



السويس للأسمنت
Suez Cement
Italcementi Group

Corporate Briefing



Contents

- **Group Overview**
- **Market Overview**
- **Investment Highlights**
- **Financial Highlights**





Group Overview

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.

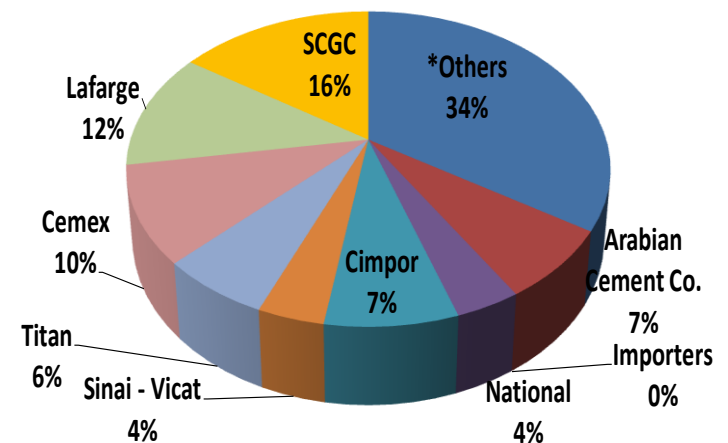
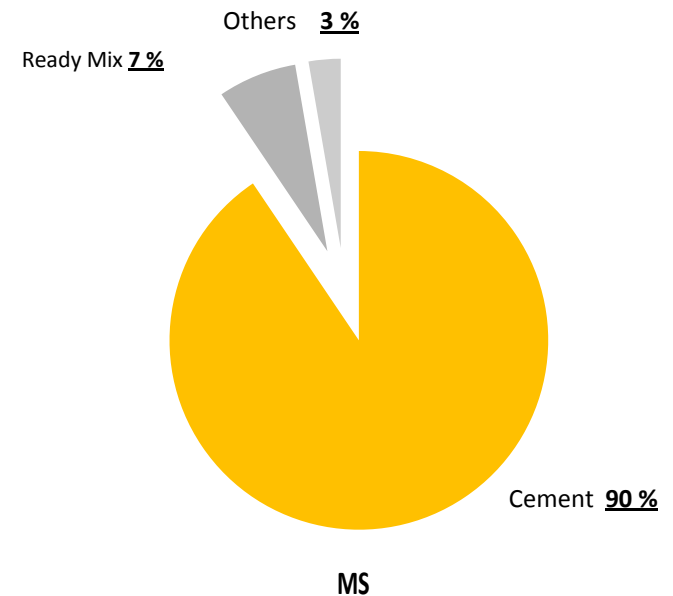


Group Overview

➤ SCGC Group at a glance

- ✓ Egypt's cement market leader
- ✓ Part of the world's fifth 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 5.049 bln in 2013 and EBITDA of EGP 1.061 bln

Revenue Breakdown



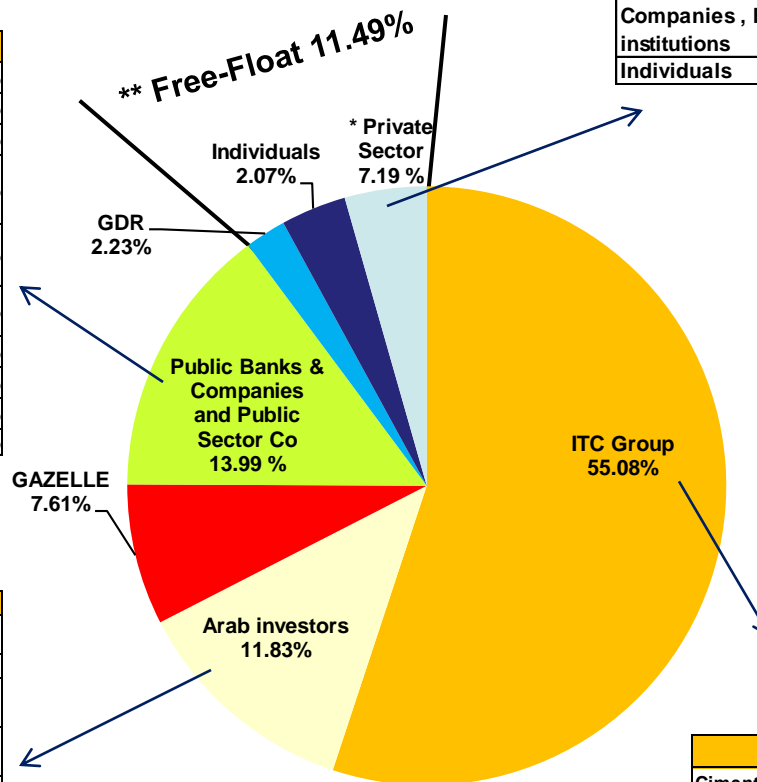
Group Overview - Stock Market

➤ SCC Ownership Structure

Name	No. of Shares	%
Misr Capital Investments, SAE	5,502,511	3.03%
Nasser Social Bank, SAE	2,307,866	1.27%
Social insurance Funds for Public sector	1,905,528	1.05%
Social insurance Funds for Public business sector employees	1,916,709	1.05%
Metallurgical Industries Company	457,485	0.25%
Chemical Industries Company	1,039,037	0.57%
National Investment Bank	6,924,107	3.81%
National Cement Company SAE	3,967,055	2.18%
Misr insurance Co.	873,246	0.48%
Other Public Corporation & Banks	549,443	0.30%

Name	No. of Shares	%
United Co. for Provendr	2,816,815	1.55%
Abd Elkader Elmohedeb Co.	2,185,601	1.20%
Gulf International Trading & Real Estate Co. Ltd.	297,869	0.16%
abdul Monem Rashed Abdulrahman al rashed Co.	666,667	0.37%
Abd Elmenam Rashed Abd Elrahman	14,392,167	7.91%
International Trading and Contracting Co. Ltd.	939,330	0.52%
Samer ben Saleh Hossen Elkaaki	212,257	0.12%

Name	No. of Shares	%
Private Funds	2,594,087	1.43%
Private Insurance Companies, Banks and institutions	10,463,889	5.76%
Individuals	3,772,950	2.07%

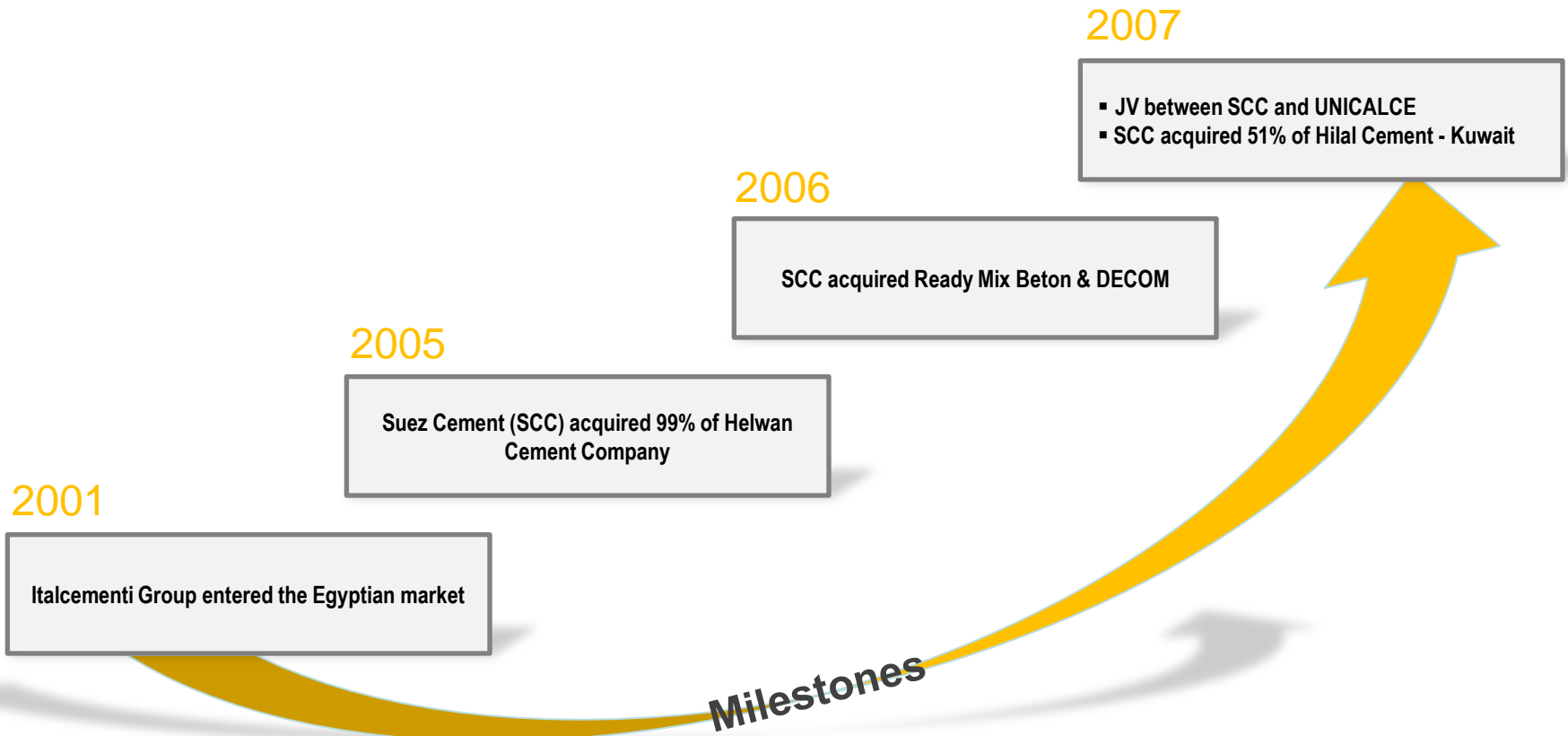


Name	No. of Share	%
Ciments Francies	22,485,545	12.36%
MENAF	47,373,830	26.05%
CIMENTS DU MAROC CIMAR	21,210,577	11.66%
TERCIM S A S	9,100,000	5.00%
Tourah Cement Company	1,132	0.00%

