Cash cost stabilized Q-o-Q despite the partial cut in fuel subsidy

Key Income Statement Highlights of 3Q2017

12% Decrease in EBITDA YoY EGP 137 MN	5% Constant SG&A to sales	493% Increase in Net Profit YoY EGP 96 MN	34% Increase in cash cost/ton to EGP 471
6.8% Market share	15% Net Profit Margin	21% EBITDA Margin	FX gain in P&L EGP 18 MN

Results in a Nutshell

20 November, 2017 | Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer, reported its results for 3Q2017.

Key Highlights for the period

3Q2017

ACC started its income statement with a 27% y-o-y increase in revenues to reach EGP 658 million for 3Q2017. This was backed by higher level of sold volumes as well as higher revenue/ton. Despite the feast holiday and the 2% drop in local consumption y-o-y, ACC was able to increase its volumes by 9% y-o-y and record 1,040 K for the quarter. Exports represented circa 11% of our sales volumes to sustain our leading position in the cement exports market. ACC has successfully increased its exported volumes by 75% q-o-q to cover 37% of the total Egyptian market exports. Prices went up by 16% to EGP 632/ton versus EGP 544/ton in 3Q2016. In terms of format 82% of our sales were bagged and the rest in bulk.

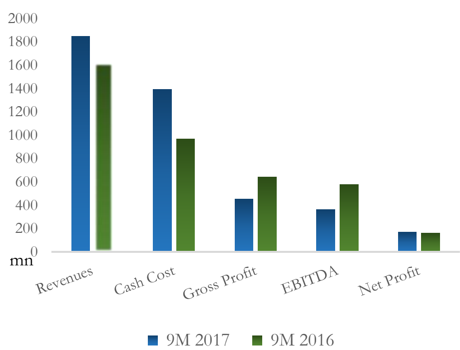
Our income statement reflected a cash cost of EGP 490 million for 3Q2017. The quarter witnessed a significant increase in diesel prices by 41% after the government decided to partially cut the fuel subsidy. However, ACC maintained its cash cost/ton at the same level of 2Q2017 at EGP471/ton, 34% higher than the same period last year, however only 1% increase q-o-q. Changing our fuel mix and limiting the contribution of diesel was the key to overcome the drawback on our cash cost. Fuel mix of 3Q2017 was 84% coal, 4% diesel and 12% RDF compared to 68% coal, 22% Diesel and 10% RDF in 2Q2017.

Consequently, Gross Profit was weighed down by 8% to EGP 168 million with margin standing at 26%, 10% lower than 3Q2016. EBITDA for the period came in at EGP 137 million, down 12% y-o-y with lower EBITDA margin of 21%. This is mainly due to the higher cost of sales. The company recorded EGP 31 million for SG&A with a SG&A/Revenue ratio of 5%, constant y-o-y. ACC closed its income statement with a hiking bottom line of EGP 96 million. This exceptional increase was on the back of positive tax gain of EGP 24 million in addition to FX gain of EGP 18 million.

9M2017

For the first nine months of 2017, ACC reported revenues of EGP 1,847 million, 15% higher than the same period last year. Volumes increased slightly by 3% over the 2 comparable periods and revenue/ton went up by 11% to reach an average of EGP 608/ton. This came in line with a 6% decrease in sold volumes of the Egyptian market. The company attained higher market share of 7.1% for 9M 2017 (vs 7.0% in 9M2016). Adding up the 37% export market sales ACC sales would represent 7.7% share of total national sales.

Key Highlights for the period



Total cash cost came in EGP 1,394 million exceeding the same period last year by 44%. Cash cost/ton increased as well by 39% y-o-y to reach EGP 459/ton. This increase carried the EGP floatation effect and the increase of raw materials and fuel prices. Fuel mix for 9M2017 stood at 76% coal, 12 Diesel and 12% RDF.

On nine-month basis, EBITDA stood at EGP 364 million in 9M2017, down 37% y-o-y, and with an EBITDA margin of 20% compared to 36% in the same period last year. However, ACC reported an accumulated bottom line of EGP 168 million, 5% higher than the same period last year.

The company is working on reducing its debt balance considerably, especially the USD debt. Over the first 9M of 2017, our USD outstanding balance has dropped by USD 10 million to close the period with USD 34.6 million. On the other hand, the EGP debt balance has increased to EGP 615 million at the end of the period after adding the new coal mill loan to our liability side.

Outlook

Although the Egyptian market has witnessed lower demand over the 9M 2017, the trend has been improving and it's expected to have an increase in volumes over the last quarter of the year vs 2016 to close the year in the neighborhood of 54 MM tons local sales plus over 1 MM tons of exported cement. This would represent an annual drop below 3% in a quite challenging year.

ACC aims to increase its exports in the coming periods by looking for new attractive markets.

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, 15.5% is held by El Bourini family, 2% Mena Building Material investment 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

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Forward-Looking Statements

Key Indicators	Unit	3Q2017	3Q2016	Variance %	9M2017	9M2016	Variance %
Domestic Sales	K Tons	13,622	13,871	-2%	38,912	42,145	-8%
Export Sales	K Tons	298	78	284%	773	149	418%
Total Sales	K Tons	13,920	13,949	0%	39,685	42,294	-6%
ACC Clinker Production	K Tons	885	899	-2%	2,578	2,591	0%
ACC Clinker Utilization Rate	PCT	84%	86%	-1%	82%	82%	0%
ACC Cement Production	K Tons	1,031	987	4%	3,072	2,968	4%
ACC Cement Utilization Rates	PCT	88%	84%	4%	87%	84%	3%
ACC Domestic Sales Volume	K Tons	930.4	953.3	-2%	2,751	2,946	-7%
ACC Exports Volume	K Tons	109.9	-	0%	289	-	0%
ACC Total Volumes	K Tons	1,040.4	953.3	9%	3,040.0	2,946.2	3%
Local Market Share	PCT	6.8%	6.8%	0%	7.1%	7.0%	1%
Total Market Share	PCT	7.5%	6.8%	1%	7.7%	7.0%	1%
Revenues	MM EGP	658	519	27%	1847	1613	15%
Rev/Ton	EGP	632	544	16%	608	547	11%
Cash Cost	MM EGP	490	336	46%	1394	969	44%
Cash Cost/Ton	EGP	471	352	34%	459	329	39%
EBITDA	MM EGP	137	156	-12%	364	578	-37%
EBITDA/Ton	EGP	132	164	-19%	119.69	196.09	-39%
EBITDA Margin	PCT	21%	30%	-9%	20%	36%	-16%
Gross Profit	MM EGP	168	183	-8%	453	643	-30%
Gross Profit Margin	PCT	26%	35%	-10%	25%	40%	-15%
COGS/Sales	PCT	74%	65%	10%	75%	60%	10%
SG&A	MM EGP	31	27	16%	89	65	36%
SG&A/Sales	PCT	5%	5%	0%	5%	4%	1%
Exchange differences	MM EGP	-18	42	-142%	-33	145	-123%
Depreciation & Amortization	MM EGP	59	48	22%	175	147	19%
Net Profit	MM EGP	96	16	493%	168	159	5%
Net Profit Margin	PCT	15%	3%	11%	9%	10%	-1%
Outstanding Debt	MM EGP	1220	953	28%	1220	953	28%
Debt/Equity		0.8	0.7	0.1	0.8	0.7	0.1