

# Corporate Briefing

*31-12-2016*

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# Group Overview

## ➤ Vision and Mission

### ✓ Building our vision

To be a world class local business building a better and sustainable future for all our stakeholders

### ✓ Building our mission

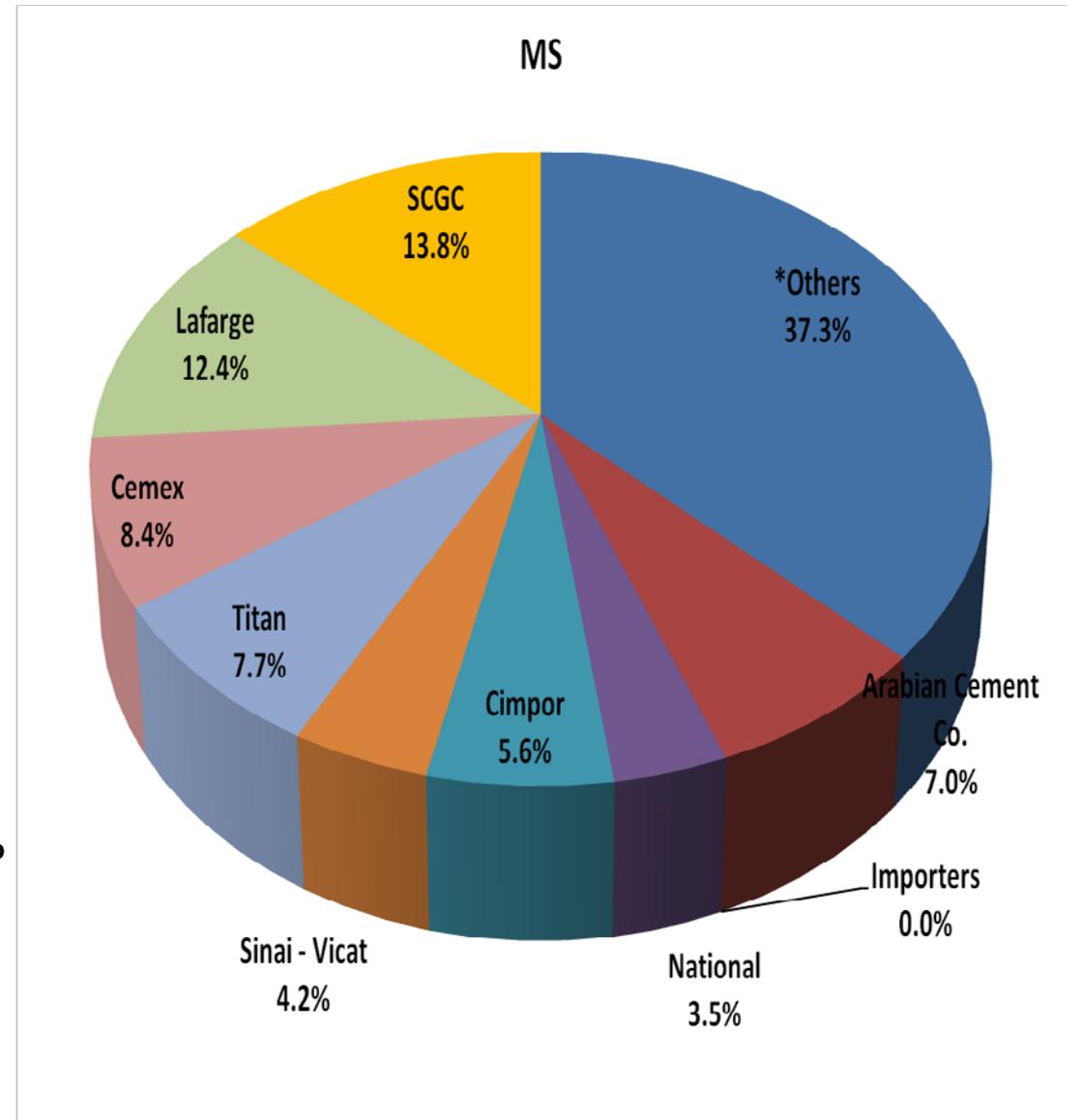
To create value in the building materials sector through the Innovative and sustainable use of natural resources for the benefit of our communities and clients.



# Group Overview

## ➤ SCGC Group at a glance

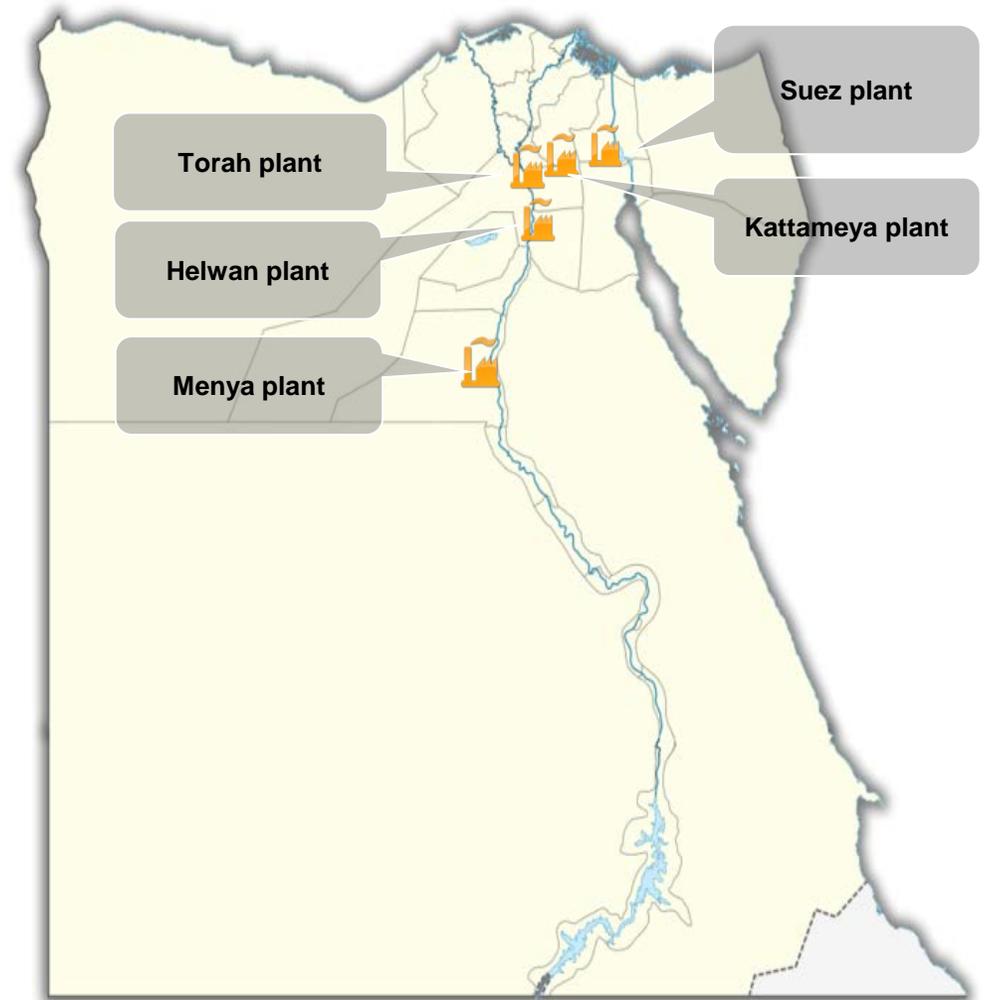
- ✓ Egypt's cement market leader
- ✓ Part of the world's third largest global cement producer
- ✓ Total production capacity of more than 12M t/y cement
- ✓ 5 cement plants, 2 terminals, and 20 concrete batching units
- ✓ Strong commitment to Environment protection and social responsibility
- ✓ Total revenues of EGP 6.146 bln in 2016 and EBITDA of EGP 542 mln



# Group Overview

## ➤ SCgC Industrial network

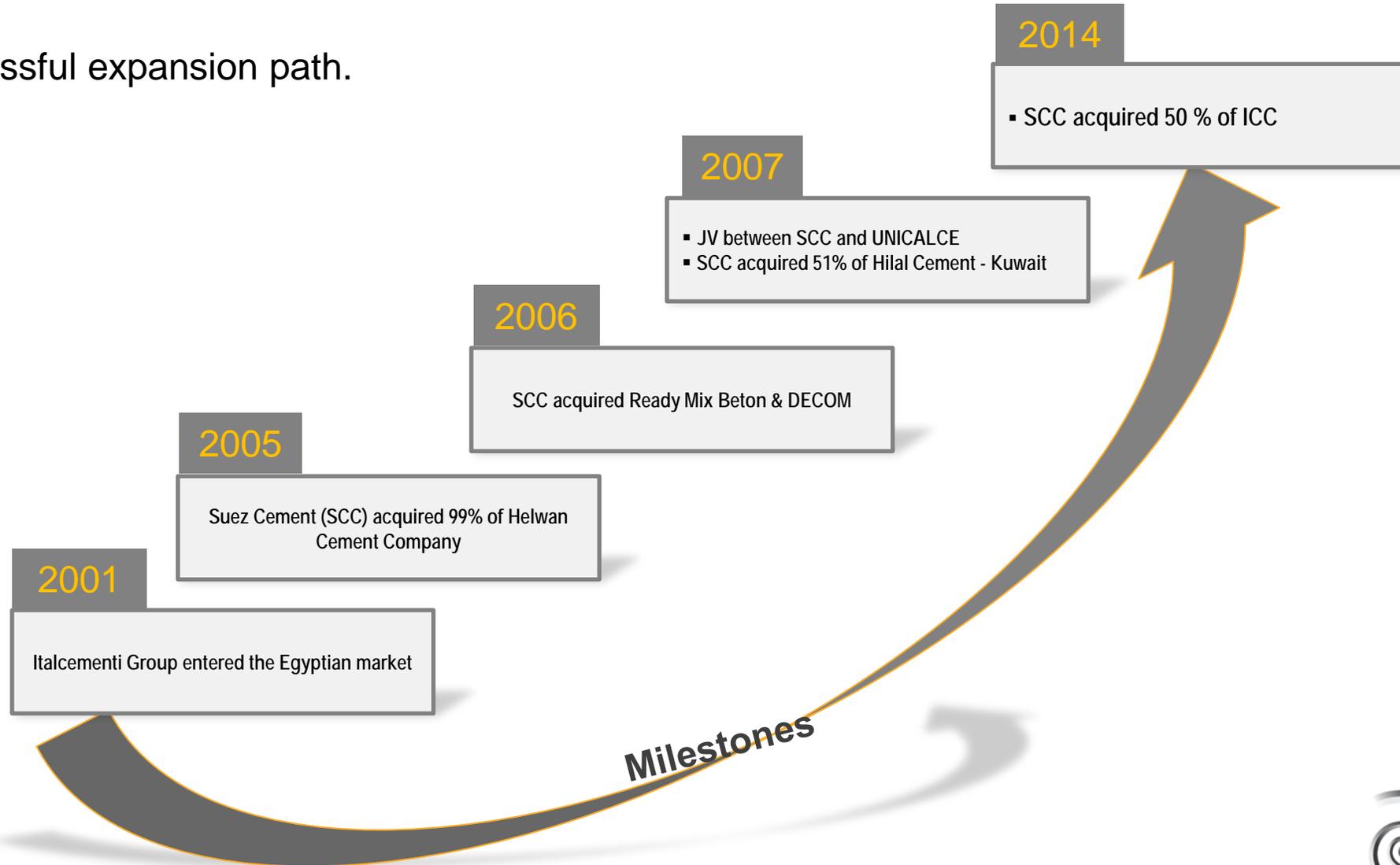
- ✓ 5 production facilities located in Helwan, Tourah, Kattameya, Suez and El Minya.
- ✓ Total production capacity of 12 million metric tons of cement.
- ✓ Approximately 14 percent market share of grey cement.
- ✓ Approximately 26 percent market share of white cement.
- ✓ 15 Operating quarries.
- ✓ 8 kilns in operation.
- ✓ All plants are ISO 9002, ISO 14001 and OHSAS 18001 certified.