Group Overview

➤ Key milestones

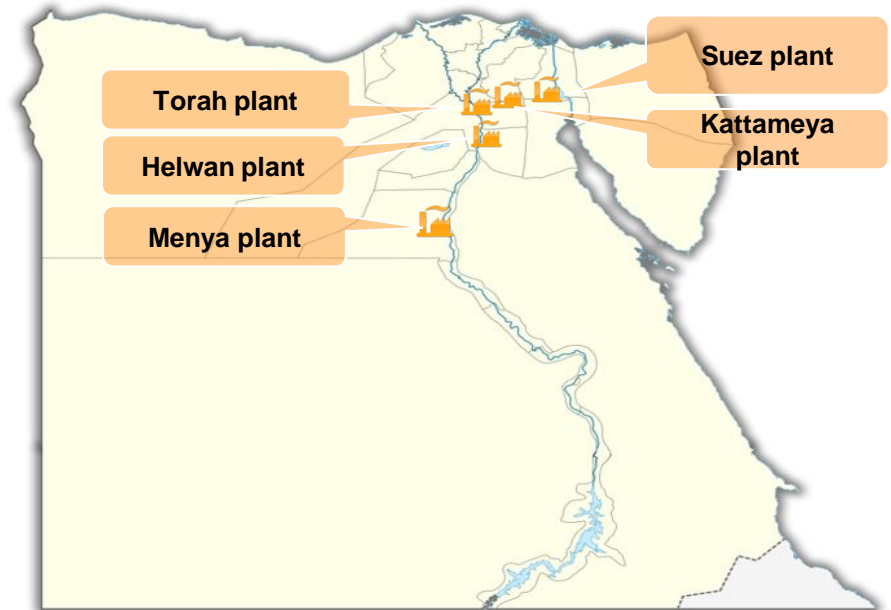
A successful expansion path...paused since Arab spring



Group Overview

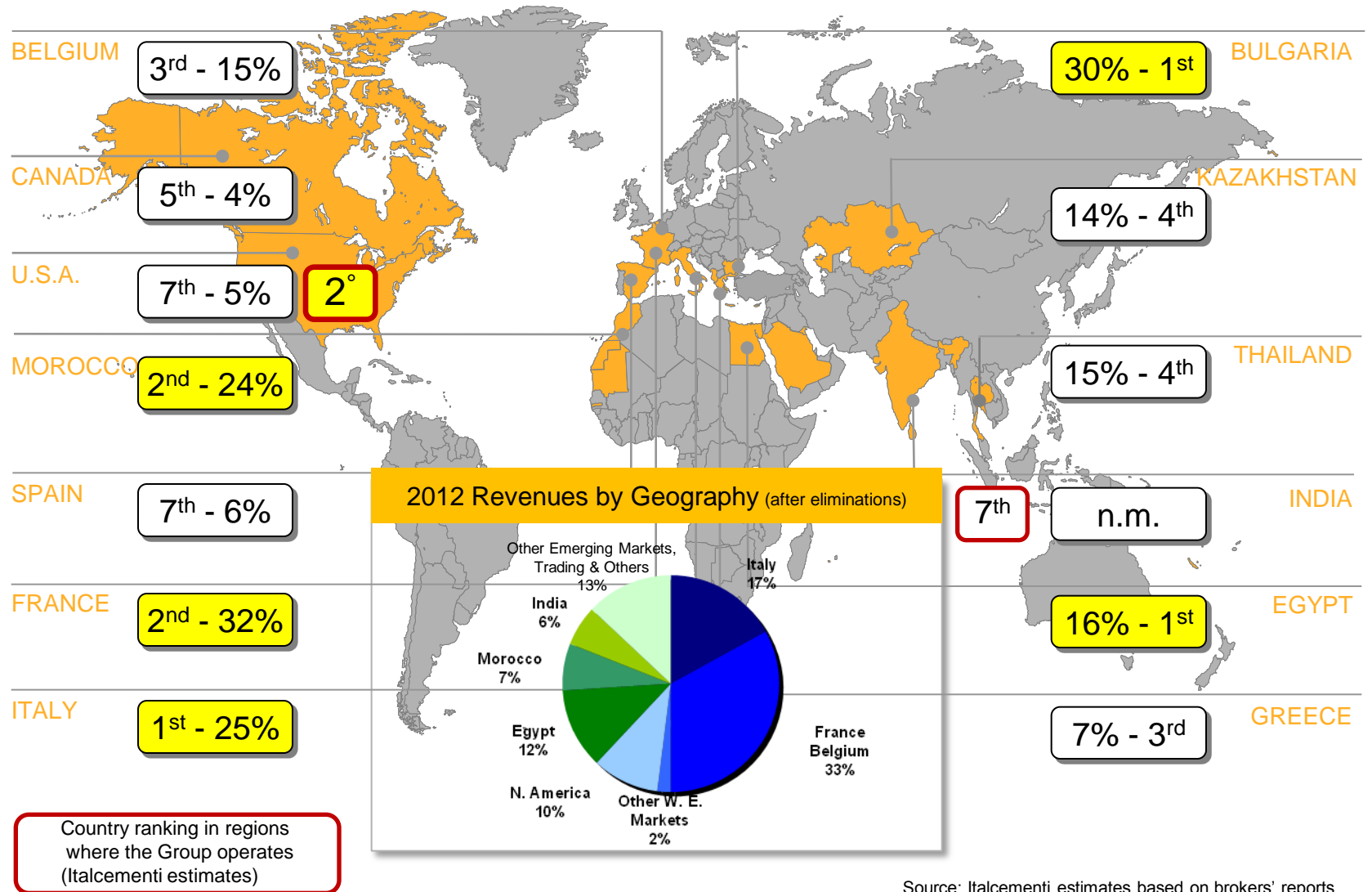
➤ SCgC Industrial network

- ✓ 5 production facilities located in Helwan, Tourah, Kattameya, Suez and El Minya.
- ✓ Total production capacity of 12 million metric tons of cement.
- ✓ Approximately 15 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

