**Better EBITDA despite lower average prices**

Energy availability throughout the industry created additional capacity, resulting in lower prices due to intensified competition. However, ACC reported better EBITDA compared to Q1 2015 thanks to decline both in costs of production as well as SG&A.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Key Income Statement Highlights of 1Q 2016**

|  |  |  |  |
| --- | --- | --- | --- |
| 4% Increase in EBITDA191 MM | 23% Decrease in G&A18.6 MM  | 5% Decrease in volumes to1.02 mn tons | 9% Reduction in cost/ton to EGP 321 |
|  |
| 7% Market share |  6% Net Profit Margin  | 36% EBITDA Margin | FX loss 76Mn EGP |
|  |  |  |  |

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**26 May 2016| Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange)**, a leading Egyptian cement producer, reported its results for Q1 2016. Revenues for the period declined 8% to EGP 536 mn, compared to EGP 585 mn in Q1 2015, due to a decline in prices and decline in sold volumes.

EBITDA stood at 191 mn, 4% higher than the comparison period of Q1 2015 (EGP184 mn). Profit Before Tax declined by 47% compared to 2015 reaching EGP46 mn. mainly because of the devaluation that took place in March. Net Profit dropped 41% compared to Q1 2015 to EGP33 mn, while Net Profit Margin was down 4 ppt to 6%. Excluding the devaluation, the company would have reported a net profit of 109 mn.

Comments on the Period

During Q1 2016 market prices fluctuated from a low point in January of an average of EGP552/ton to a max in March reaching EGP695/ton. Accordingly, the Q1 2016 average net price per ton after deducting transportation cost, taxes and incentives stood at EGP526/ ton, 4% lower than Q1 2015 of EGP547/ton.

Regarding COGS, ACC managed to reduce its cost/ton by 9% from EGP352 in Q1 2015to EGP321 in Q1 2016. The cost reduction was mainly due to the improved fuel costs achieved through an energy mix of 75% coal and petcoke, 14% diesel and 11% alternative fuels.

Such improvements in operations were partially offset by a decline in prices, but nevertheless the gross profit margin was increased to  30% compared to 27% in Q1 2015.

SG&A spending declined 23% from Q1 2015 to EGP 19 mm. The main reason was lower general logistics costs due to optimization of the distribution network. SG&A/sales ratio was reduced from 4% to 3%.

Because of the reductions in fuel costs and in transportation costs and despite lower prices, ACC saw improved results on the EBITDA level. EBITDA was 4% below Q1 2015 and EBITDA margin improved from 31% in Q1 2015 to 36% in Q1 2016.

In March 2016 the CBE took the decision to devaluate the EGP against the USD to reach EGP 8.88, from EGP 7.83. This had its impact on the company’s accounts in terms of FX losses which stood at EGP 76mn compared to EGP 30 mn in Q1 2015.

Overall, due to 76mn exchange rate losses, ACC achieved a NP of EGP 33 mn, representing a 41% decline from Q1 2015, while NPM recorded 6% with a decline of 4% compared to Q1 2015

Our Balance Sheet is strong, with a 17% reduction in outstanding debt to 973 Mn compared to 1,174 Mn in Q1 2015 and an improvement in debt/equity ratio to 0.7

Outlook

Demand in Q1 2016 has seen an increase of 14% over Q1 2015 reaching 15 mn tons. Particularly April and May have seen strong volume increase and recovery of prices. We expect that Q2 2016 should see a significant recovery both in average selling prices and profitability. We will still focus on maximising EBITDA, selling at a premium and maintaining a competitive cost structure.

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 cement factory is located in the Suez Governorate.

It produces 5MM tons of first quality cement, approximately 10% of Egypt’s production. ACC is a joint venture between Cementos La Union, a Spanish investor with 60% stake, and the remaining 17.5% is held by El Bourini family and 22.5% is the size of the free float.

Its brand "Al Mosallah" enjoys undisputed prestige and is considered among the best cements produced in Egypt. For further information, please refer to [www.arabiancement.com](http://www.arabiancement.com)

For further information, please contact:IR@acceg.com

Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Arabian Cement Company (ACC). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of ACC may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of ACC is subject to risks and uncertainties.