# Group Overview

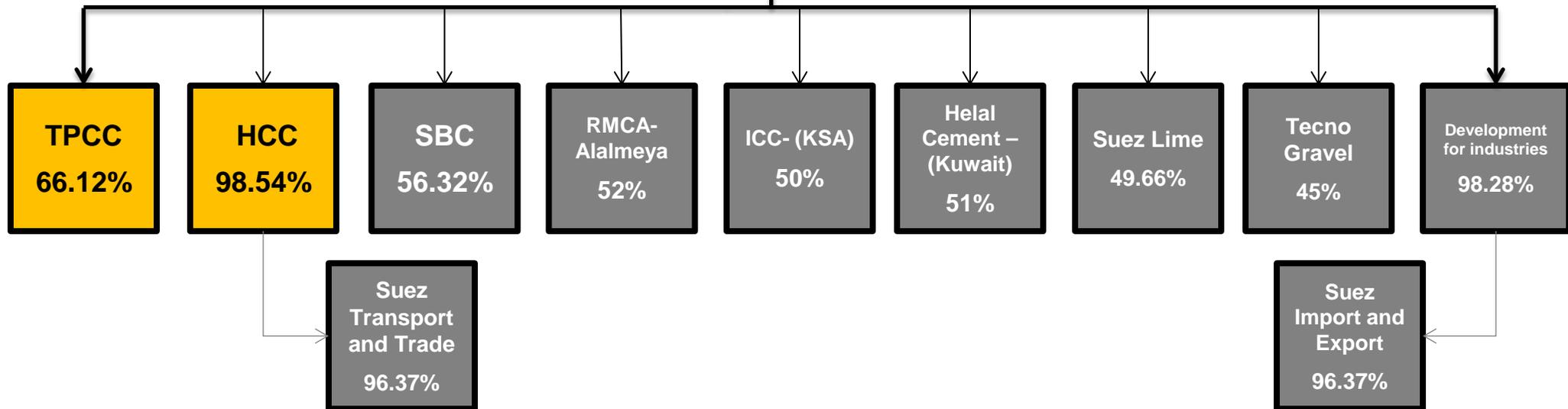
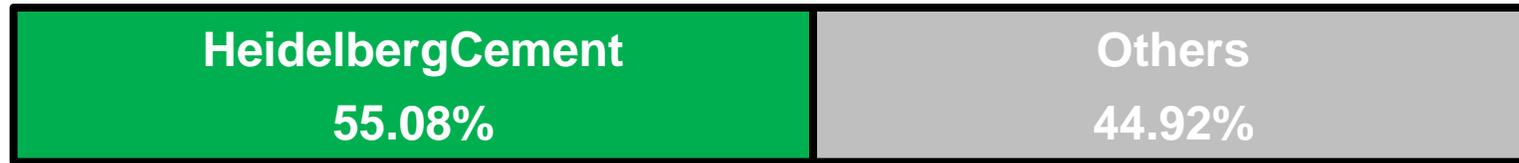
## ➤ Key milestones

- A successful expansion path.



# Group Overview

- Suez Cement group structure

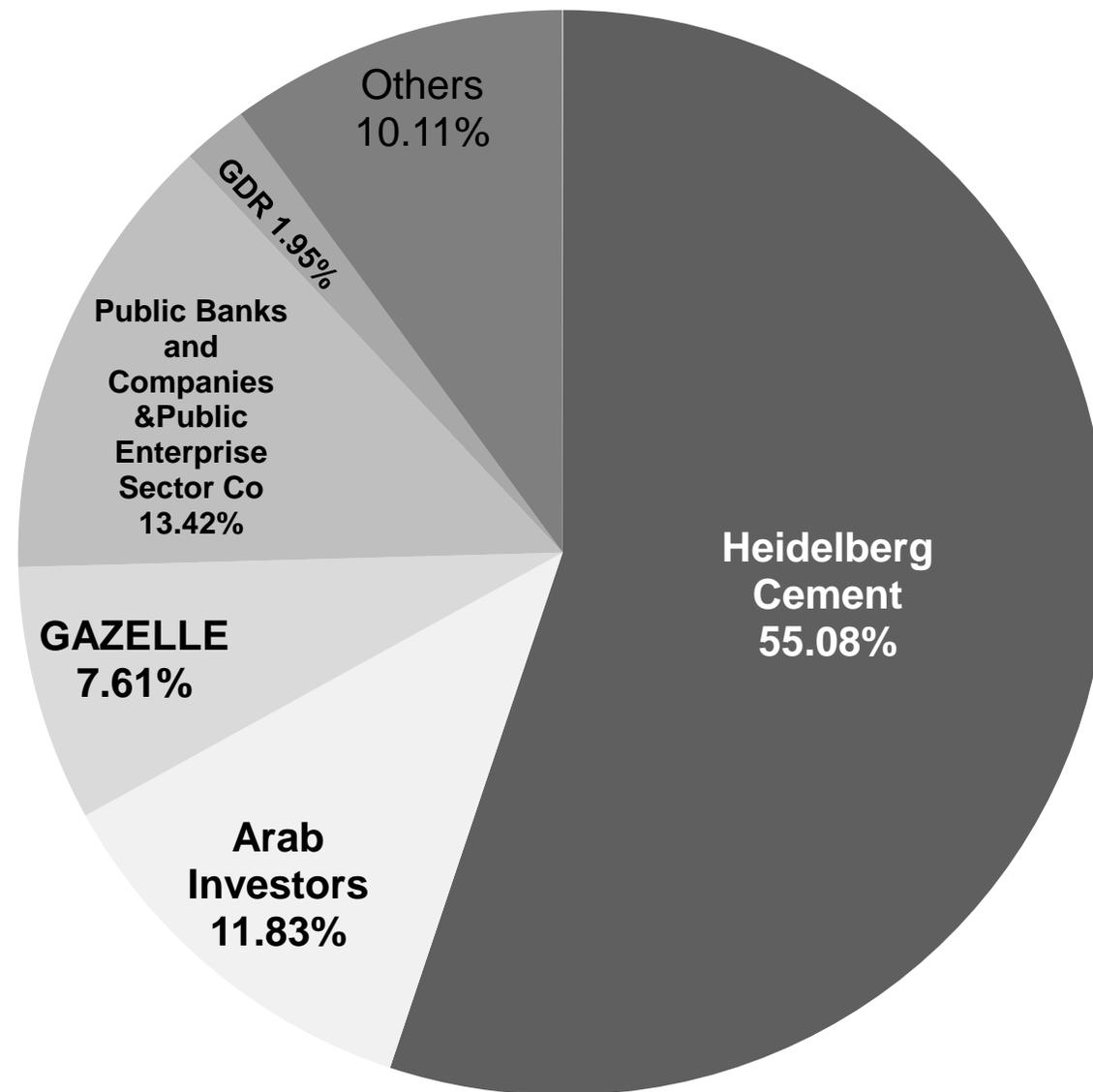


- The aforementioned structure includes SCC direct and indirect ownership.

# Group Overview - Stock Market

## Suez Cement Shareholders - Dec 2016

Name	%
Ciments Francies	12.36%
MENAF	26.05%
CIMENTS DU MAROC CIMAR	11.66%
TERCIM S A S	5.00%
Tourah Cement Company SAE	0.00%
<b>HeidelbergCement</b>	<b>55.08%</b>
United Co. for Provendr	1.55%
Ibrahem Abd Allh Bonean Co.	0.00%
Abd Elkader Elmohedeb Co.	1.26%
Gulf International Trading & Real Estate Co. Ltd.	0.15%
abdul Monem Rashed Abdulrahman al rashed Co.	0.37%
Abd Elmenam Rashed Abd Elrahman	7.91%
International Trading and Contracting Co. Ltd.	0.48%
Samer ben Saleh Hossen Elkaaki	0.12%
<b>Arab Investors</b>	<b>11.83%</b>
<b>GAZELLE</b>	<b>7.61%</b>
<b>Total Arab Investors</b>	<b>19.44%</b>
Misr Capital Investments, SAE	2.69%
Nasser Social Bank, SAE	1.27%
Social insurance Funds for Public sector employees	1.05%
Social insurance Funds for Public business sector employees	1.05%
Metallurgical Industries Company	0.25%
Chemical Industries Company	0.57%
National Investment Bank	3.81%
National Cement Company SAE	2.18%
Misr insurance Co.	0.47%
Other Public Corporation & Banks	0.07%
<b>Public Banks and Companies &amp; Public Enterprise Sector Co</b>	<b>13.42%</b>
<b>GDR</b>	<b>1.95%</b>
Private Funds	1.97%
Private Insurance Companies , Banks and institutions	4.83%
Individuals	2.87%
Less Than 1000 Share	0.36%
<b>Others</b>	<b>10.04%</b>
<b>Total Registered volume</b>	<b>99.93%</b>
<b>Unregistered volume</b>	<b>0.07%</b>
<b>Total</b>	<b>100%</b>

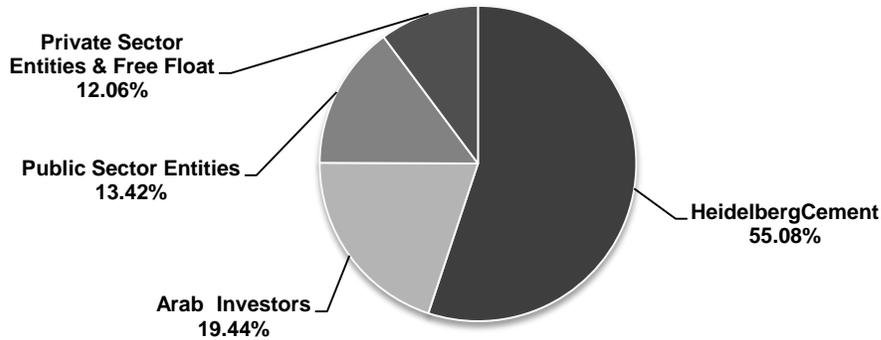


31 December 2016

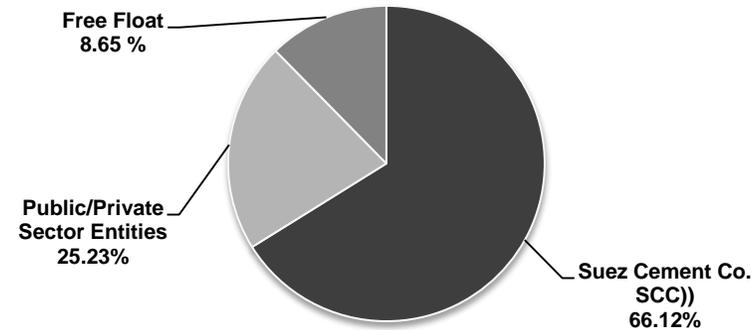
# Group Overview - Stock Market

## ➤ 3 Companies are listed in the Egyptian Stock Market

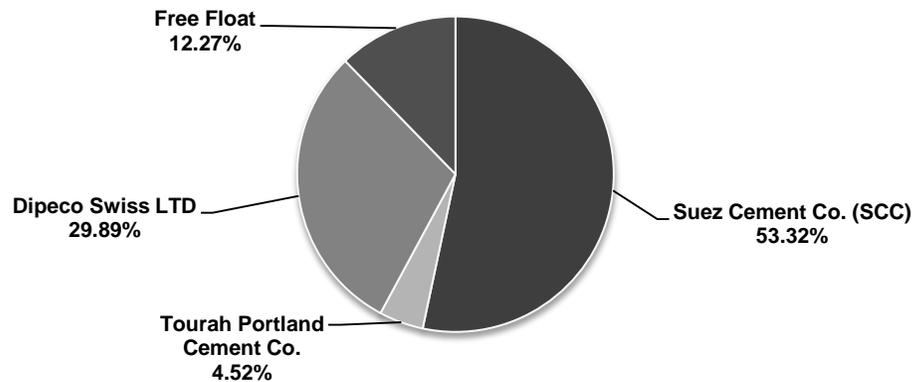
Suez Cement Company (181,856,507 shares)