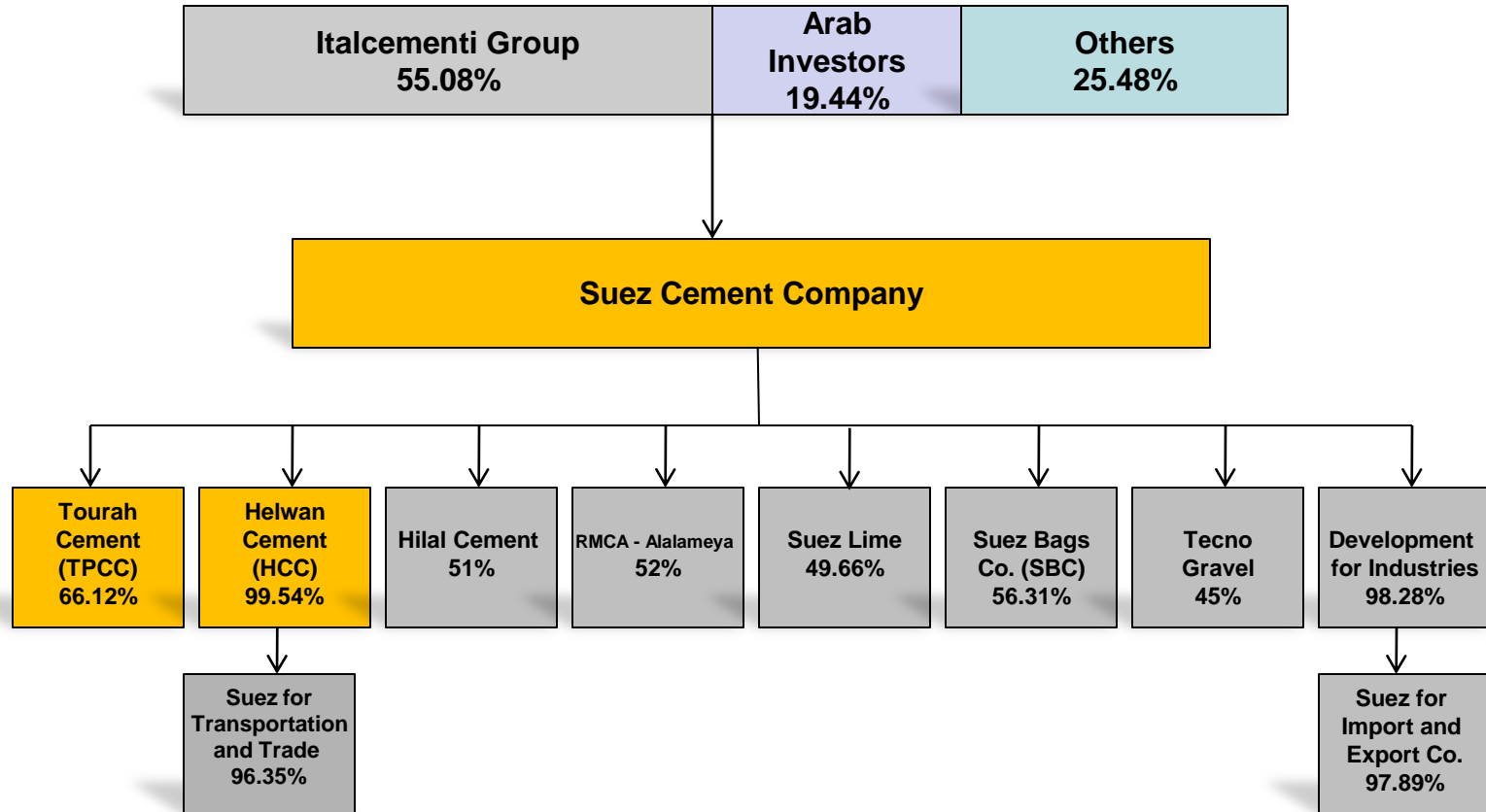
Country rankings and market shares



Source: Italcementi estimates based on brokers' reports

Group Overview

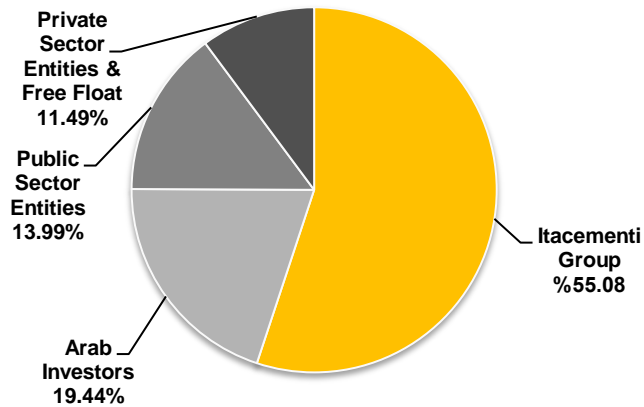
➤ SCgC Group structure



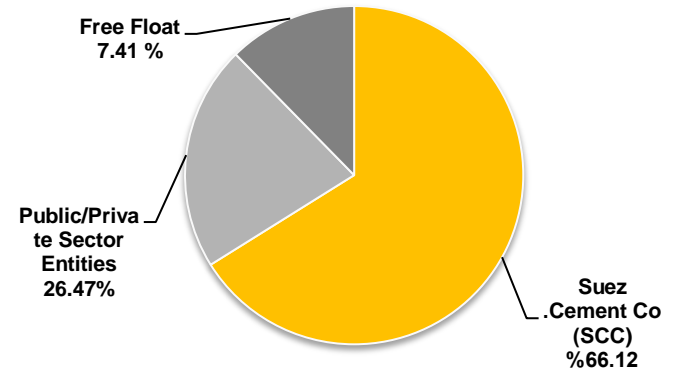
Group Overview - Stock Market

➤ 3 Companies are listed in the Egyptian Stock Market

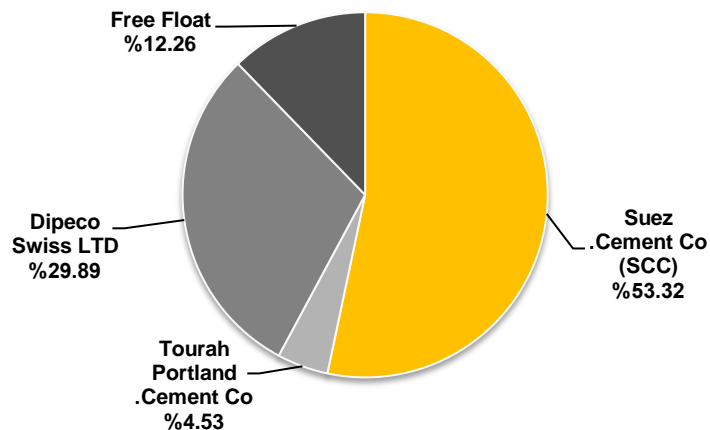
Suez Cement Company (181,856,507 shares)



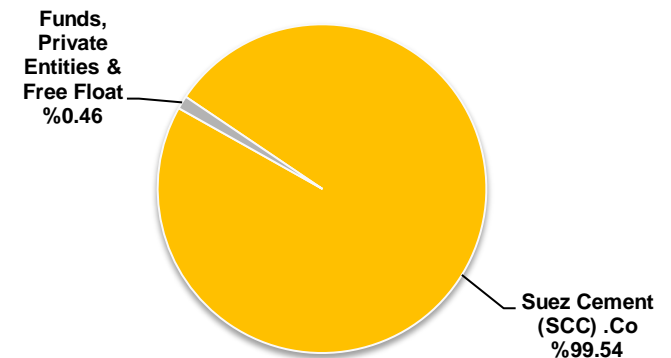
Tourah Portland Cement Company (71,524,200 shares)



Suez Bags Company (2,025,000 shares)



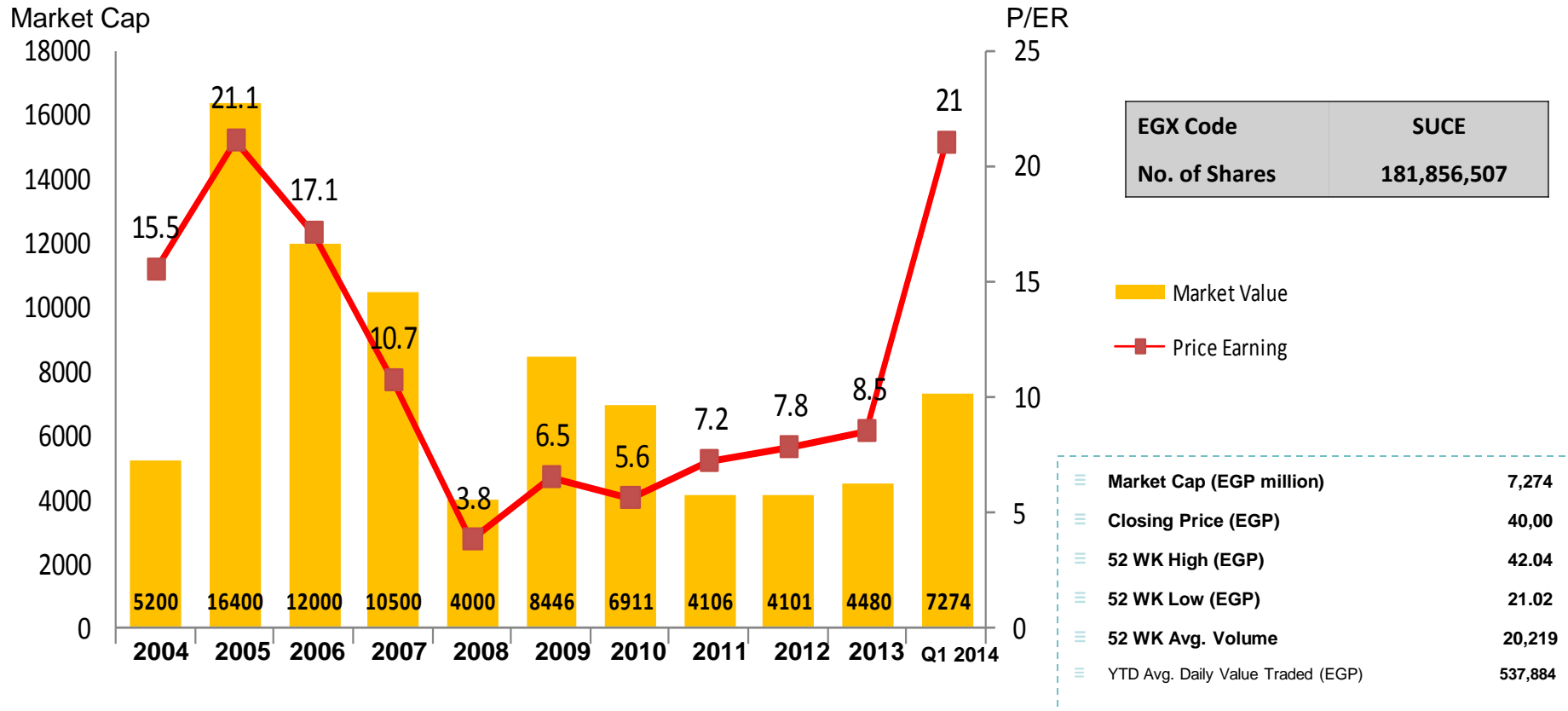
Helwan Cement Company (116,693,295 shares) (Not Listed)



Group Overview - Stock Market

➤ Strong decline in **Price/Earning** multiple which started to bounce back

Suez Cement (In M EGP)



31 March 2014

Market Overview

Market Overview

➤ Egypt Macroeconomic Outlook

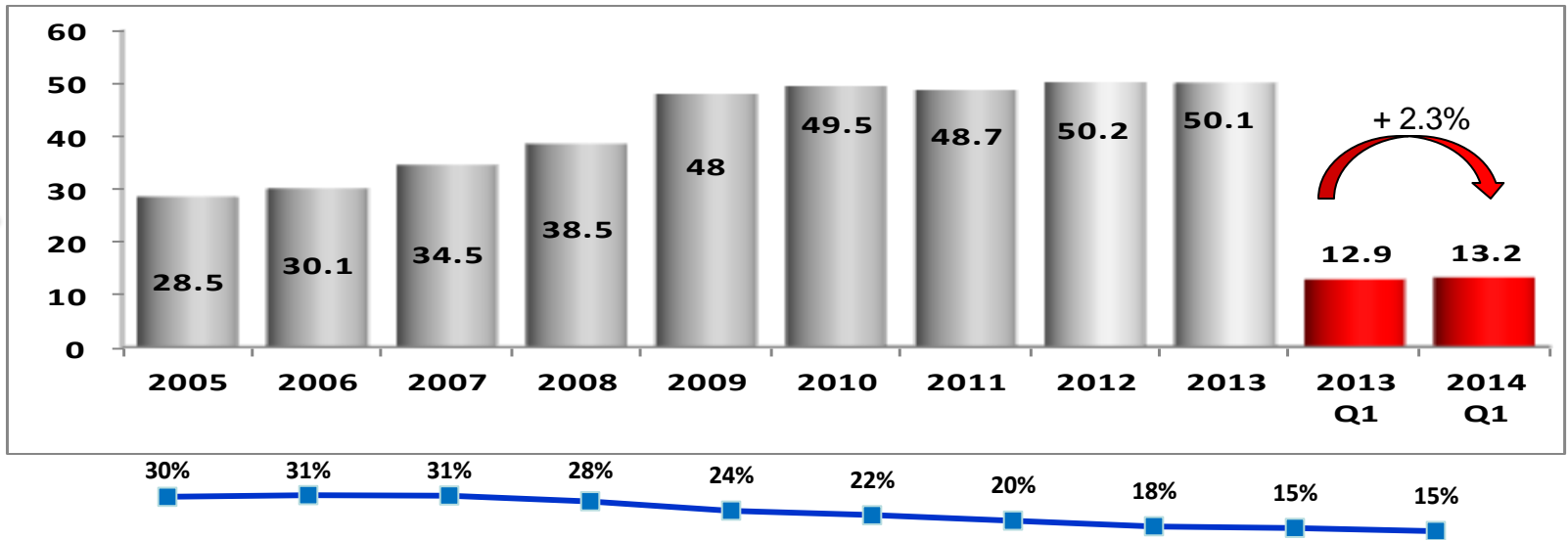
	2012e	2013f	2014f	2015f	2016f	2017f
	actual	actual	actual	actual	actual	actual
Population growth	80.7	82.2	83.4	84.7	86.0	87.3
Gross Domestic Product (% yoy)*	6.0	4.0	4.5	4.5	4.5	4.5
Gross Fixed Capital Formation (% yoy)	32.8	-3.7	10.9	16.1	16.6	17.3
Inflation rate %	7.2	9.5	10.1	10.1	10.0	9.5
Exchange rate (loc.Cur/€)	7.7	9.4	8.9	8.4	7.9	7.8
Exchange rate (loc.Cur/\$)	6.1	7.1	7.0	6.8	6.6	6.5
lending rate (% annual av.)	10.2	10.8	11.1	10.5	10.0	10
OPEC basket Price, US\$/bbl, ave	109.5	103.0	101.0	100.0	99.0	97.0
Construction industry, real growth, % y-o-y	15.7	11.4	13.2	3.7	3.3	5.0

