# ACC has brought the 2017 financial year to a successful close despite a challenging environment.

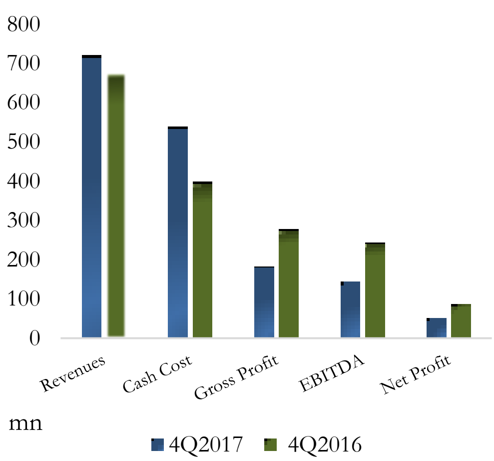
**Key Income Statement Highlights of Fiscal Year 2017**

| | | | |
|---|---|---|---|
| 38%<br>Reduction in EBITDA EGP 507 MN | 5%<br>SG&A:Sales | 12%<br>Decrease in Net Profit EGP 217 MN | 39%<br>Upsurge in cash cost/ton to EGP 470 |
| 6.9%<br>Market share | 8%<br>Net Profit Margin | 20%<br>EBITDA Margin | FX gain in P&L EGP 31MN |

## Results in a Nutshell

**29 March, 2018| Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange)**, a leading Egyptian cement producer, reported its results for fiscal year 2017.

**Key Highlights for the period**




## Q4 2017

ACC closed fiscal year 2017 with a stable quarter which recorded the highest revenues throughout the year. Top line came in at EGP 720 million, 7% higher than the same period last year. Volumes went down by 2% y-o-y to 1,075K for the quarter, however this was offset by the elevated prices. Revenue/ton increased by 9% to reach an average of EGP 670/ton versus EGP 617/ton in the comparable period. Prices started to boost in November, however in December recorded an increase of 15% against November and 21% against October. ACC sustained its position as a leading player in the Egyptian export market with 44% exports market share. As for the company, exports contributed by 10% of the total sales volumes. In terms of format 82% of our sales were bagged the rest in bulk.

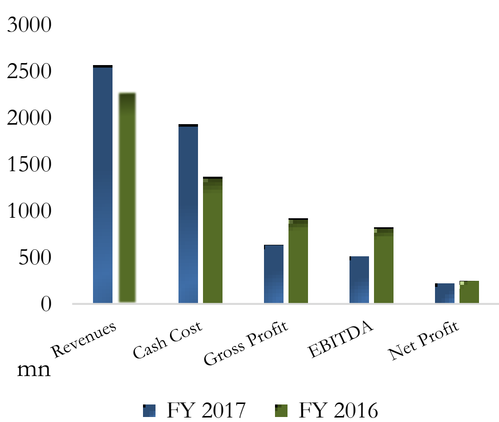
Cash cost for the quarter considerably increased by 35% y-o-y to EGP 539 million, as a result of the Egyptian pound floatation. It also represents 10% increase q-o-q which was mainly because the global increase in the coal prices. Cash cost stood at EGP 501/ton, 6% higher than 3Q2017. Fuel mix of 4Q2017 was 86% Coal, 11% RDF and 4% Diesel.

Consequently, the company's gross profit excluding depreciation dropped by 34% y-o-y to come in at EGP 181 million with gross profit margin of 25%.
ACC also recorded a weighed down EBITDA of EGP 143 million affected by the hiking cash cost and the slight increase in revenues. EBITDA margin stood at 20%, 16% lower than the same period last year. Our income statement carried a bottom line of EGP 50 million for the quarter with net profit margin of 7%.

## Fiscal Year 2017

Fiscal year 2017 was a challenging one as the company was trying to absorb the effect of the Egyptian pound floatation. We couldn't introduce corresponding higher prices to the market to pass on the boosted cash cost. Revenues of the year increased by only 12% compared to FY 2016. This was driven by a 10% increase in price/ton that reached EGP 624 versus EGP 566 in the comparable period. Due to all the economic circumstances created by the EGP floatation, the Egyptian cement consumption dropped, however in Q4 2017 was already slightly growing against Q4 2016. Although the total market volumes for 2017 went down by 4%, ACC reached a 2% higher volumes y-o-y. Exports market was the key to maintain our sales volumes and we were able to achieve a 39% exports market share. On the local level, our market share went down to 6.9% after 7.1% in FY 2016. ACC 2017 total volumes were 4,115 K with a breakdown of 82% bagged and 18% in bulk.