Tourah Portland Cement Company (71,524,200 shares)



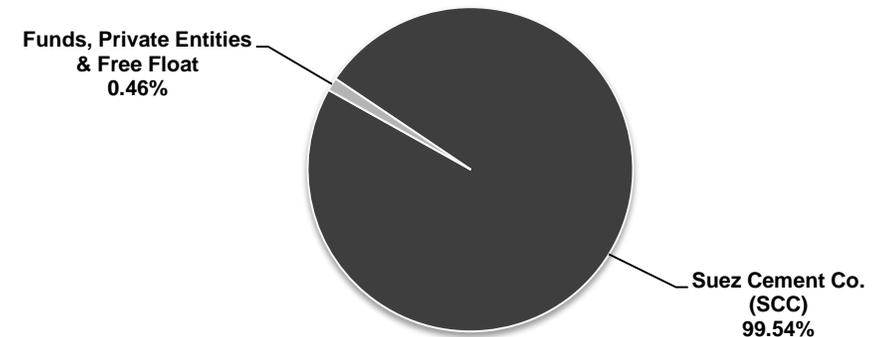
Suez Bags Company (10,935,000 shares)



Helwan Cement Company

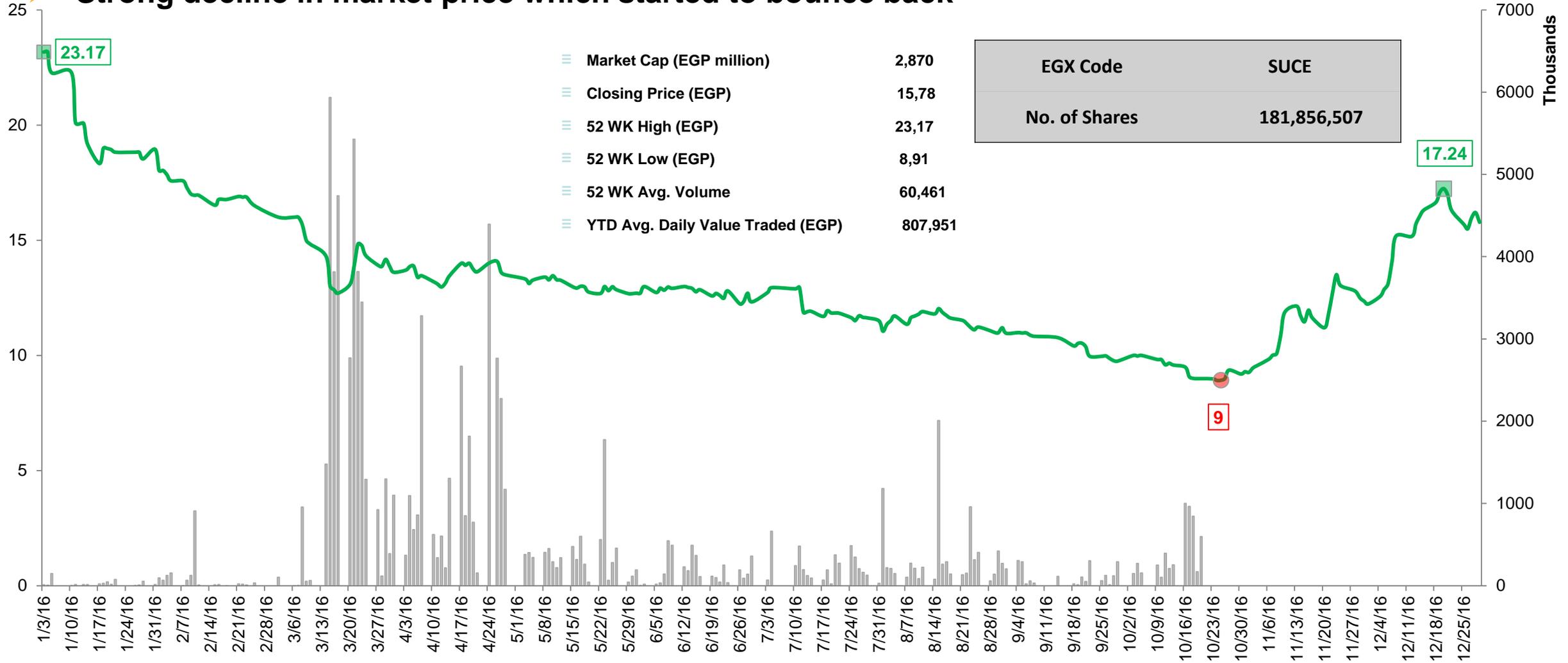
( Not Listed )

( 116,691,231 shares )



# Group Overview - Stock Market

Strong decline in market price which started to bounce back



# Market Overview

## ➤ Egypt Macroeconomic Outlook

### Egypt macroeconomic indications:

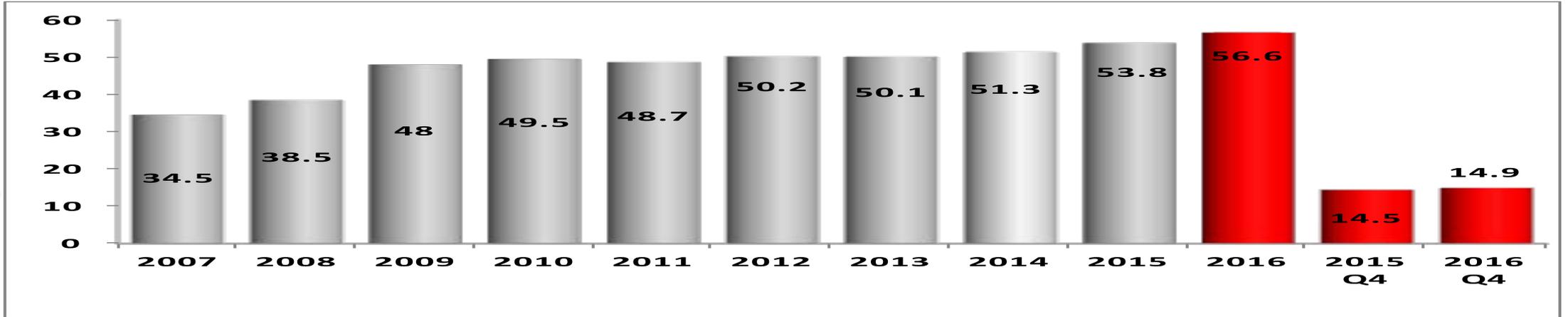
Macroeconomic Data	2010	2011	2012	2013	2014	2015	2016	2017 F
Population	79.7	81.1	85.7	87.6	89.6	91.5	93.4	95.2
Real GDP growth %	5.5	1.4	2.2	2.2	2.2	2.6	2.6	3.2
Inflation rate %	15.7	11.7	7.2	9.4	10.0	11.1	16.0	12.0
Construction industry real growth %	11.4	13.2	3.3	5.9	5.6	9.7	8.7	6.1
Construction industry % of GDP	4.1	4.1	4.2	4.3	4.4	4.9	4.9	4.9
Grey Cement Market Growth %	24.8%	3.1%	-1.6%	5.0%	-2.1%	2.6%	6.0%	4.0%
Grey Cement Consumption	48.0	49.5	48.7	51.2	50.1	51.4	56.6	59.6
Consumption per capita (Kgm)	0.60	0.61	0.57	0.58	0.56	0.56	0.61	0.63

Source: Business forecast & Infrastructure reports Q42016 Business Monitor

# Market Overview

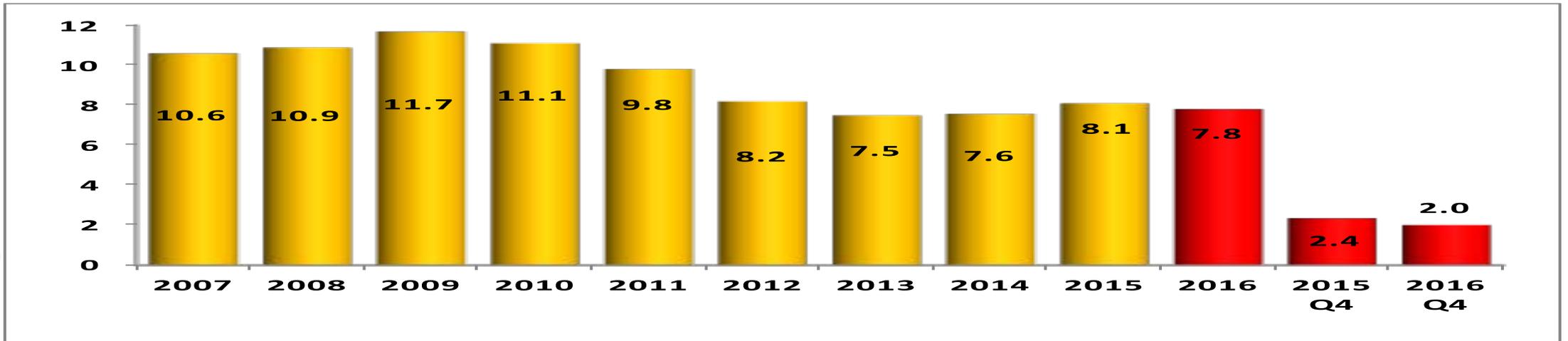
## ➤ Egypt Macroeconomic Outlook

Market Volumes\*  
M tons



SCGC MS %

SCGC Volumes  
M tons

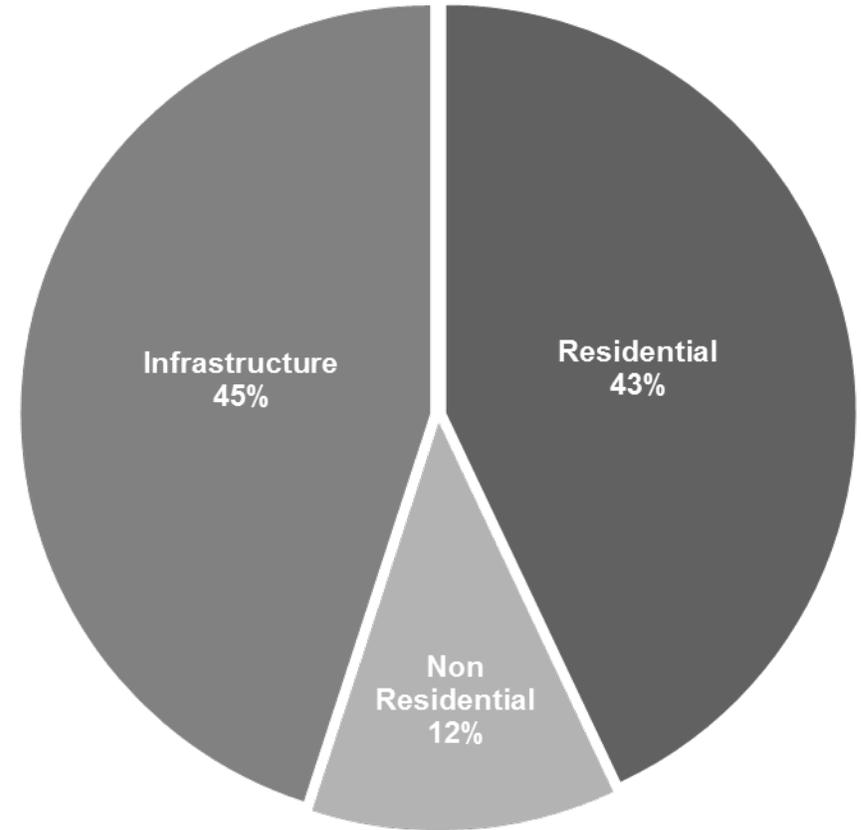


\*Source: Ministry of Investment

# Market Overview

- **The residential segment consumes more than 40% of the total cement consumption**
- ☐ **Residential**
  - ✓ Although the tough situation this segment still have Good perspectives in the short and medium term projects.
- ☐ **Non-residential**
  - ✓ Sharp drop expected in the tourism & industrial sectors due to the country political situation.
- ☐ **Infrastructure**
  - ✓ This segment has been strongly affected by the 25th of January revolution and the government instability.