5 years compounded annual growth rate

Market Overview

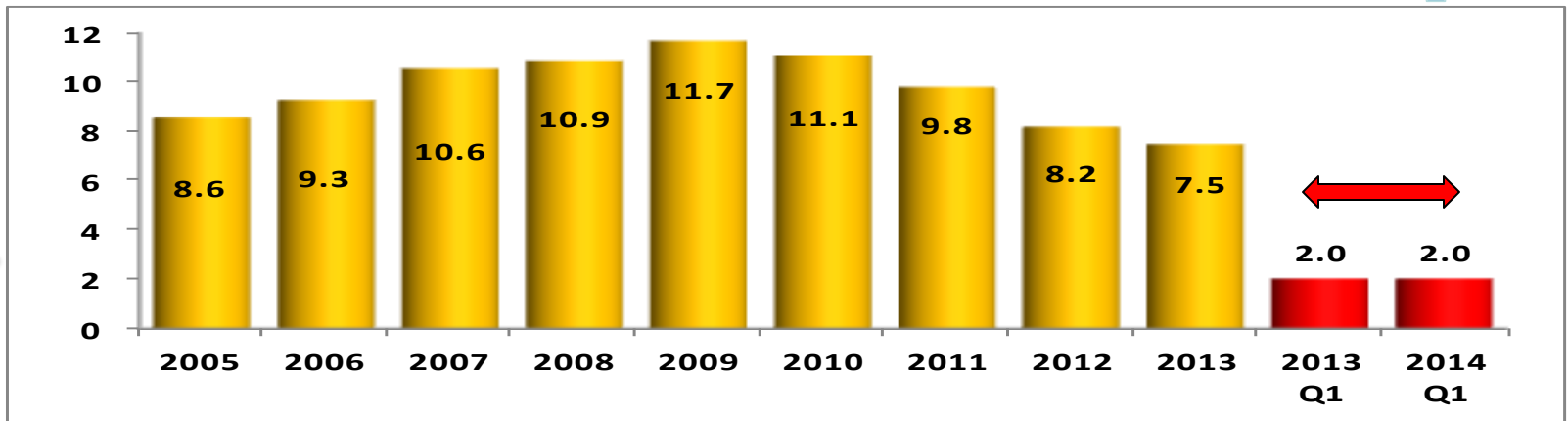
➤ Egypt Macroeconomic Outlook

Market Volumes*
M tons



SCGC MS %

SCGC Volumes
M tons



CAGR: Compound Annual Growth Rate

*Source: Ministry of Investment

Market Overview

- **The residential segment consumes more than 65% of the total cement consumption**

☐ Residential

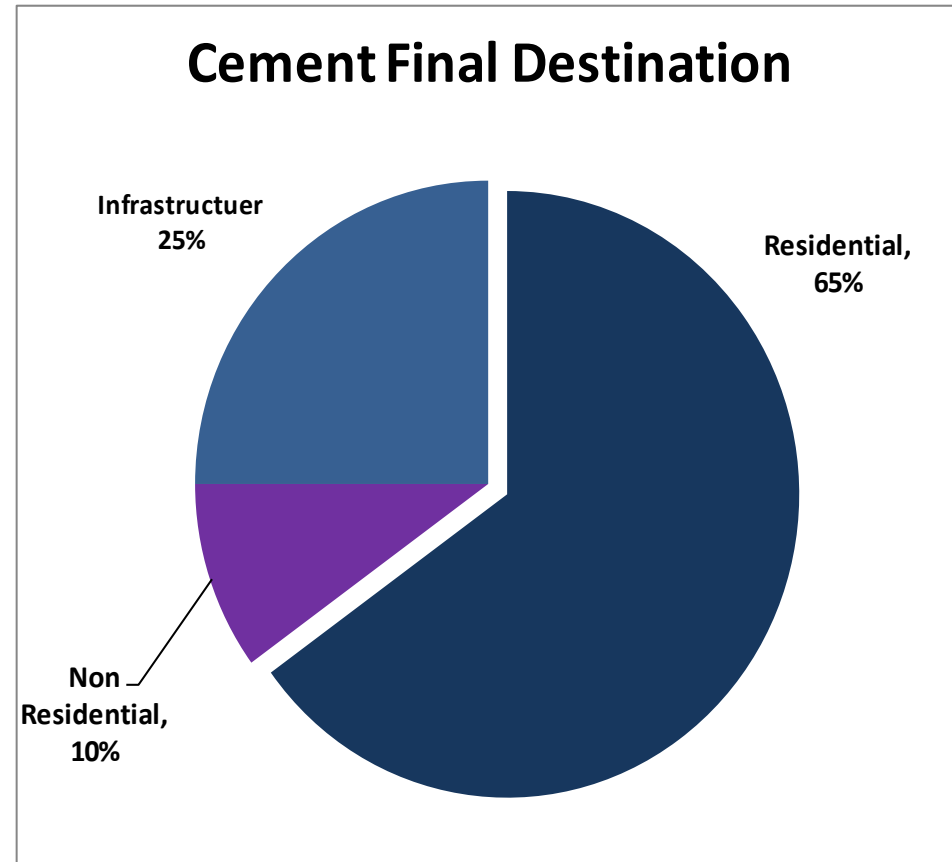
- ✓ Although the tough situation this segment still have Good perspectives in the short and medium term projects.

☐ 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.



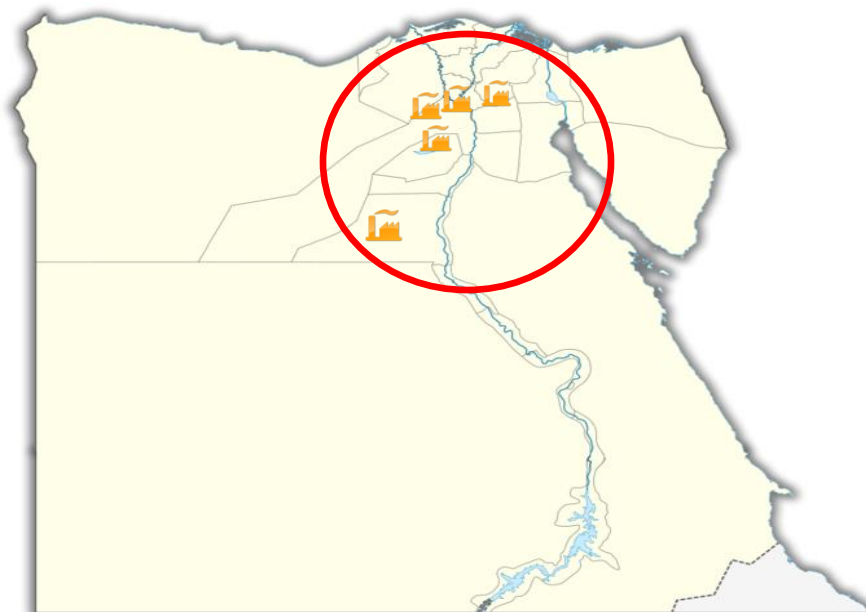
Market Overview

- More than 60% of total domestic cement consumption is concentrated in Greater Cairo & Delta

- ✓ Cement dispatch/ region

	Market % of Total	SCGC MS%
Greater Cairo	25%	52%
Delta	35%	26%
Upper Egypt	16%	3%
Others	21%	9%

