ACC Reports record EBITDA in Q2 (231 MM) and Net Profit of 143 Million for H1 2016

Key Income Statement Highlights of 1H 2016

21% Increase in EBITDA 428 MM	17% Decrease in G&A 38.6 MM	17% increase in Net Profit from H1 2015 123m to 143m in H1 2016	12% Reduction in cost/ton to EGP 318
7% Market share	13% Net Profit Margin	39% EBITDA Margin	FX loss 103Mn EGP

17 August 2016| Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer, reported its results for 1H 2016. Revenues for the period decreased 4% to EGP 1,039 mn, compared to EGP 1,135 mn in 1H 2015, due to a slight decline in prices (-1%) and sold volumes (-2%).

EBITDA stood at EGP428 mn, 21% higher than the comparison period of 1H 2015 EGP353 mn. Profit Before Tax increased by 1% compared to 2015 reaching EGP186 mn. mainly because of the reduction in COGS. Net Profit increased by 17% compared to 1H 2015 to EGP143 mn, while Net Profit Margin increased from 11% to 13%. Excluding the devaluation, the company would have reported a net profit of 246 mn.

Comments on the Period

Prices in Q2 2016 were EGP 573/ton, 47 EGP higher than the Q1 price of EGP 526/ton. The H1 2016 average net price per ton after deducting transportation cost, taxes and incentives stood at EGP549/ton, 1% lower than H1 2015 of EGP556/ton. However, Q2 2016 prices were EGP573/ton compared with Q2 2015 price of EGP567/ton.

During 1H 2016, ACC sold 1,993 kTons, representing a market share of 7.1%, compared to H1 2015 sales of 2,043 kTons. 1H 2016 sales were divided in 892 tons delivered and 1,100 mm Tons as ex-factory. In terms of format, 86 % was sold as bagged and 14% in bulk.

Regarding COGS, ACC managed to reduce its cost/ton by 14% from EGP360 in 1H 2015 to EGP318 in 1H 2016. The cost reduction was mainly due to better energy mix, reduced transportation costs and a reduction in the usage of imported clinker. Such improvements in operations were partially offset by a decline in prices (-1%), but nevertheless the gross profit margin was increased to 33% compared to 27% in 1H 2015. The cost of fuel in clinker in H1 2015 was 143 EGP/ton which was decreased to 124 EGP/ton in 2016, a decrease of 13%.

SG&A spending declined 17% from 1H 2015 to EGP 39 mm compared to EGP 47 mm in 1H 2015. The main reason was lower general logistics costs due to optimization of the distribution network. SG&A/sales ratio stood at 4%.

Because of the reductions in fuel costs and in transportation costs and despite lower prices, ACC saw improved results on the EBITDA level. EBITDA margin improved from 31% in 1H 2015 to 39% in 1H 2016.

Despite the FX losses which stood at EGP 103 mn in 1H 2016 compared to EGP 31 mn in 1H 2015, ACC achieved a NP of EGP 143 mm compared to EGP 123 mm in 1H 2015, representing a 17% increase from 1H 2015, while NPM recorded 13% with an increase of 2% compared to 1H 2015.

Our outstanding debt was reduced to 1,026 mm compared to 1,104 mm in 1H 2015, representing a 7% decrease and an improvement in debt/equity ratio to 0.8

Outlook

Management is confident that the Egyptian market offers significant growth potential and guardedly optimistic that the country is on course for a continuation of economic growth, political stability and a steady security environment.

Demand in 1H 2016 has seen an increase of 7% over 1H 2015 reaching 28 mn tons. Particularly April and May have seen strong volume increase and recovery of prices. We will still focus on maximizing EBITDA, selling at a premium and maintaining a competitive cost structure.

We estimate that the projected increase in demand will enable the market to absorb the army’s planned 12m ton increase in capacity in Beni Suef, which should come online in mid/late 2018.

Management change

On 25th of August Mr. Jose Maria Magrina will to resign as Managing Director of Arabian Cement in order to pursue a new opportunity. Magrina joined ACC in 2005 as a Project Manager. He became the Chief Executive Officer in July 2007. Throughout the years, Mr. Magrina was able to guide ACC to its current leading position in the cement industry.

ACC's Board has expressed their gratitude to Mr. Magrina for his outstanding leadership of and contribution to the Company over the past years; achieving major milestones and maintaining ongoing success. The Board wishes him well in his future endeavors.