## Cement Final Destination



# Market Overview

➤ More than 60% of Egypt's cement consumption is concentrated in Greater Cairo & Delta

✓ Cement dispatch/ region

	% from Market	SCGC MS%
Greater Cairo	29%	32%
Delta	35%	36%
Upper Egypt	20%	0.5%
Others	16%	31.5%

- Population 2014\*: 84.6 million
- Growth rate (2011-2013)\*: 1.9%
- Age profile (CAPMAS\*\* – May2014):
  - ✓ 0 – 4 10.6%
  - ✓ 5 – 14 21.1%
  - ✓ 15 – 44 49.8%
  - ✓ 45 – 60 12.4%
  - ✓ +60 6.1%

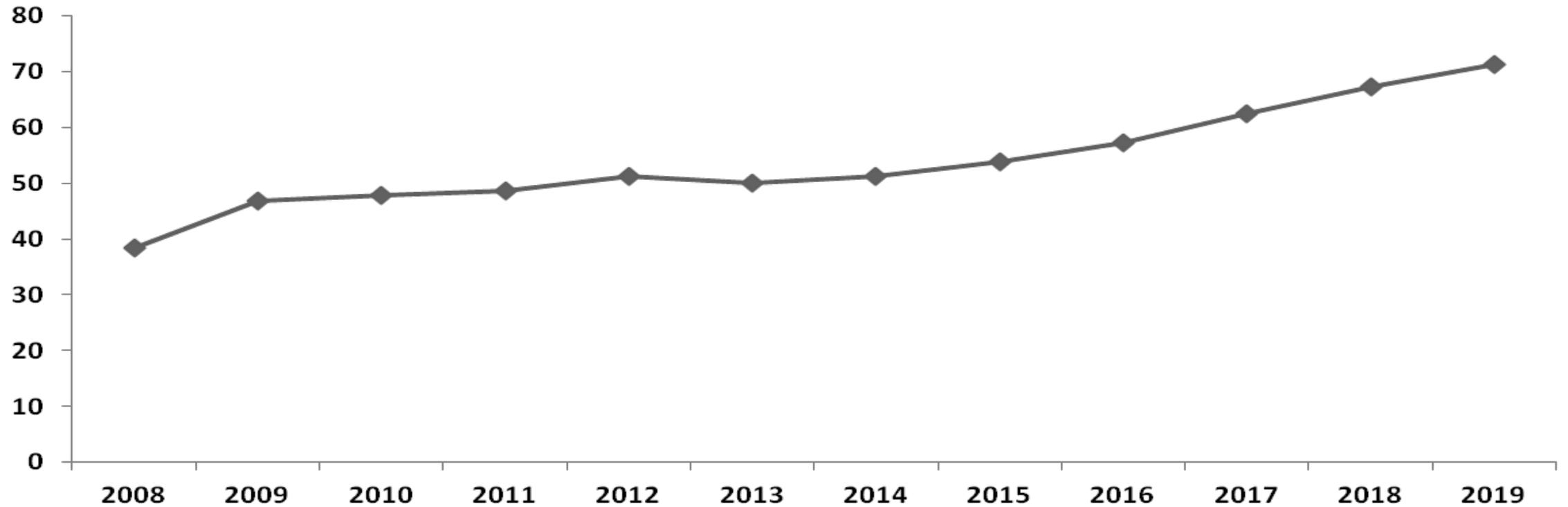


\*\*CAPMAS: Central Agency for Public Mobilization And Statistics  
 - Source: Business Monitor International Data referred to 2009

# Market Overview

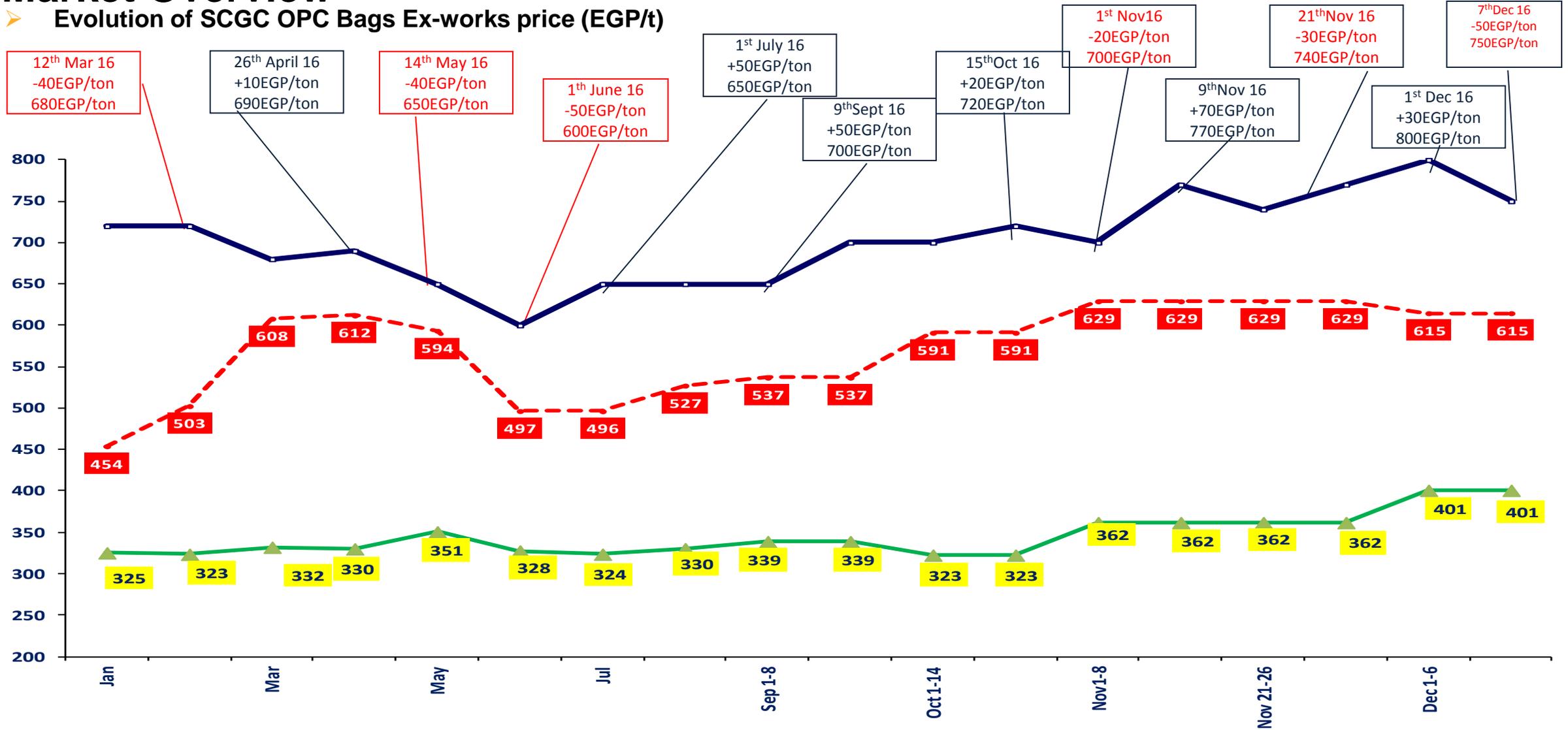
## ➤ Egypt Grey Cement Market

### ✓ Structural Demand (Mt)



# Market Overview

## Evolution of SCGC OPC Bags Ex-works price (EGP/t)



Booking Price

Average Price

Variable Cost

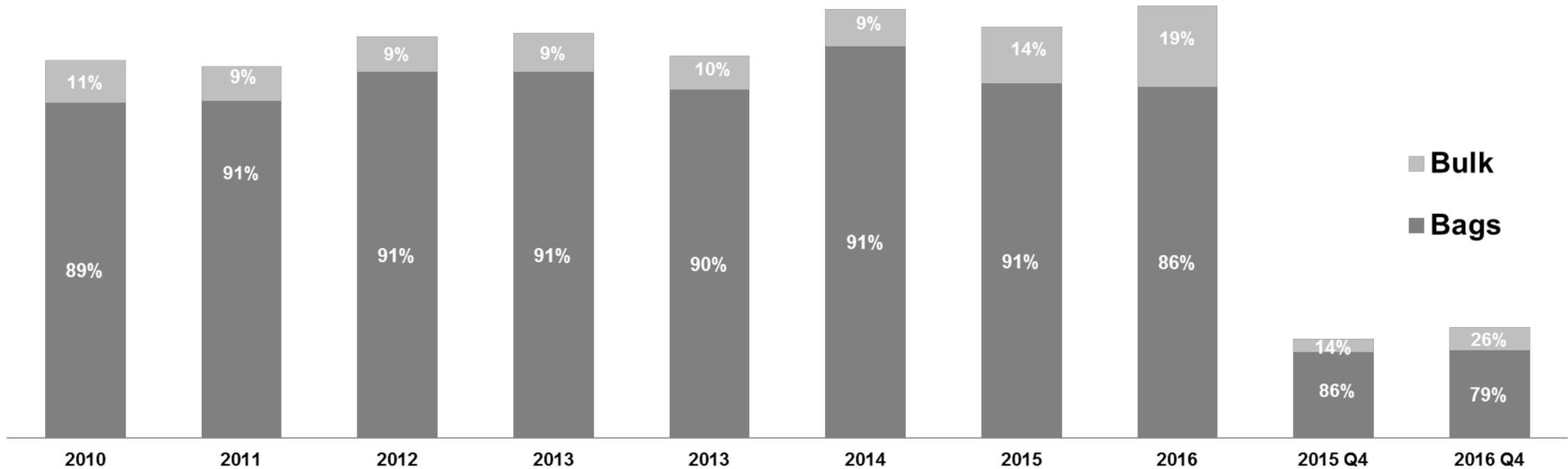
-Exchange Rate in 31<sup>st</sup> Dec 2016 USD/E GP = 18.22455

-Avg Exchange rate in 2016 USD/EGP = 10.2313875

# Market Overview

## ➤ Evolution of OPC Bag – Bulk Ratio in the Egyptian Market

Bagged to Bulk Ratio



Source: internal market intelligence

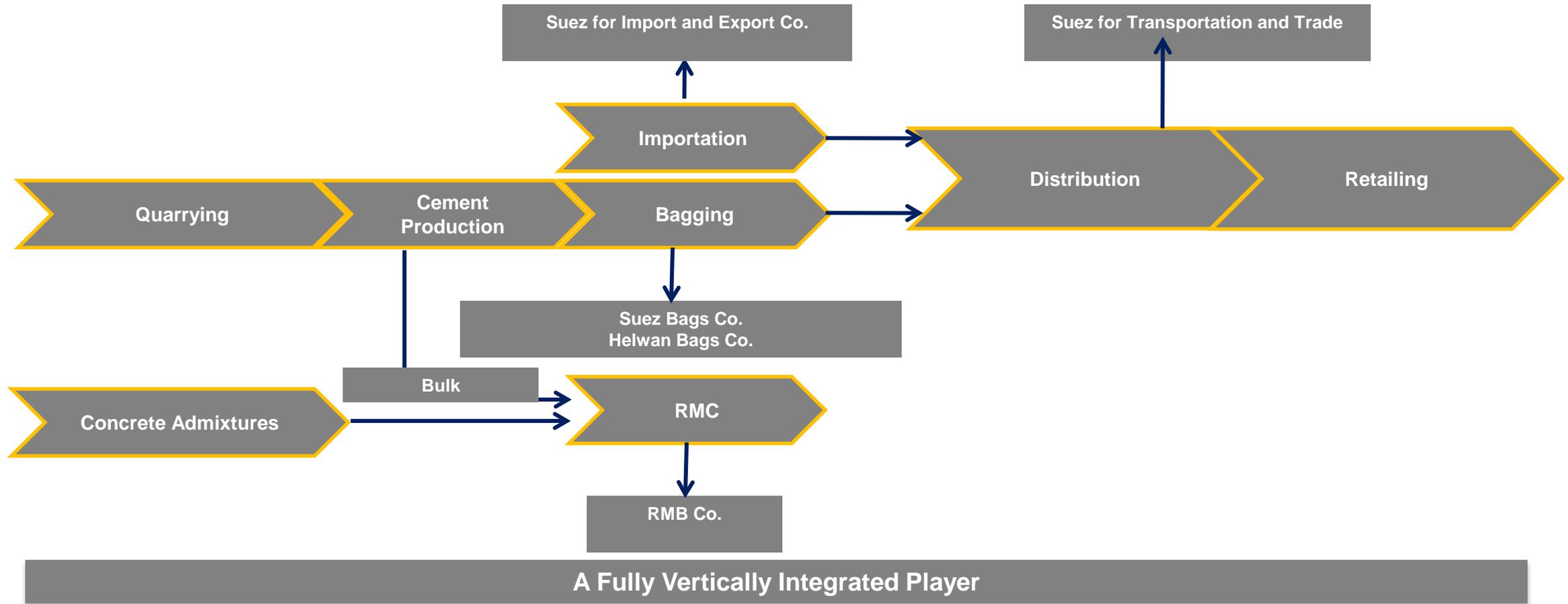
# Investment Highlights

- Being part of a global player, SCgC has an immediate access to worldwide best practices



# Investment Highlights

## ➤ Attractive Business Model



# Investment Highlights

## ➤ Operational Efficiencies in the pipeline

- Installing state-of-the-art kiln and mill production lines replacing the less efficient ones
- Expanding the use of Coal (instead of Gas/Fuel Oil) at all Group plants.
- Decreasing the clinker ratio in cement production through the use of alternative raw materials can result in saving energy and reducing the emissions, while maintaining the same quality and improving performance.
- Using alternative fuels can achieve a saving of 1 – 4% on the cost of fuel.