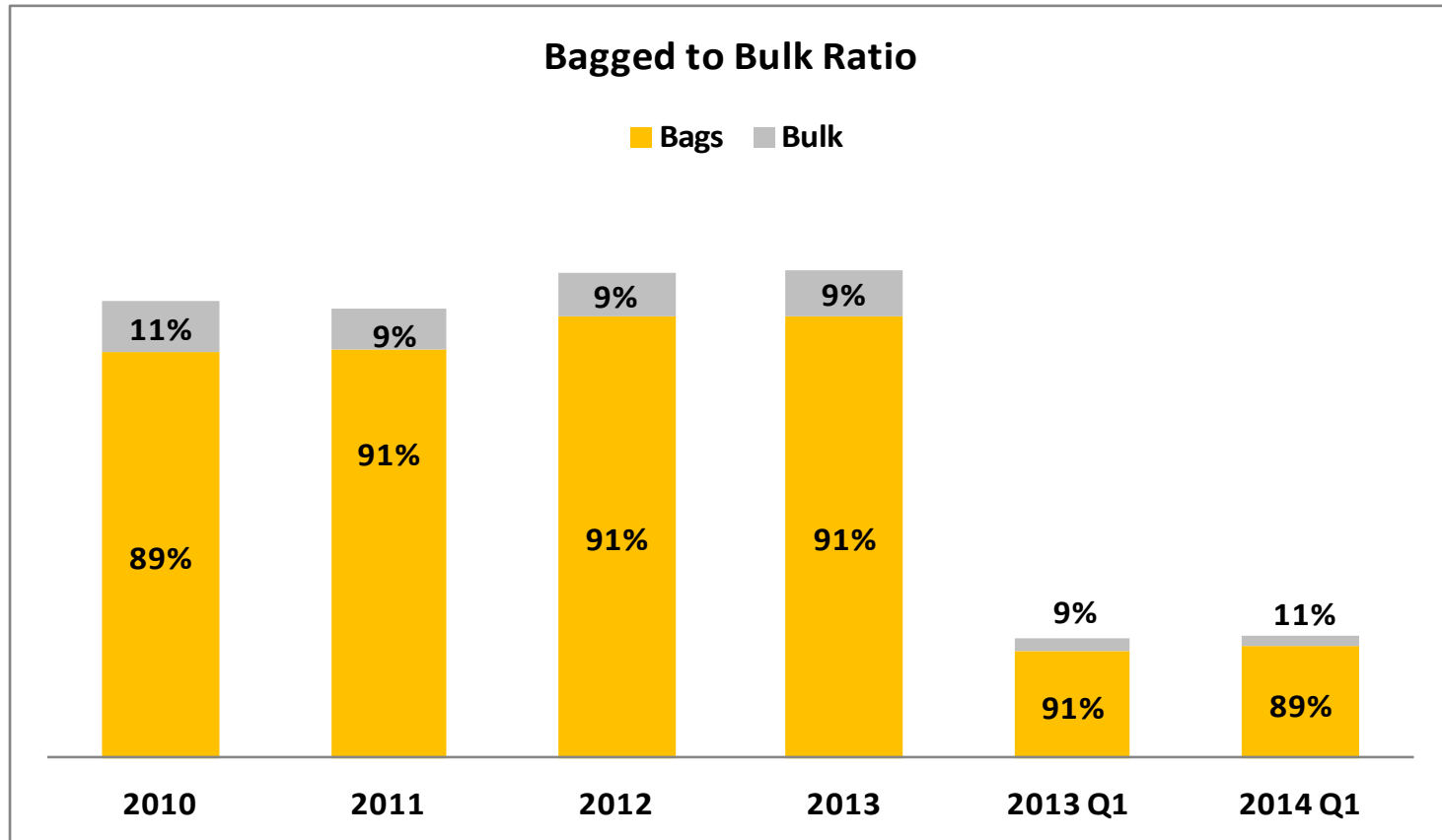
- Population 2013*: 83.6 million
- Growth rate (2011-2013)*: 1.9%
- Age profile (CAPMAS** – May2013):
 - ✓ 0 – 4 10.6%
 - ✓ 5 – 14 21.1%
 - ✓ 15 – 44 49.8%
 - ✓ 45 – 60 12.4%
 - ✓ +60 6.1%



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

Market Overview

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



Source: internal market intelligence

Investment Highlights

Investment Highlights

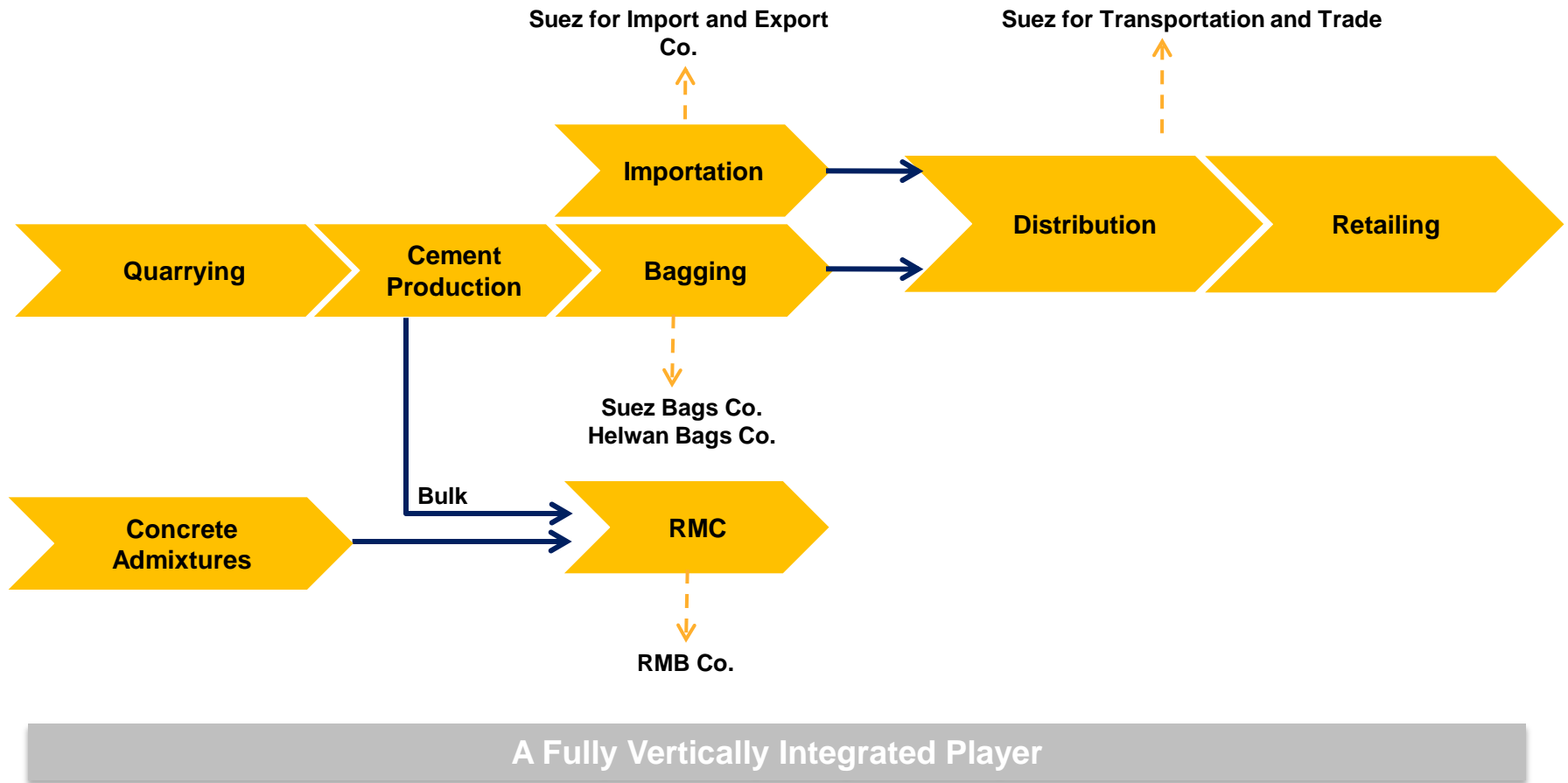
- **Being part of a global player, SCgC has an immediate access to worldwide best practices**



Italcementi Group

Investment Highlights

➤ Attractive Business Model



Investment Highlights

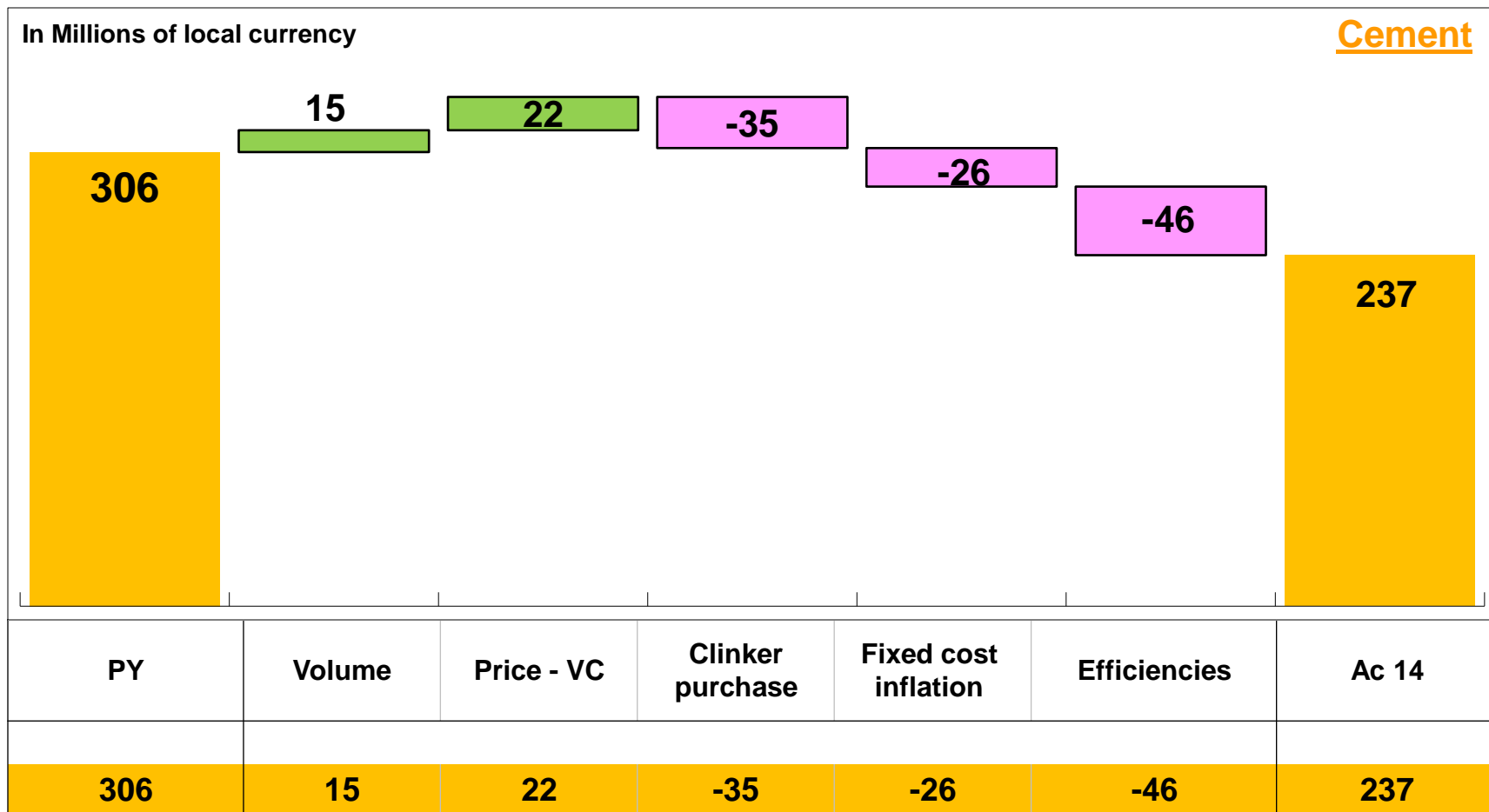
➤ Operational Efficiencies in the pipeline

