.0	4.6	3.8
Purchase of property, plant and equipment	-16.0	-13.0	-13.1	-24.8
Additions in projects under construction	-53.0	-22.0	-242.1	-96.0
Payments under long-term investments	-11.9	-0.2	-16.3	-10.0
Net cash flows used in investing activities	-77.6	-21.2	-266.6	-127.0
Cash flows from financing activities				
Payments of license liability	-78.0	-104.0	-135.1	-70.4
Payments of borrowings	-114.0	-270.0	-45.1	-71.7
Interest paid	-78.0			
Dividends paid	-157.0	-205.0	-205.2	-207.2
Proceeds from bank overdraft	0.0	64.0	226.2	-16.9
Net cash flows from financing activities	-427.0	-515.0	-159.2	-366.2
Net increase (decrease) in cash and cash equivalents	208.7	-234.0	-13.3	47.7
Cash and cash equivalents at beginning of the year	156.0	365.0	130.5	117.2
Cash and cash equivalents at end of the period	364.7	131.0	117.2	164.9





INVESTOR RELATIONS CONTACT

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