The Board has announced the appointment of Mr. Sergio Alcantarilla as ACC's new Managing Director. Mr. Alcantarilla is currently Chief Operations Officer of ACC and will officially take his new post starting 26 August 2016. Mr. Alcantarilla is a Chemical Engineer and holds an MBA. He joined ACC in November of 2009 as Plant Manager and became its Chief Operations Officer in 2014. Over the past year, Mr. Alcantarilla has been working closely with the relevant officials from ACC's management, to prepare for the succession and ensure a smooth transition.

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 has a capacity of 5MM tons of first quality cement, approximately 7% of Egypt's production capacity. ACC is held by Cementos La Union, a Spanish investor with 60% stake, 17.5% is held by El Bourini family and 22.5% is traded on the EGX.

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

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

Forward-Looking Statements

Summary Performance (in EGP)

	1H16	1H15	Variance %	FY15	FY14	Variance %
National Consumption	28,121,102	26,386,080	7%	53,800,197	52,233,659	3%
National Production	28,115,171	26,621,839	6%	53,849,765		0%
Clinker Production	1,691,912	1,640,581	3%	3,534,389	2,614,354	35%
Clinker Utilization Rate	81%	78%		84%	62%	
Cement Production	1,980,402	2,050,582	-3%	4,259,845	4,161,297	2%
Cement Utilization Rates	79%	82%		85%	83%	
Cement Sales Volume	1,993,154	2,043,241	-2%	4,271,201	4,130,418	3%
Market Share	7.1%	7.7%		8%	8%	
Revenues	**1,093,775,905**	**1,135,407,621**	-4%	**2,236,127,591**	**2,498,734,060**	-11%
Rev/Ton	549	556	-1%	524	605	-13%
COGS	**633,473,686**	**734,593,210**	-14%	**1,466,357,744**	**1,458,936,045**	1%
Cost/Ton	318	360	-12%	343	353	-3%
EBITDA	**428,107,899**	**353,150,020**	21%	**668,864,047**	**833,335,645**	-20%
EBITDA/Ton	215	173	24%	157	202	-22%
EBITDA Margin	39%	31%		30%	33%	
Gross Profit	**361,708,763**	**303,557,175**	19%	**573,249,200**	**749,147,942**	-23%
Gross Profit Margin	33%	27%		26%	30%	
COGS/Sales	58%	65%		66%	58%	
SG&A	**38,673,832**	**46,637,790**	-17%	**92,890,427**	**106,482,652**	-13%
SG&A/Sales	4%	4%		4%	4%	
FX Loss	103,278,831	30,950,224	234%	44,004,095	25,856,362	70%
Depreciation & Amortization	98,593,456	97,257,236	1%	196,520,647	290,650,073	-32%
Interest expenses	40,146,778	43,859,183	-8%	89,544,615	94,560,609	-5%
Profit Before Tax	186,088,834	184,366,698	1%	339,088,857	522,181,462	-35%
Deferred tax	1,599,772	9,853,726	-84%	(21,910,624)	14,127,553	-255%
Income Tax	41,666,313	51,953,814	-20%	71,556,188	134,923,345	-47%
Net Profit	142,822,749	122,559,158	17%	289,443,293	373,130,564	-22%
Net Profit Margin	13%	11%		13%	15%	
Outstanding Debt	1,026,780,894	1,103,880,644	-7%	1,050,701,637	1,200,241,820	-12%
Equity	1,319,562,701	1,213,475,376	9%	1,381,642,611	1,295,116,546	7%
Debt/Equity	0.8	0.9		0.8	0.9	
Ovearhead Cost	22,182,228	18,713,540	19%	41,709,649	37,360,047	12%
Transportation Cost	48,984,910	58,793,977	-17%	124,410,569	80,861,660	54%
Cash Cost	562,306,548	657,085,693	-14%	1,300,237,526	1,340,714,339	-3%
Cash cost/Ton	282	322	-12%	304	325	-6%
Transportation Cost/Ton	55	49	12%	53	48	10%
Transported Third Party	721,246	1,039,110	-31%	2,076,601	1,231,991	69%
Transported Own Fleet	171,192	160,972	6%	289,614	453,086	-36%
Total Volume Transported	892,438	1,200,082	-26%	2,366,215	1,685,077	40%