- ❑ Installing state-of-the-art kiln and mill production lines replacing the less efficient ones
- ❑ Starting to use Coal instead of Gas.
- ❑ 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.

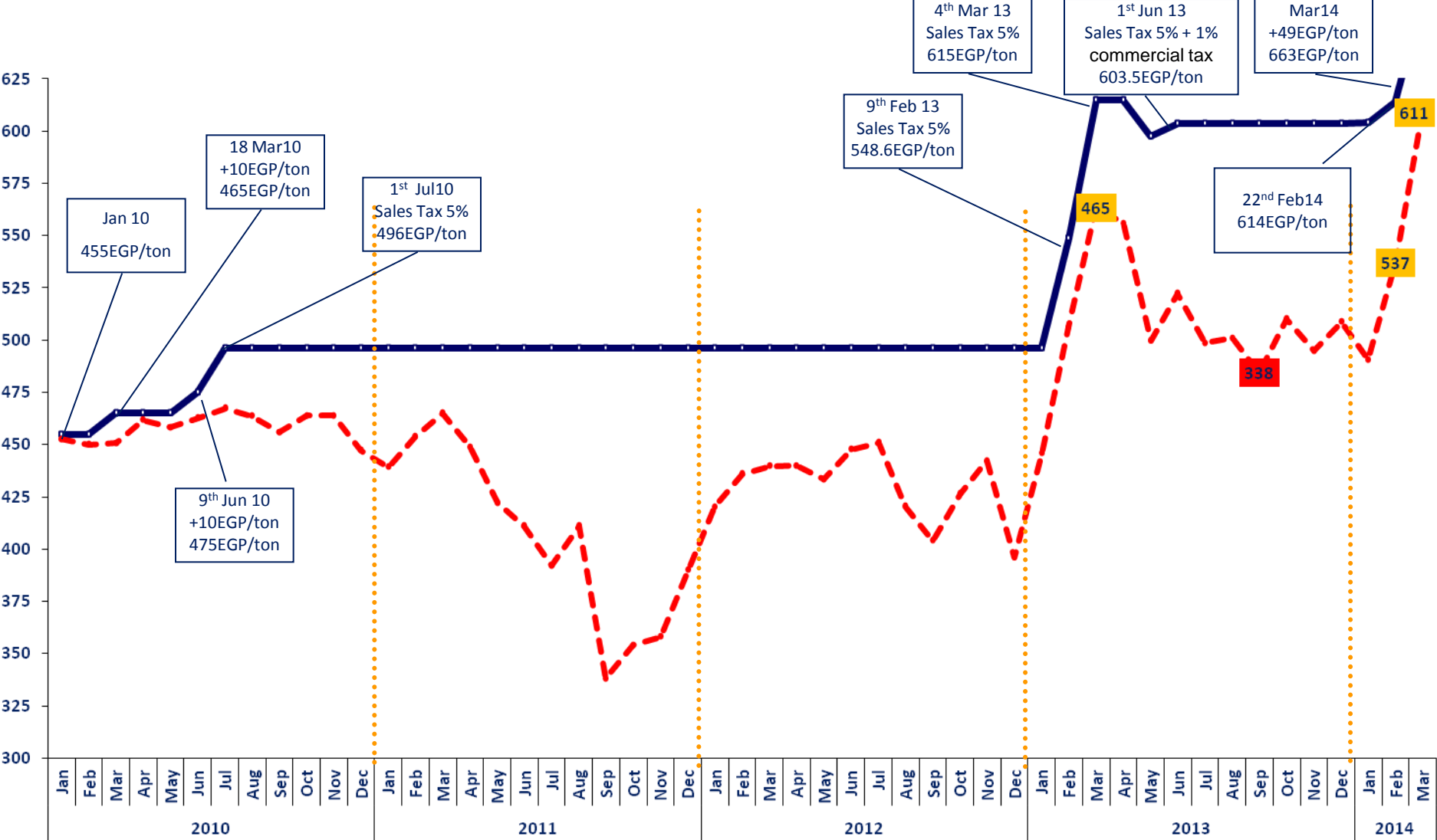


Q1 2014 GOP Variance

- Q1 Ac 14 Vs. PY: negative performance effect due to clinker purchased and energy price increase amounting to respectively (-35 M & - 65 M) is partially offset by the volume & price variance (+ 15 M & + 87 M respectively), Positive price effect is offset by the energy increase (+87 M – 65 M = 22 M).
- Higher fixed costs due to inflation (- 26 M), negative efficiencies & others (- 46 M).

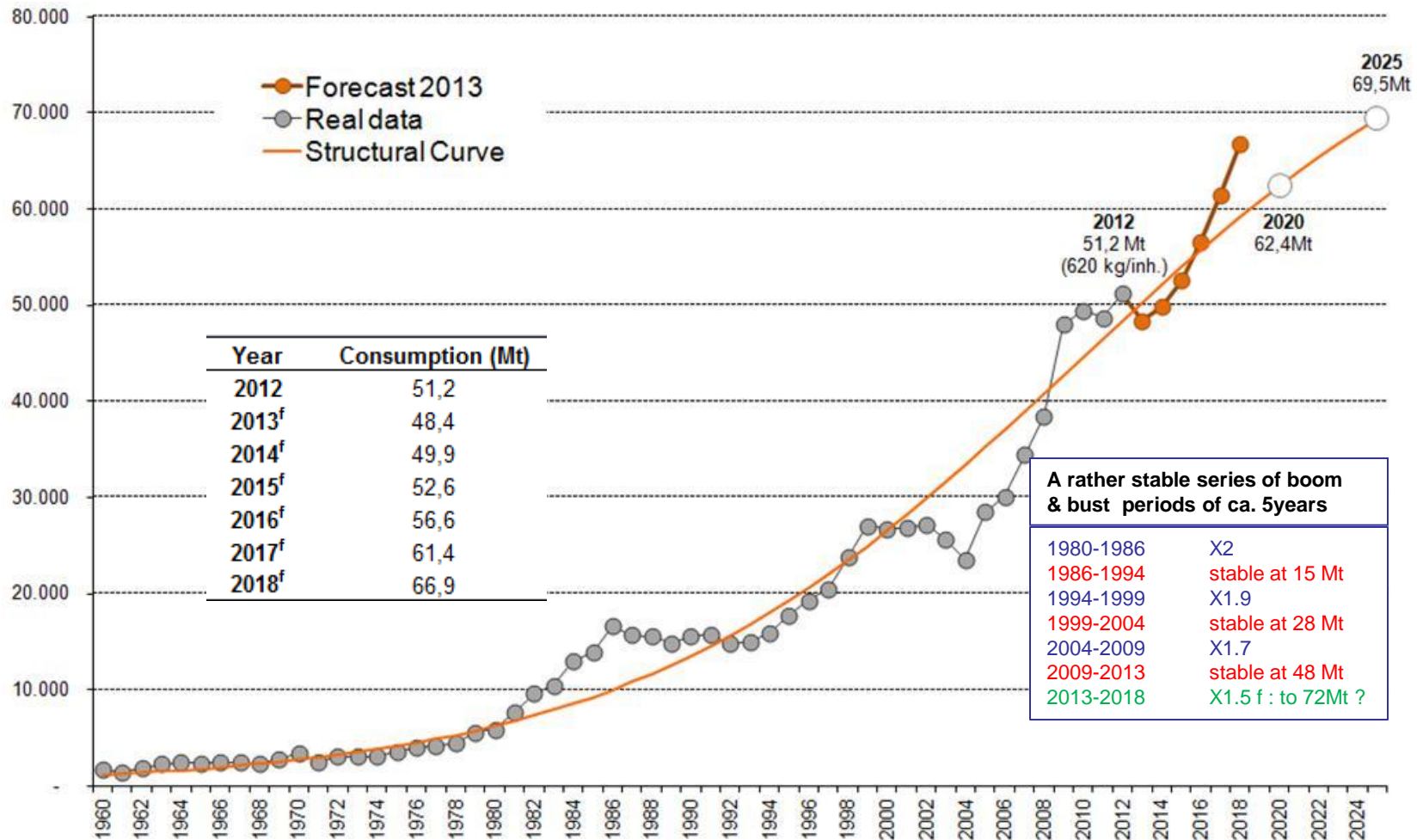


Evolution of SCGC OPC Bags Ex-works price (EGP/t)



OPC: Ordinary Portland Cement

EGYPT – Domestic cement consumption



Suez Cement Mid Term Plan

➤ 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.
- ✓ Wind farm project to supply 30 to 40% of power needs.
=> **existing capacity could be mobilized at an energy cost close to current levels (investments underway)**