# Investment Highlights

## ➤ Improving Market conditions

- ✓ Market recovery from 48 to 60 Million Tons (25%)
- ✓ Limited capacity addition anticipated (5 to 6%)  
=> **Capacity utilization should increase from mid 70s to mid 90s**

## ➤ Implementing fuel flexibility strategy

- ✓ Coal and Petcoke to release gas & fuel oil as main fuels .
- ✓ Waste companies processing development.  
=> **existing capacity could be mobilized at an energy cost close to current levels (investments underway)**

# Investment Highlights

## ➤ Suez Cement Mid Term Plan

### ➤ Efficiency gains

- ✓ Energy consumption optimization (wet kilns decommissioned, waste heat recovery...)
- ✓ Headcount progressive alignment to industry benchmark (850 employees to retire through 2020)

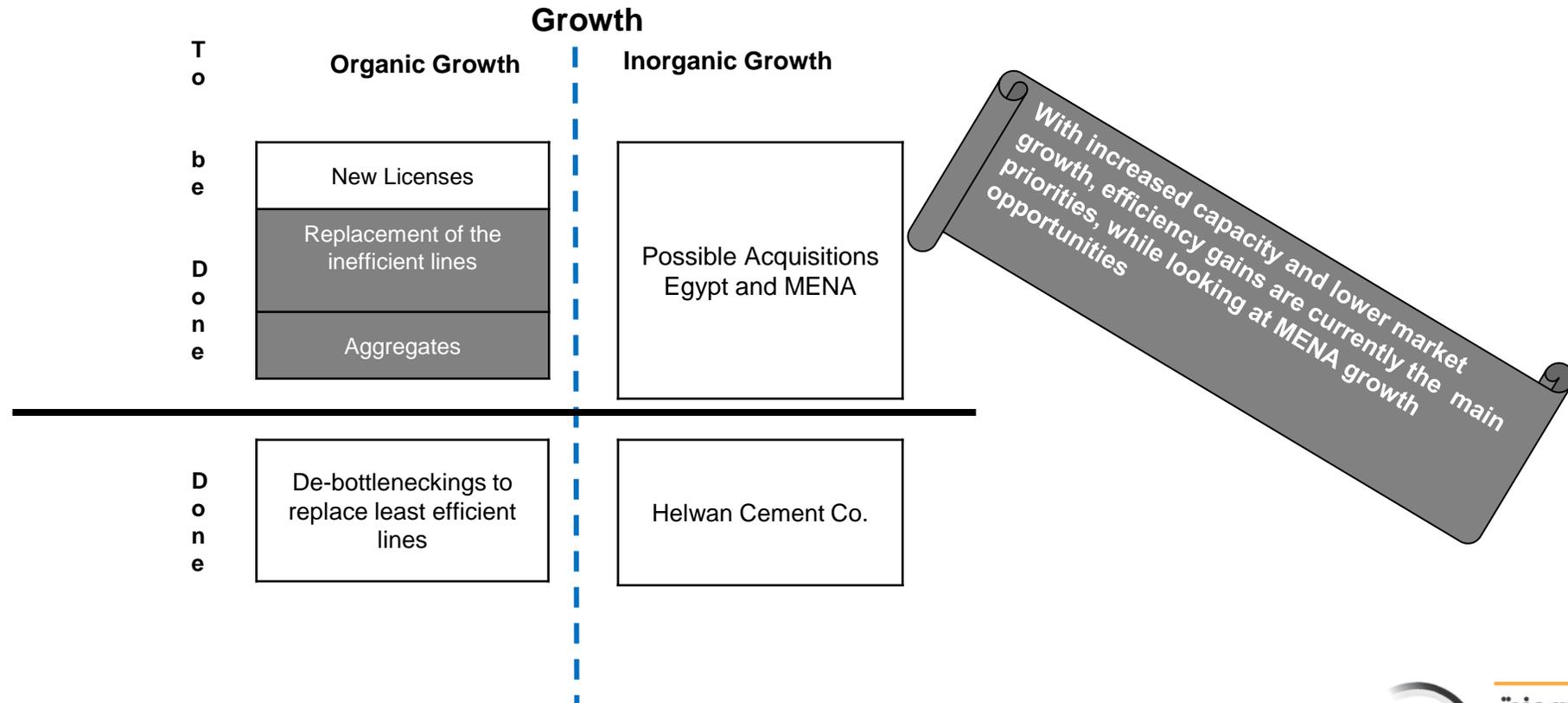
### ➤ Sustainability

- ✓ Energy strategy to mitigate CO2 emissions from coal usage.
- ✓ Development of new products in cement and ready mix
- ✓ Continued corporate social responsibility programs focused on education and health

	2013	2014	2015	2016
Volumes (MT)	7.5	8.4	8.6	8.6
EBITDA/ton (EGP)	120	138	50	65

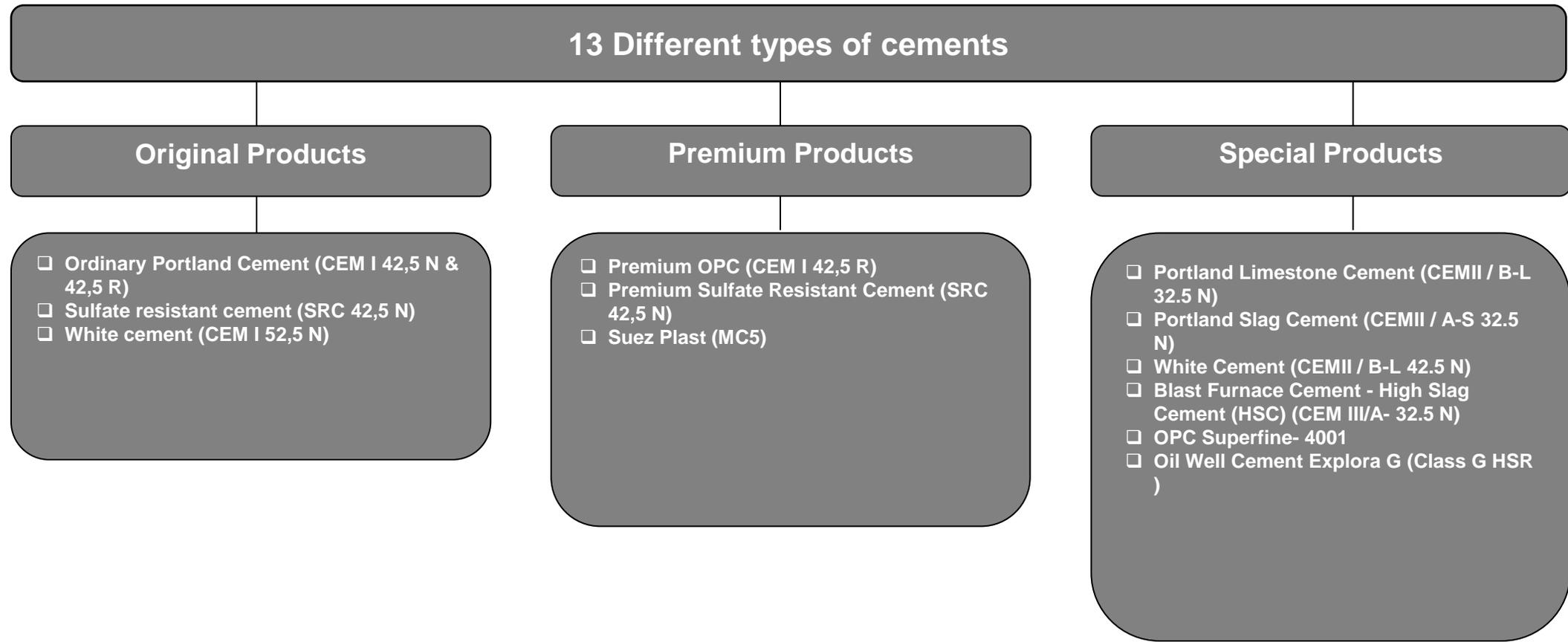
# Investment Highlights

- SCC considers both organic and inorganic growth to increase the production capacity



# Investment Highlights

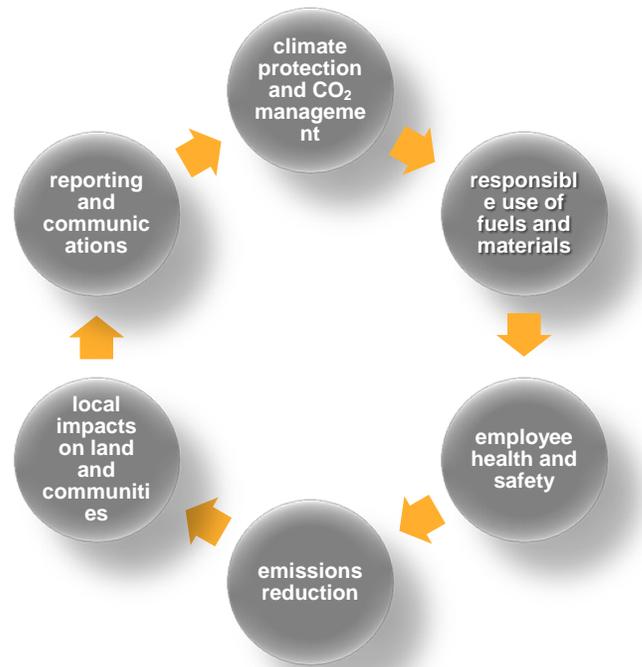
- As a Business-Level strategy, SCgC implements a differentiation strategy in its marketing approach that provides value to customers and is worth a premium price



# Investment Highlights - Sustainable Development

## ➤ Vision

- ✓ SCgC is aware of the importance of its social role and promotes a socially responsible behavior among all of its employees.
- ✓ The Company believes that Sustainable Development, as a combination of economic prosperity, environmental protection and social responsibility, is the basis of its own future.
- ✓ Six key areas have been identified because of their significant contribution to the realization of a sustainable future:



# Investment Highlights - Sustainable Development

## ➤ Commitment to Environment Protection

### ➤ We are committed to:

- ✓ Constantly monitor each of our sites to reduce and prevent any possible effect on the environment.
- ✓ Optimize the use of non-renewable resources in our production processes
- ✓ Enforce the best environmental standards, with a new wave of investment to reduce dust emissions (2012-2014).
- ✓ Promote friendly and professional environmental practices to all our staff

Plant	Yearly Avg Dust Emission
Helwan (2013-2014)	150 – 200 to decrease to 10-20
Tourah(2012-2014)	150 – 200 to decrease to 10-20
Kattamiyah(2014)	60 – 100 to decrease below 50
Suez(2014)	80 – 100 to decrease below 50
Minya(2014)	100 – 150 to decrease to 50-100

# Investment Highlights - Sustainable Development

## ➤ Our quality and environmental key achievements

### Environmental

- Establishing new Coal mills in Kattameya and Suez.
- Utilizing agricultural wastes, sewage sludge's
- Recycling of bypass dust
- concealment of historical bypass dust
- Pollution abatement and emission control
- Upgrading existing environmental management system.
- EPAP Implementation
- All plants are ISO 14001/2004 certified

### Quality

- The ISO 14001 approach is based on three steps:
- compliance with all applicable standards;
- prevention of potential environmental impacts;
- continuous improvement of performance.