Summary Performance (in EGP)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **1Q16**  |  **1Q15**  | **Var %** |  **FY15**  |  **FY14**  | **Var%** |
| **National Consumption** | 14,845,302  |  13,042,266  | 14% | 53,800,197  | 52,233,659  | 3% |
| **National Production** | 14,732,195  | 13,191,561  | 12% | 53,849,765  |   | 0% |
| **Clinker Production** | 939,923  | 954,922  | -2% | 3,534,389  | 2,614,354  | 35% |
| **Clinker Utilization Rate** | 90% | 91% |   | 84% | 62% |   |
| **Cement Production** | 1,016,460  | 1,074,065  | -5% | 4,259,845  | 4,161,297  | 2% |
| **Cement Utilization Rates** | 81% | 86% |   | 85% | 83% |   |
| **Cement Sales Volume** | 1,019,836  | 1,071,479  | -5% | 4,271,201  | 4,130,418  | 3% |
| **Market Share** | 7% | 8% |   | 8% | 8% |   |
| **Revenues** | **536,275,749**  | **585,300,706**  | -8% | **2,236,127,591**  | **2,498,734,060**  | -11% |
| **Rev/Ton** |  526  | 546  | -4% | 524  |  605  | -13% |
| **COGS** | **326,888,736**  | **377,274,292**  | -13% | **1,466,357,744**  | **1,458,936,045**  | 1% |
| **Cost/Ton** | 321  |  352  | -9% | 343  |  353  | -3% |
| **EBITDA** | **191,234,677**  | **184,351,076**  | 4% | **668,864,047**  | **833,335,645**  | -20% |
| **EBITDA/Ton** | 188  | 172  | 9% | 157  | 202  | -22% |
| **EBITDA Margin** | 36% | 31% |   | 30% | 33% |   |
| **Gross Profit** | **160,181,314**  | **159,729,335**  | 0% | **573,249,200**  | **749,147,942**  | -23% |
| **Gross Profit Margin** | 30% | 27% |   | 26% | 30% |   |
| **COGS/Sales** | 61% | 64% |   | 66% | 58% |   |
| **SG&A** | **18,683,254**  | **24,229,366**  | -23% | **92,890,427**  | **106,482,652**  | -13% |
| **SG&A/Sales** | 3% | 4% |   | 4% | 4% |   |
| **FX Loss** | 75,898,561  | 30,544,951  | 148% | 44,004,095  | 25,856,362  | 70% |
| **Depreciation & Amortization** | 49,205,699  | 48,297,079  | 2% | 196,520,647  | 290,650,073  | -32% |
| **Interest expenses** | 20,236,659  | 19,399,115  | 4% | 89,544,615  | 94,560,609  | -5% |
| **Profit Before Tax** | 45,893,758  | 86,109,931  | -47% | 339,088,857  | 522,181,462  | -35% |
| **Deferred tax** | **2,000,000**  | **6,000,000**  | -67% | **(21,910,624)** | **14,127,553**  | -255% |
| **Income Tax** | **10,569,424**  | **24,084,081**  | -56% | **71,556,188**  | **134,923,345**  | -47% |
| **Net Profit** | 33,324,334  | 56,025,850  | -41% | 289,443,293  | 373,130,564  | -22% |
| **Net Profit Margin** | 6% | 10% |   | 13% | 15% |   |
| **Outstanding Debt** | 972,914,637  | 1,174,012,098  | -17% | 1,050,701,637  | 1,200,241,820  | -12% |
| **Equity** | 1,414,966,945  | 1,148,225,171  | 23% |  1,381,642,611  |  1,295,116,546  | 7% |
| **Debt/Equity**  | 0.7  | 1.0  |   |  0.8  | 0.9  |   |
| **Overhead Cost** | 9,780,106  | 8,983,960  | 9% |  41,709,649  | 37,360,047  | 12% |
| **Transportation Cost** |  23,749,706  |  28,749,363  | -17% |  124,410,569  | 80,861,660  | 54% |
| **Cash Cost** | 293,358,924  | 339,540,969  | -14% | 1,300,237,526  | 1,340,714,339  | -3% |
| **Cash cost/Ton** |  288  |  317  | -9% | 304  |  325  | -6% |
| **Transportation Cost/Ton** | 38  |  49  | -23% | 53  | 48  | 10% |
| **Transported Third Party** |  520,620  |  468,131  | 11% | 2,076,601  | 1,231,991  | 69% |
| **Transported Own Fleet** | 109,494  |  119,359  | -8% |  289,614  |  453,086  | -36% |
| **Total Volume Transported** |  630,114  |  587,490  | 7% | 2,366,215  | 1,685,077  | 40% |