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)

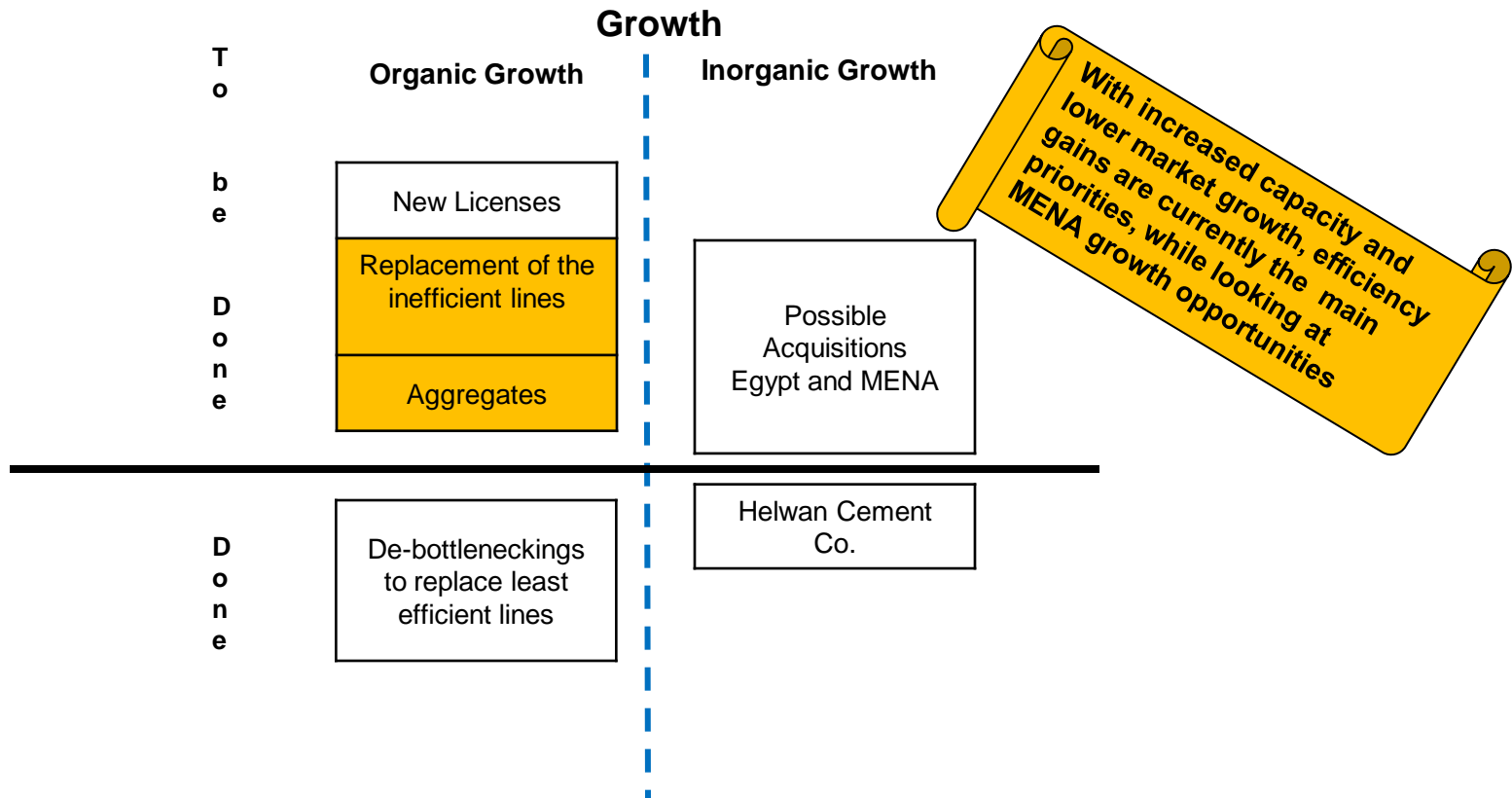
➤ Sustainability

- ✓ 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

	2012	2013	Mid Term
Volumes (MT)	8.3	7.5	10.0
EBITDA/ton (EGP)	110	120	160

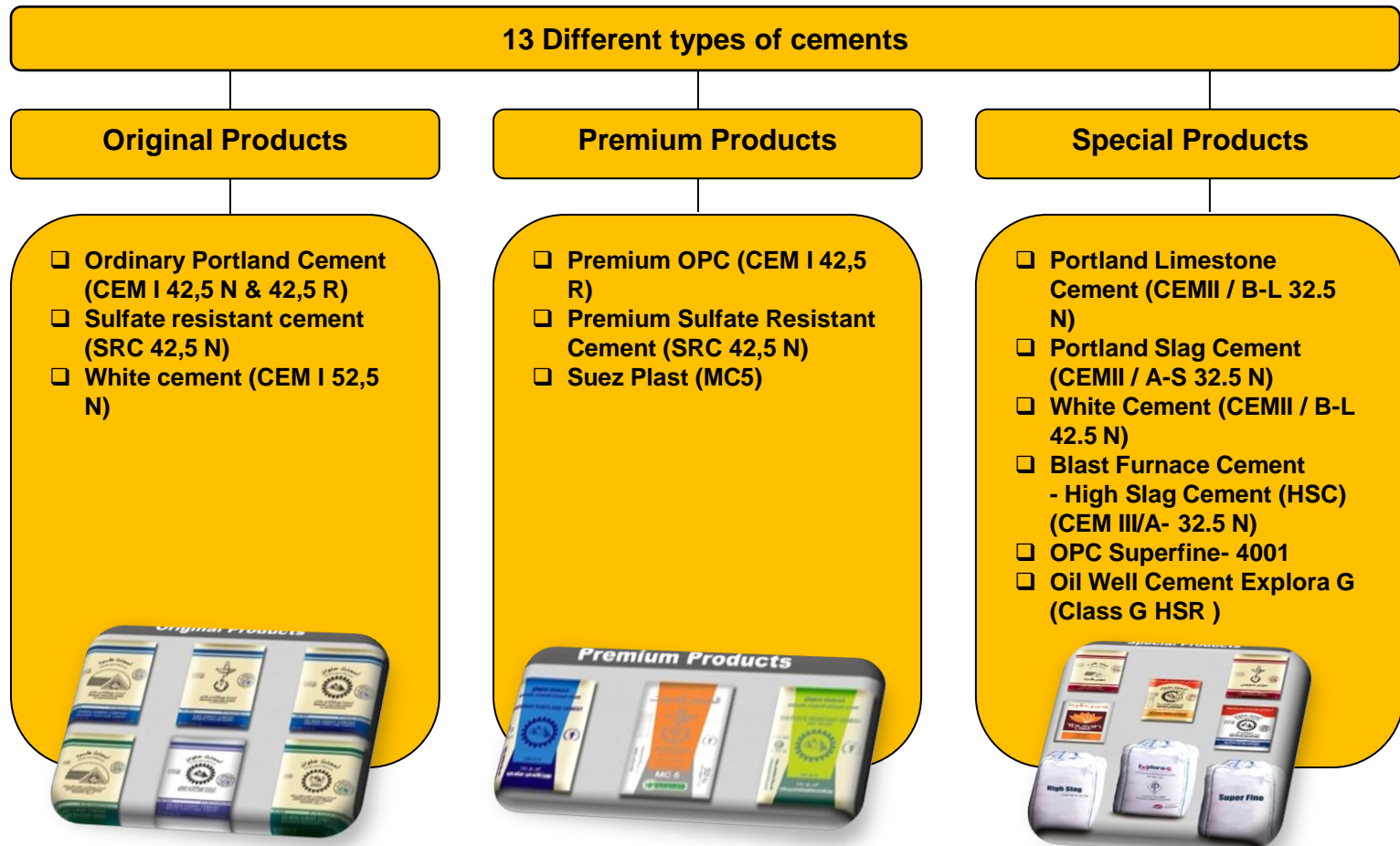
Investment Highlights

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



Investment Highlights

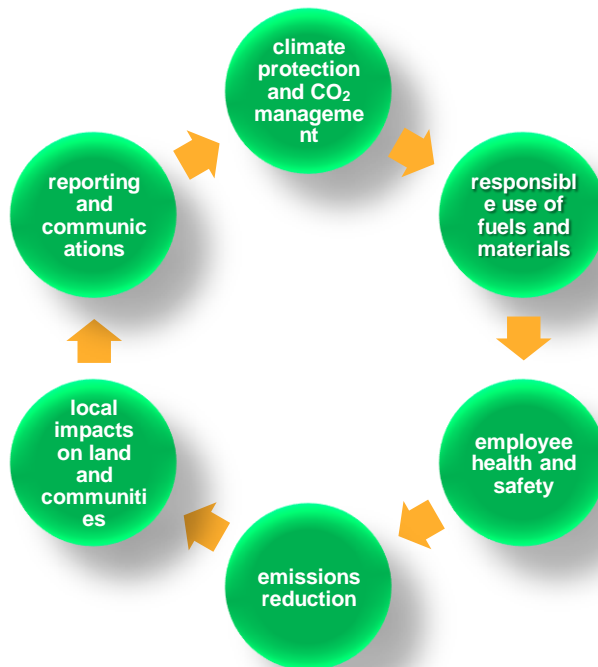
- As a Business-Level strategy, SCgC implements a differentiation strategy in its marketing approach that provides value to customers and is worth a premium price



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.