# Investment Highlights - Sustainable Development

## ➤ Social initiatives

➤ Our efforts have been focused on:

- ✓ Safety in the workplace and industrial hygiene;
- ✓ Direct and indirect local employment according to the requirements of its activity;
- ✓ Responsible restructuring;
- ✓ Assessment of employee satisfaction;
- ✓ Training and skills development;
- ✓ Interaction with local communities;
- ✓ Co-operation with clients and suppliers.



# Social Initiatives for 2016 – Q4

Driven by the company's ongoing commitment to corporate social responsibility, SCGC has continued to promote initiatives that focused on key needs of local community members. In 2016, SCGC again made education and health key priorities. These initiatives also aim to improve stakeholder relations through dialogue and co-operation. Only projects that contribute to the quality of life for community members as well as comply with local government policies and the UN Universal Declaration of Human Rights are chosen. SCGC hopes to build a better future for generations to come in co-operation with local NGOs, United Nations agencies, schools, hospitals and universities. It is therefore no surprise that the Company's CSR program was recognized as one of the Top 10 in Egypt by the Federation of Egyptian Industries (FEI).

As part of the partnership with Misr El Kheir Foundation to revamp the Emergency Room in Helwan Public Hospital and improve health infrastructure in the governorate, the Company inaugurated in February 2016 the new emergency department, paid for new equipment and improved staff morale.

In 2016 SCGC continued to support **Omar Ibn El-Khattab Preparatory School for Boys** in Kafr Selim, an impoverished district of Suez Governorate. In cooperation with the Takatof Association for Development, the company financed training activities addressed to 61 teachers, administrative staff and parents. In addition, the company financed a school program against violence that aims to put an end to classroom violence and improve education on top of hiring necessary cleaning and security staff. On the other side, Helwan Cement Company (HCC) and the Association for the Development and Enhancement of Women (ADEW) renovated the two primary schools in Tourah and Kafr El Elw. The program improves educational conditions through the development of school infrastructure to create a healthy environment for youth.

SCGC's long-lasting partnership with the Don Bosco Technical Institute started in 2006. Last year, the Company continued to fund the Institute with a contribution of € 25,000. The objective of the program is to promote technical and vocational education, upgrade Don Bosco's infrastructure and facilities and develop new programs. Graduates of Don Bosco are well known and in demand throughout the industrial sector for their excellent training and professional skills. SCGC has hired over 50 students to date and provided on-site training to more than 170 others as well as summer internship opportunities.

# Social Initiatives for 2016 – Q4

As part of its comprehensive Corporate Social Responsibility (CSR) Program Suez Cement donated LE 10 million to the Long Live Egypt Fund to contribute in the national campaign to fight Hepatitis C.

Finally, the Company has always participated in charity activities during the holy month of Ramadan and Eid al Adha (Feast of Sacrifice) by distributing food and supplies to impoverished families living in Maasara, Kafr El Elw and El-Minya.

- Cement donations

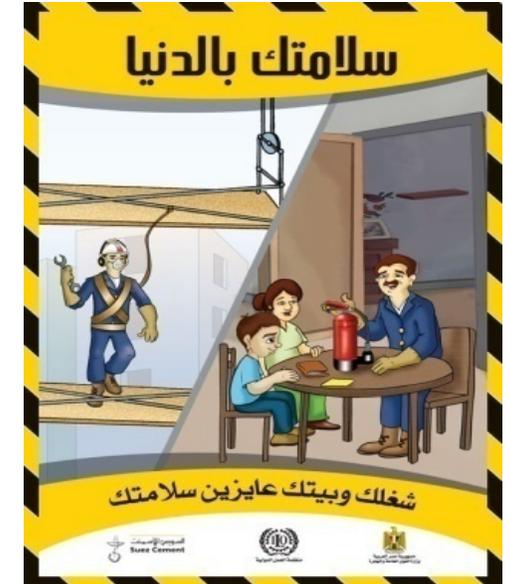


# Investment Highlights - Sustainable Development

## ➤ Commitment to Safety

➤ Adopting the “**Zero Accident**” brings together all the necessary programmes required to establish a consistent Safety management system :

- PPE
- Working at heights
- LOTO
- Confined Space
- CSI Driving Code of Conduct
- Inspection visits ...



Evolution of Frequency of Accidents<sup>1</sup> (2011 – 2016)

	2011	2012	2013	2014	2015	2016
<b>Employees</b>	4.1	2.4	1.2	2.7	1.1	1.2
<b>Contractors</b>	2.1	1.8	3.3	1.1	0.8	1.2

# Investment Highlights - Sustainable Development

## ➤ Corporate Governance

- ✓ Committed to efficiency, transparency and appropriate management
- ✓ Standing for business ethics and creation of value
- ✓ A well defined decision making structure
- ✓ Adopting consistent system of policies and procedures which comply with local legislations and best practices.
- ✓ In 2007, we introduced our Charter of Values, setting out the fundamental principles of the Suez Cement's engagements in Corporate Governance and the goals of the Group's Sustainable Development strategy



سويس للأسمنت Suez Cement Italcementi Group  
أسمنت طبرق Touah Cement Italcementi Group  
أسمنت الخليل Helwan Cement Italcementi Group  
سويس للأسمنت Suez Bags Italcementi Group

### charter of values

This Charter of Values for Italcementi Group states the basic principles underlying the Group's governance model. It is the point where the personal ethics of each employee and those of the company come together in placing the individual as the basis of corporate development.

The Charter of Values does not replace or overlap the Codes of Governance which have already been approved by Italcementi and which are now fully in effect. Indeed, it summarizes and strengthens the general principles contained in these Codes. It is the framework document outlining the commitments made by the company and by the women and men belonging to the Group.

This document containing Italcementi Group's general principles of ethics is designed to guide staff in their behavior with clients, institutions and public administrations, competitors, shareholders, suppliers, markets and non-governmental organizations representing the many interests generated by the Group's business.

The Charter of Values states our commitment in respect of the following principles:

- ① **honesty, fairness, integrity, transparency and mutual respect** in managing the company and in its relations with stakeholders and markets;
- ② **dialogue and listening to community needs** in order to create value and widespread opportunities;
- ③ **protecting the individual** by valuing diversity and cultural identity, professional growth and safety at work;
- ④ **safeguarding of the environment** by pursuing the harmonious integration of each industrial plant with its landscape and developing innovative technologies to save natural resources and use renewable energy sources;
- ⑤ **promoting innovation** aimed at industrial growth and sustainable development.

The Charter of Values is distributed to all Group employees and is shared by the entire organization that will play an active role in its implementation, integration or revision.

Cairo, October 2011

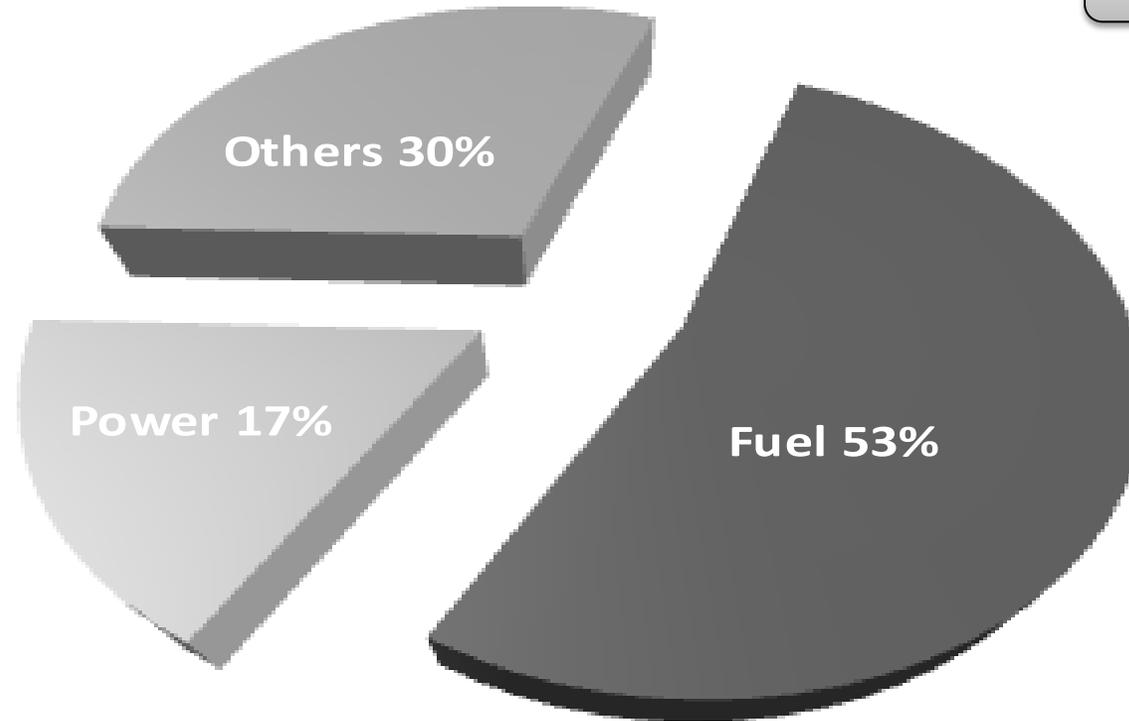
**Bruno Carré**  
Managing Director



Suez Cement group of Companies' Charter of Values is inspired by fundamental international reference standards such as the United Nations' Universal Declaration of Human Rights, the International Labor Organization codes standards and the SA 8000 standard. Suez Cement group of Companies' Charter of Values is based on the main governance and regulations drawn up by the Group over the last few years, in particular the Code of Conduct, the Code of Ethics and the Code of Conduct (Internal Dealing).

# Financial Highlights

- An increasingly energy intensive industry...

