ACC Reports a Net Profit of EGP 117 Million

Operationally strong quarter impacted by high prices due to the shortage of gas supply

Cairo, Egypt--May 28, 2014--ACC "Arabian Cement Company" released its consolidated financial results for the first quarter ending 31st of March 2014.

Consolidated Income Statement Figures for the period ending 31st of March 2014:

Revenues: EGP 532 million
Gross Profit: EGP 201 million
Net Profit: EGP 117 million

Consolidated Balance Sheet Figures as at 31st of March 2014:

Fixed Assets: EGP 2,669 million
Projects Under Construction: EGP 103 million
Loans: EGP 792 million

Strong Operational Performance

Operationally, Q1 2014 was a strong quarter for Arabian Cement. Despite the fact that ACC have become liable for 25% corporate income tax starting 2014, as the 5 years grace period ended in 2013, ACC managed to increase the Net Profit Margin by 5% compared to the same period last year, up to 22%.

Due to the gas supply shortage in the country, ACC's clinker production declined during the period. Yet, ACC managed to maintain ACC's cement production levels through importing clinker, and increased ACC's sales volumes by 6% compared to Q1 2013. On the other hand, the overall shortage in the gas supply in the country led to an overall increase in local prices. ACC's average prices increased by 11% compared to Q1 2013, thus pushing cement revenues up by 18%.

In terms of revenues, Q1 2014 witnessed a slight change ACC's strategy towards delivered and ex-factory sales of specific products, in which ACC shifted some of ACC's ex-factory quantities of El Tahrir cement to delivered, as it yields higher margins. Also ACC reduced bulk cement sales in favor of more of Al Mosalah bagged cement also because it holds higher margins.

On the COGS front, overall costs increased by 15% compared to Q1 2013; driven by the increase in costs of raw materials, fuels and packaging costs. Such increase in COGS offset the increase in revenues; however, GPM increased by 2% to become 38% in Q1 2014. EBITDA margin declined to 43% from 46% as a result of the decrease in ratio between the EBITDA amount and the net revenues, both having increased in Q1 2014, maintaining more or less the same EBITDA in absolute terms. On the other hand there was an increase of 69% in G&A as a result of the increase in salaries, advertising expenses and the one-off IPO fees. The decline in EBITDA can be also attributed to the decline in other income; one-off insurance claim worth 12MN EGP in 1Q 2013.

However, the major impact on the income statement came from the massive decline in FOREX losses by 95% to reach EGP2.3 million compared to EGP48.8 million during Q1 2013. Also, interest expenses declined on the back of loans installments payments that led to the reduction in the remaining balances of loans.

Overall, despite the difficult conditions this quarter, ACC managed to perform and sustain ACC's profit margins while sustaining ACC's market share of around 7.8%, similar to the previous period.

This concludes ACC's presentation and management would now be happy to begin the Q&A session.

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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 ACC cement factory is located in the Suez Governorate. It has an annual cement production capacity of five million tons (5.0 MTPA), approximately 8% of Egypt's total cement production capacity. The company is a joint venture between Cementos La Union, a Spanish investor holding the majority of shares, and a group of Egyptian investors.

Its brand "Al Mosalah" enjoys undisputed prestige and is considered among the best cements produced in Egypt.

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