**Key Highlights for the period**




At the Cash Cost level, the company suffered a 41% y-o-y increase in cash cost/ton to reach EGP 470/ton versus EGP 339/ton in 2016. This 39% upsurge couldn't be transmitted to the price/ton and accordingly our gross profit dropped by 31% with gross profit margin of 25%. EBITDA of the year also went down by 38% to EGP 507million with EBITDA margin of 20% in comparison to 36% in FY 2016. The significant drop came on the back of minor increase in prices, higher cash cost and higher SG&A. SG&A:Sales stood at the same level of 2016 of 5%.

ACC is working on its plan of reducing cost of production by improving the fuel mix and limiting the contribution of diesel to depend mainly on coal and RDF. Thanks to our newly operated second coal mill.

ACC reported an accumulated positive bottom line of EGP 217 million, 12% lower than last year. It was supported by FX gain of EGP 31 million coupled with positive income tax of EGP 23 million.

Throughout 2017, The Company repaid a substantial amount of USD 12 million from its USD loan and drop its balance from USD 43 million to USD 31 million by end of 2017. Also, the company closed its EGP debt balance as EGP 427 million. Our total outstanding debt slightly increased from EGP 1,243 million to EGP 1,267 million which was because of obtaining a new loan to finance our cost savings projects and also financing our working capital through our credit facility.

## Outlook

Demand started to noticeably recover by the end of 2017 as well as prices which signaled strong results in 1Q2018. All cement players started to introduce higher price levels to the cement market trying to reduce the effect of the increasing cash cost and thus reviving their margins.

## 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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### Summary Performance EGP

| Key Indicators | Unit | Q4 2017 | Q4 2016 | Variance % | FY17 | FY16 | Variance % |
|---|---|---|---|---|---|---|---|
| Domestic Sales | K Tons | 14,528 | 14,353 | 1% | 53,440 | 56,498 | -5% |
| Export Sales | K Tons | 250 | 130 | 93% | 1,023 | 278 | 268% |
| Total Sales | K Tons | 14,778 | 14,482 | 2% | 54,463 | 56,776 | -4% |
| ACC Clinker Production | K Tons | 856 | 1,029 | -17% | 3,434 | 3,620 | -5% |
| ACC Clinker Utilization Rate | PCT | 82% | 98% | -17% | 82% | 86% | -4% |
| ACC Cement Production | K Tons | 1,072 | 1,052 | 2% | 4,144 | 4,019 | 3% |
| ACC Cement Utilization Rates | PCT | 91% | 90% | 2% | 88% | 86% | 3% |
| ACC Domestic Sales Volume | K Tons | 963 | 1,043 | -8% | 3,714 | 3,989 | -7% |
| ACC Exports Volume | K Tons | 111 | 50 | 122% | 401 | 50 | 696% |
| ACC Total Volumes | K Tons | 1,074 | 1,093 | -2% | 4,114 | 4,040 | 2% |
| Local Market Share | PCT | 6.6% | 7.3% | -1% | 6.9% | 7.1% | 0% |
| Total Market Share | PCT | 7.3% | 7.5% | 0% | 7.6% | 7.1% | 0% |
| Revenues | MM EGP | 720 | 675 | 7% | 2567 | 2287 | 12% |
| Rev/Ton | EGP | 670 | 617 | 9% | 624 | 566 | 10% |
| Cash Cost | MM EGP | 539 | 398 | 35% | 1933 | 1368 | 41% |
| Cash Cost/Ton | EGP | 501 | 364 | 38% | 470 | 339 | 39% |
| EBITDA | MM EGP | 143 | 243 | -41% | 507 | 820 | -38% |
| EBITDA/Ton | EGP | 133 | 222 | -40% | 123.3 | 203.1 | -39% |
| EBITDA Margin | PCT | 20% | 36% | -16% | 20% | 36% | -16% |
| Gross Profit | MM EGP | 181 | 277 | -34% | 634 | 920 | -31% |
| Gross Profit Margin | PCT | 25% | 41% | -16% | 25% | 40% | -16% |
| COGS/Sales | PCT | 75% | 59% | 16% | 75% | 60% | 16% |
| SG&A | MM EGP | 38 | 34 | 12% | 127 | 99 | 28% |
| SG&A/Sales | PCT | 5% | 5% | 0% | 5% | 4% | 1% |
| Exchange differences | MM EGP | -3 | -100 | -97% | 31 | -246 | -113% |
| Depreciation & Amortization | MM EGP | 59,431 | 57,421 | 4% | 234,707 | 204,330 | 15% |
| Net Profit | MM EGP | 50 | 86 | -42% | 217 | 246 | -12% |
| Net Profit Margin | PCT | 7% | 13% | -6% | 8% | 11% | -2% |
| Outstanding Debt | MM EGP | 1,267 | 1,243 | 2% | 1,267 | 1,243 | 2% |
| Debt/Equity | | 1.0 | 1.0 | | 1.0 | 1.0 | |