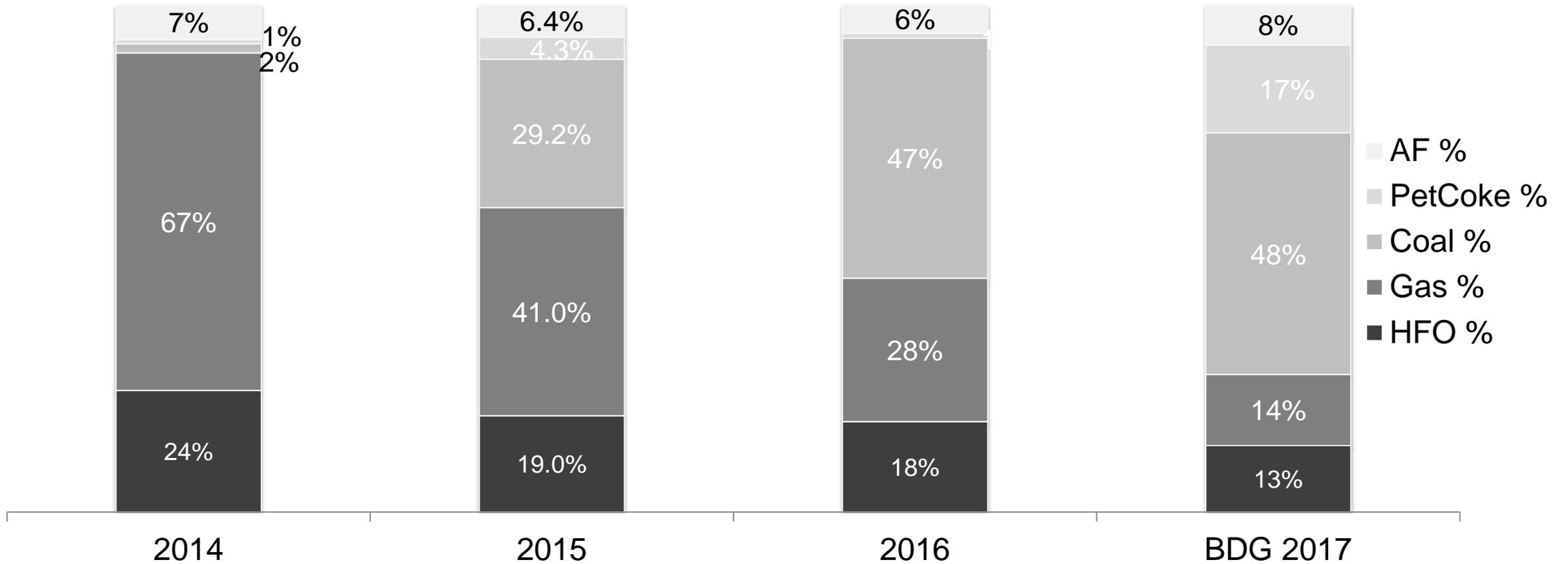


Energy represents 70% of the production cost

YTD Dec 2016 SCGC Cost Breakdown

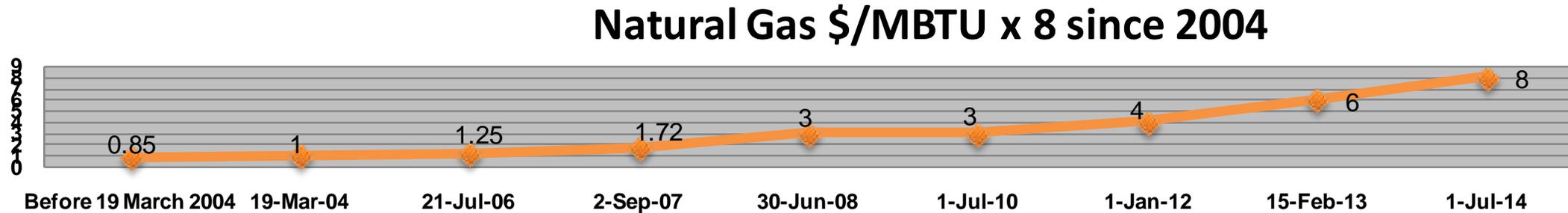
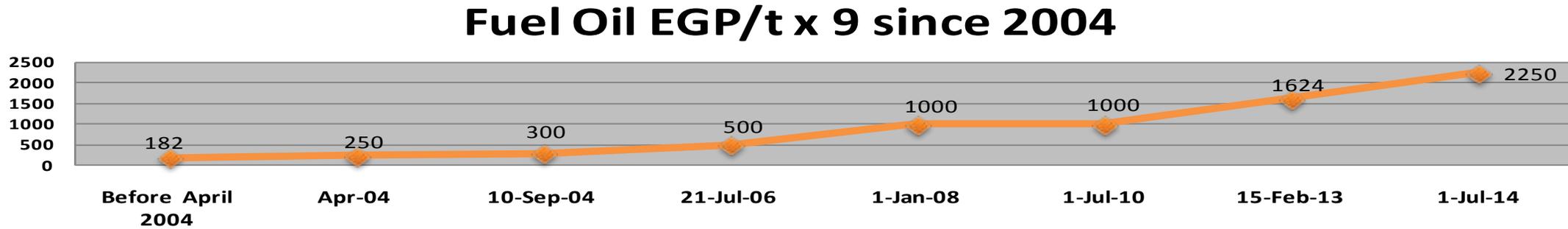
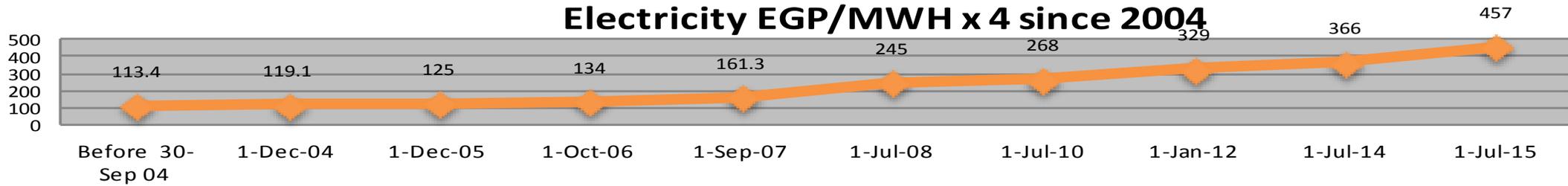
# Financial Highlights

## Total Grey Fuel Mix



# Financial Highlights

➤ Fuel prices increased by more than 50% since Feb 2013



# Financial Highlights

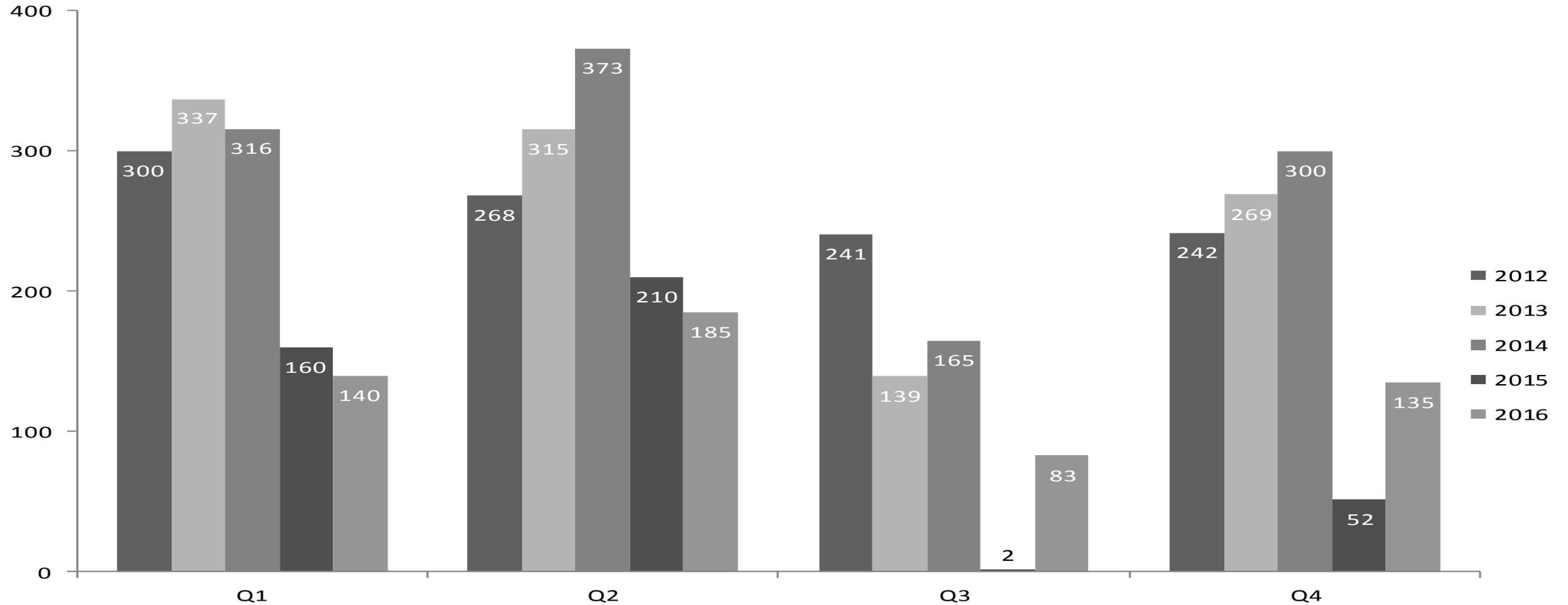
## YTD December 2016 key results (Consolidated)

	Q4 2016	Q4 2015	Var. 2016-2015		Ytd. Dec. 2016	Ytd. Dec. 2015	Var. 2016-2015	
			Var.	% Var.			Var.	% Var.
<i>Kt</i>								
Volume sold (Cement + Clinker)	2,126	2,620	(494)	-18.9%	8,591	8,594	(2)	0.0%
Domestic	2,081	2,564	(483)	-18.8%	8,457	8,455	2	0.0%
Export	45	55	(11)	-19.2%	134	139	(4)	-3.2%
<i>EGPm</i>								
Revenue	1,773	1,599	174	10.9%	6,146	5,642	504	8.9%
Margin on Variable Cost	649	454	195	42.8%	2,124	1,819	305	16.8%
% of revenue	36.6%	28.4%	8.2 p.p.		34.6%	32.2%	2.3 p.p.	
EBITDA - recurring	135	52	82	157.1%	542	424	118	27.9%
% of revenue	7.6%	3.3%	4.3 p.p.		8.8%	7.5%	1.3 p.p.	
Non recurring items ( EOS)	0	(61)	61	-100.0%	0	(61)	61	-100.0%
EBIT	(67)	(126)	59	-46.9%	(21)	(101)	80	-79.5%
% of revenue	-3.8%	-7.9%	4.1 p.p.		-0.3%	-1.8%	1.5 p.p.	
Net Profit	(616)	(153)	(463)	302.1%	(629)	(104)	(526)	507.4%
Cash Flow from operations	(415)	(36)	(379)	1066.2%	(66)	361	(427)	-118.4%
					31.12.16	31.12.15	Var.	% Var.
Net Financial Position - NFP					624	662	(38)	-5.7%

# Financial Highlights

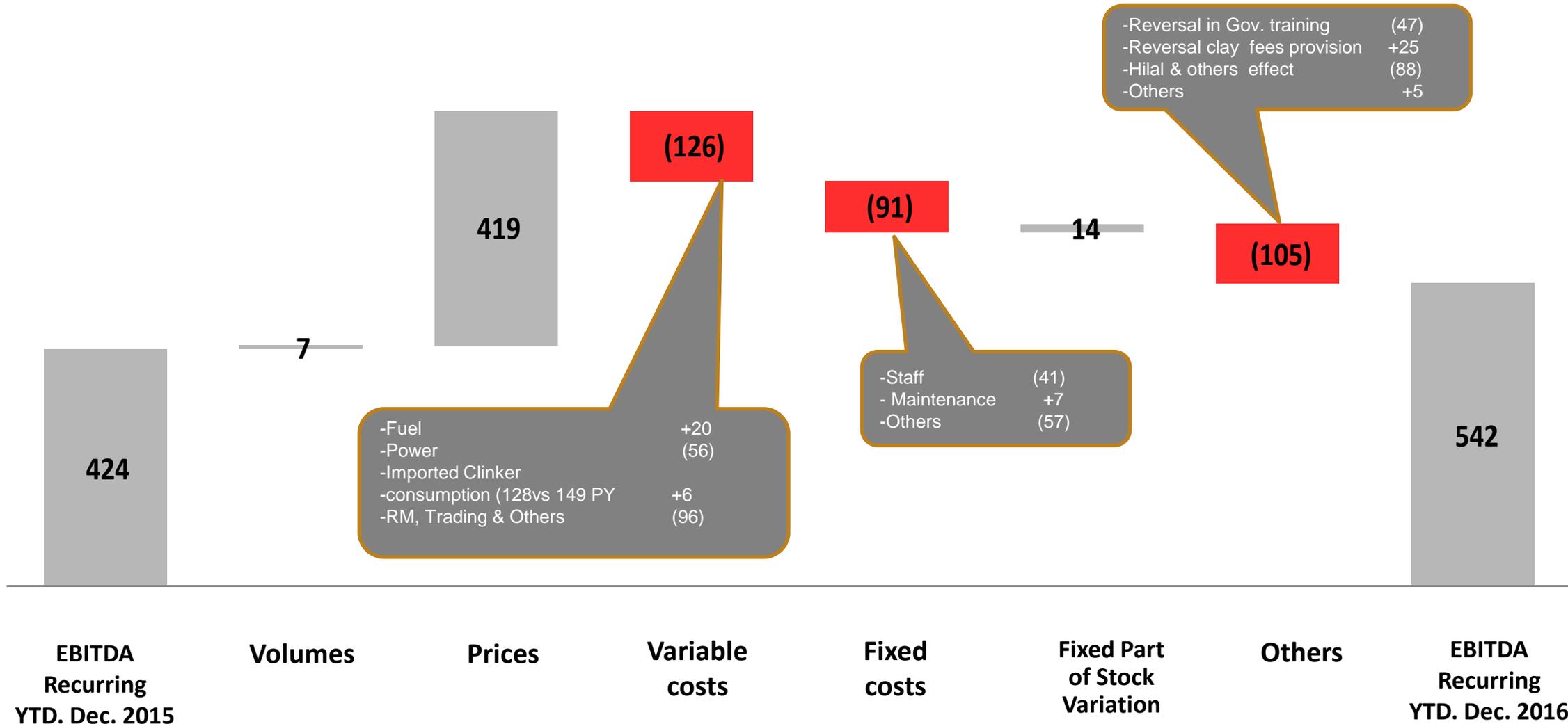
## EBITDA Evolution (Consolidated)

EGPm



# Financial Highlights

EGPm YTD December 2016 recurring EBITDA (Consolidated):

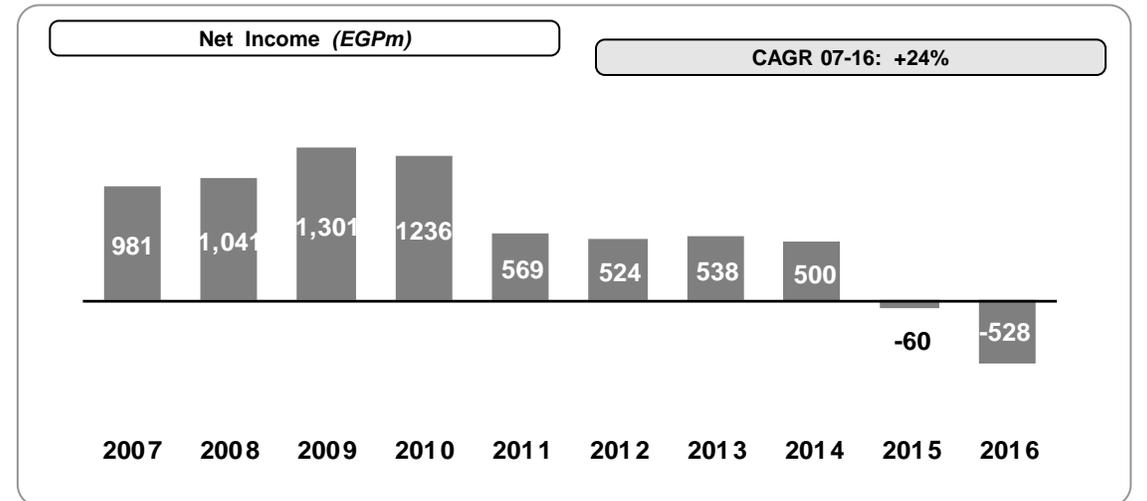
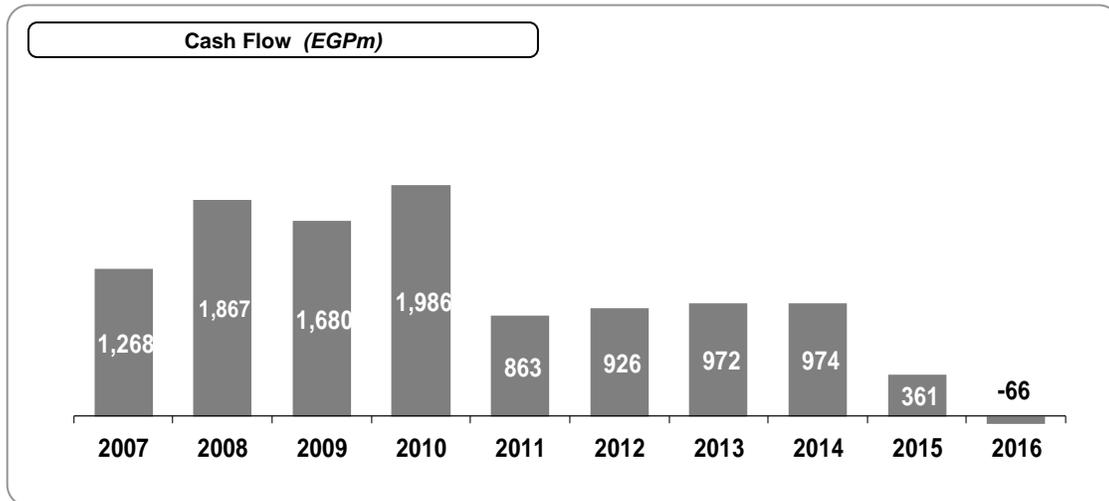
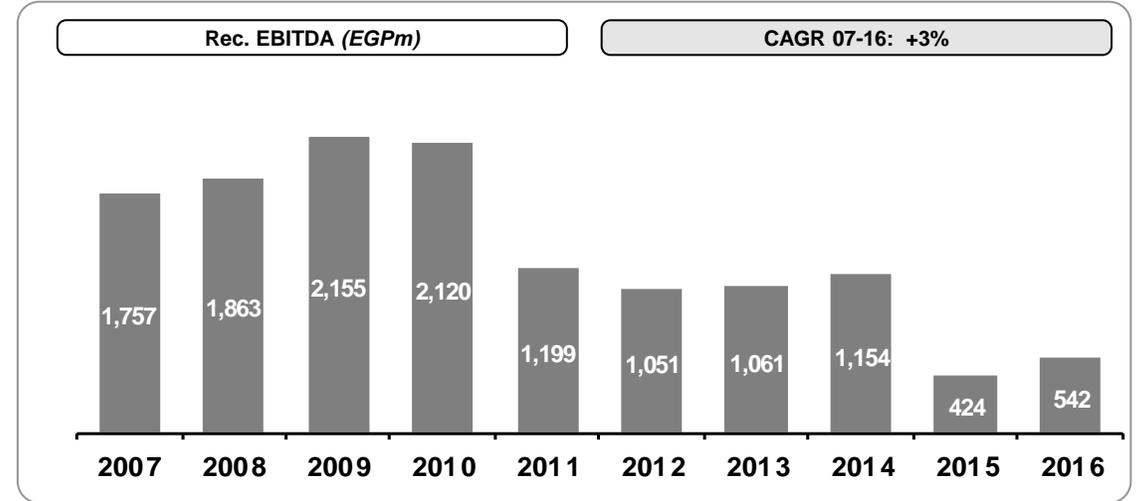
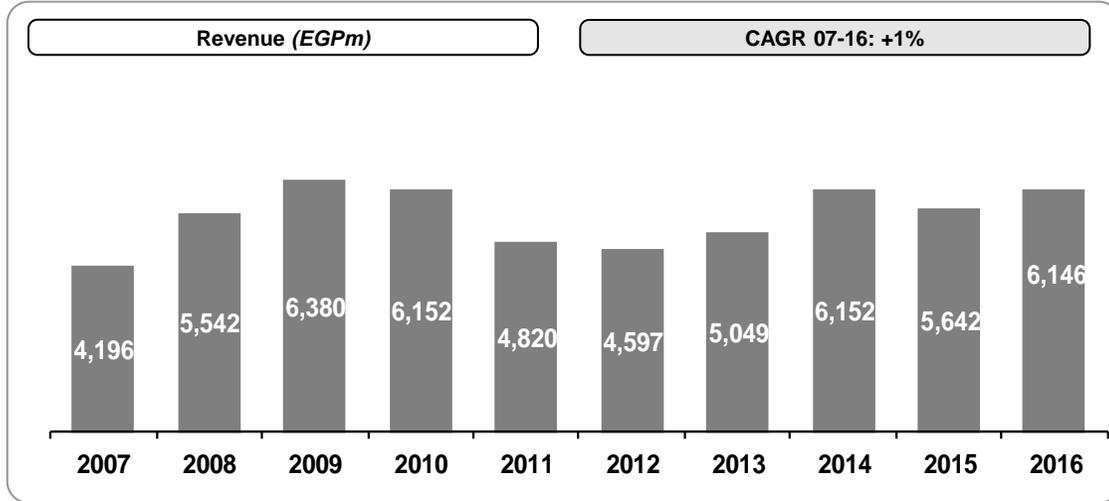


# Financial Highlights

MEGP	2012	2013	2014	2015	2016
Revenues	4,597	5,049	6,152	5,642	6,142
EBITDA - recurring	1,051	1,061	1,154	424	542
<i>% on revenues</i>	22.9%	21.0%	18.8%	7.5%	8.8%
EBIT	702	681	705	- 101	- 21
<i>% on revenues</i>	15.3%	13.5%	11.5%	-1.8%	-0.3%
Net Profit ( Group Share)	524	538	500	- 60	-528

# Financial Highlights

Key Historical Financials : current environment heavily impacting results



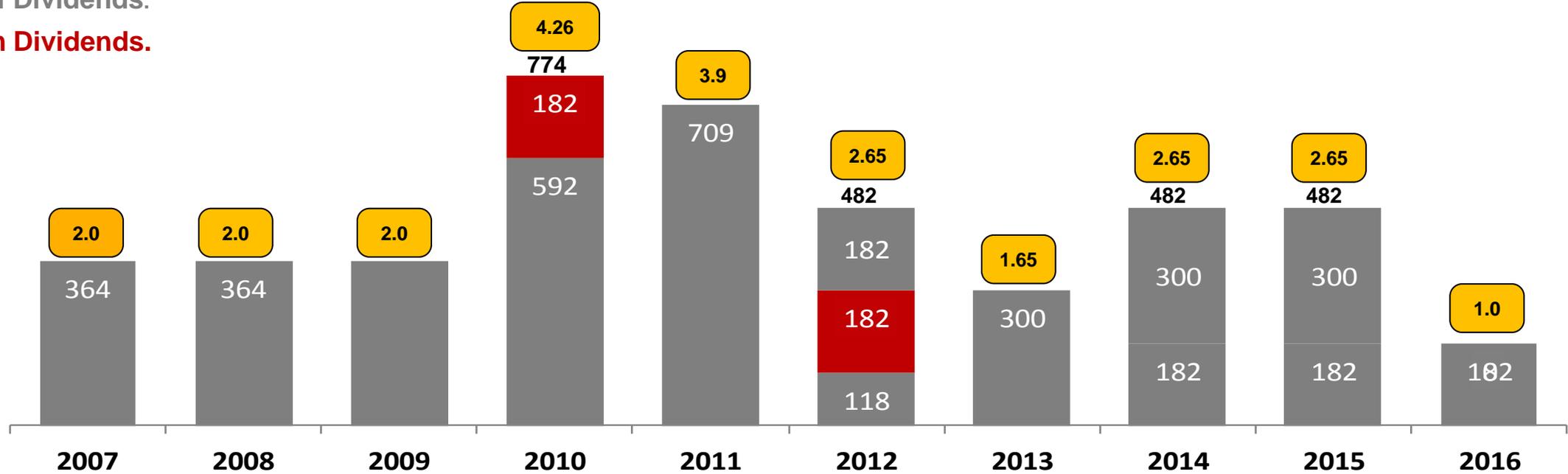
# Financial Highlights

➤ More than EGP 4.25 BN dividend pay out since 2007

Dividend distributed by SCC (EGPm)

Dividend per Share (EGP/Share)

- Annual Dividends.
- Interim Dividends.



# Financial Highlights

## ➤ Main Historical Acquisitions and Capex

Year	Company	Share	Value
2005	Helwan Cement Co.	98.7%	EGP 3.4bln
10/2006	RMB + RMBE	52%	EGP 81M
8/2007	Hilal Cement (Kuwait)	51%	EGP 262M