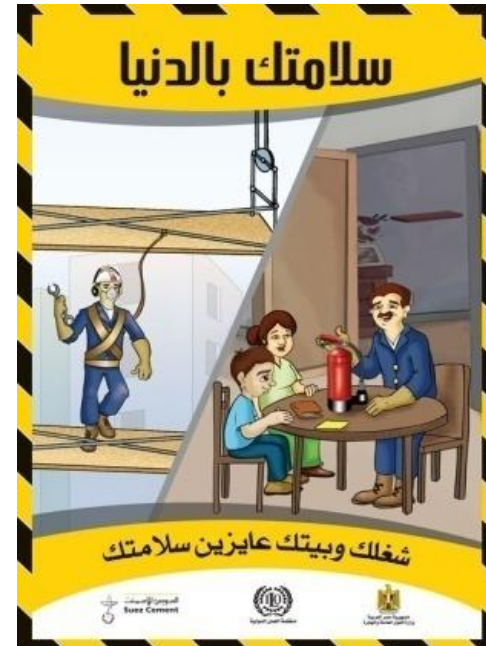
Social Initiatives for 2014 – Q1

- Ongoing partnership with Don Bosco Technical Institute supporting much-needed upgrades to the school's infrastructure and facilities and development of new programs as well as an increase in the number of students attending the institute. It helps also students to complete their university studies thanks to financial and technical contributions. This year support helped revamp the institute's theater, the creation of a new floor with seven classrooms and three laboratories and the sponsorship of a two-months sewing course for 15 students.
- Ongoing partnership with Misr El Kheir Foundation to revamp the Helwan Public Hospital. The project is set to tackle the hospital's crumbling infrastructure as well as provide proper medical equipment and maintenance.
- Sponsorship of the annual ENACTUS National Competition involving universities in Helwan, Suez and Minya. ENACTUS is an international non-profit organization that brings together students, researchers and business leaders who are committed to entrepreneurship and development. SCGC will be providing the Helwan, Tourah and Suez ENACTUS teams with technical support through an employee mentorship initiative. Youth at 40 Egyptian universities are working to prepare a marketing and communications plan for SCGC's innovative products for the local market.
- Ongoing Fellowship Fund to support one Science and Engineering Master's student every two years from Helwan, Tourah, Minya or Suez University at the American University in Cairo.
- Charity campaign organized under the auspices of the Misr El Kheir Foundation to raise funds to buy blankets during the winter season to support the impoverished Egyptian families who don't have access to warm clothes. The funds were addressed to disadvantaged families in Helwan, Tourah, El Minya and Suez to get the supplies they need to brave the wintry weather. Every donation given by the employees was matched by an equal amount by the Company.
- Celebration of the "Orphan's Day" with about 500 children of the local Maasara and Beni Khaled districts, respectively in Tourah and El Minya.
- Cement donations

Investment Highlights - Sustainable Development

➤ Commitment to Safety

- Adopting the “**Zero Accident**” brings together all the necessary programmers required to establish a consistent Safety management system.



Evolution of Frequency of Accidents ¹ (2009 – 2013)							
	2009	2010	2011	2012	2013	Q1 2013	Q1 2014
Employees	2.7	2.5	4.1	2.4	1.2	2.2	1.6
Contractors	3.1	2.2	2.1	1.8	3.3	2.2	2.6

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



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.


Roberto Colaninno
Managing Director

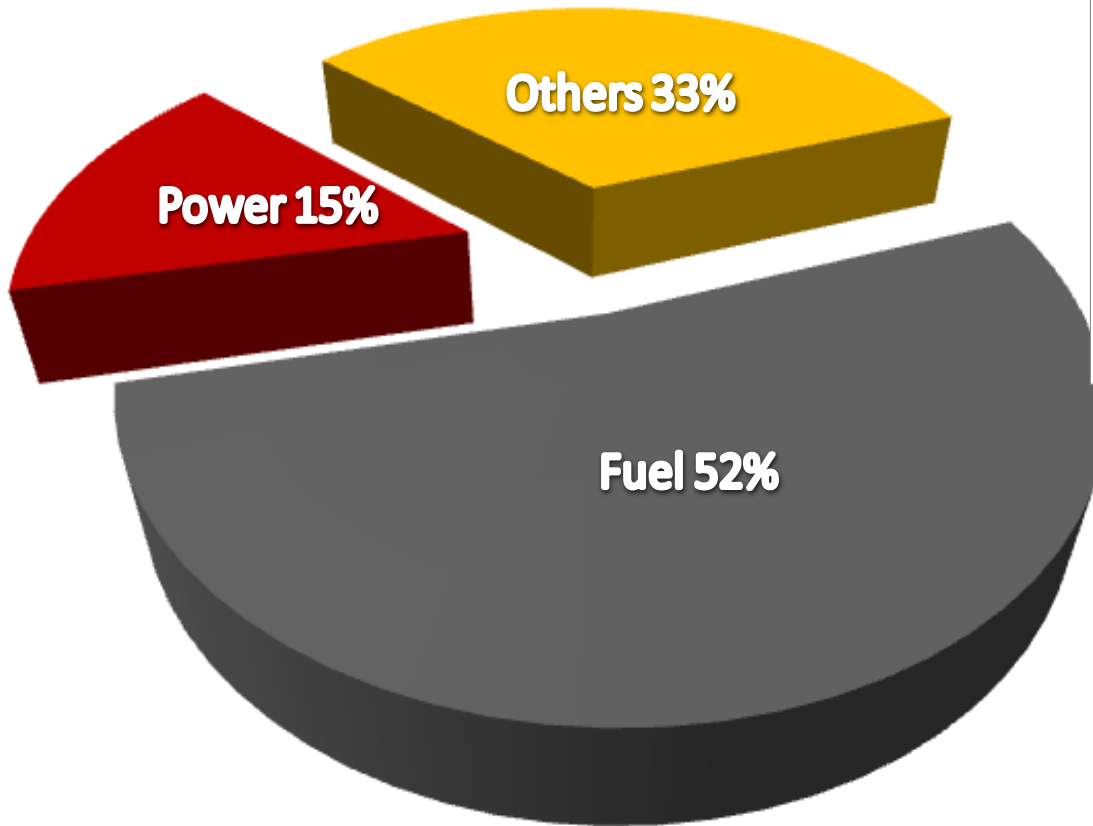
Cairo, January 2007

Italcementi Group's Charter of Values is inspired by fundamental international reference standards such as the United Nations' Universal Declaration of Human Rights, the International Labor Organization standards and the ISO 26000 standard. Italcementi Group's Charter of Values is based on the main governance codes and regulations shared 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 Dialog.

Financial Highlights

Financial Highlights

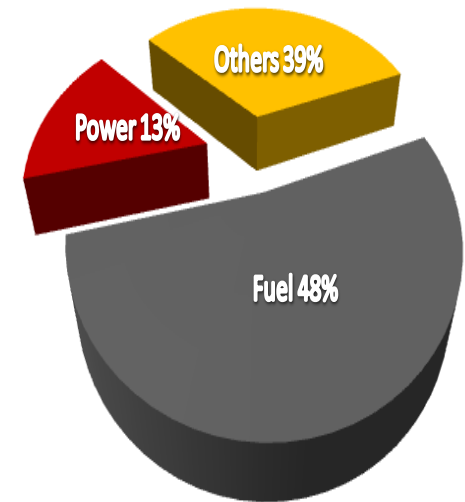
➤ An increasingly energy intensive industry...



Energy represents 67 % of the production cost

December 2013 SCgC Cost Breakdown

March 2014 SCgC Cost Breakdown

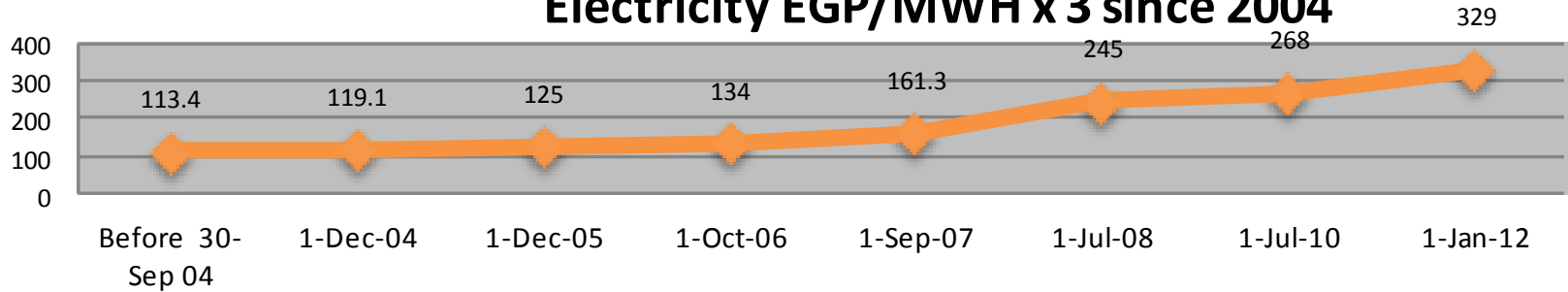


Energy represents 61 % of the production cost

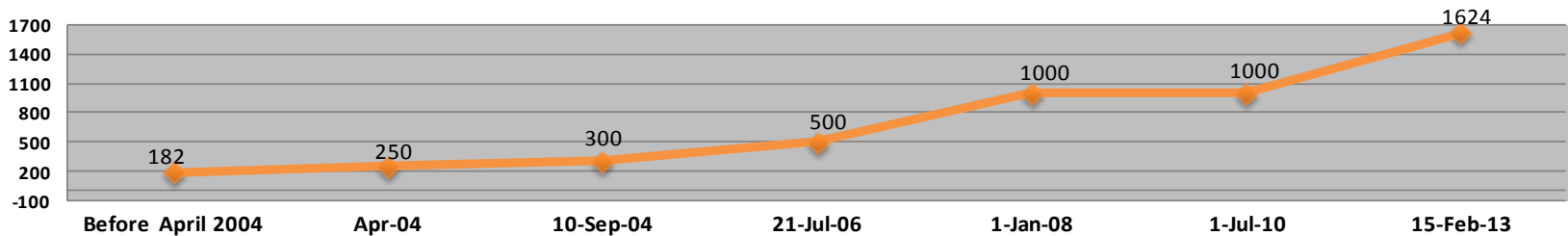
Financial Highlights

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

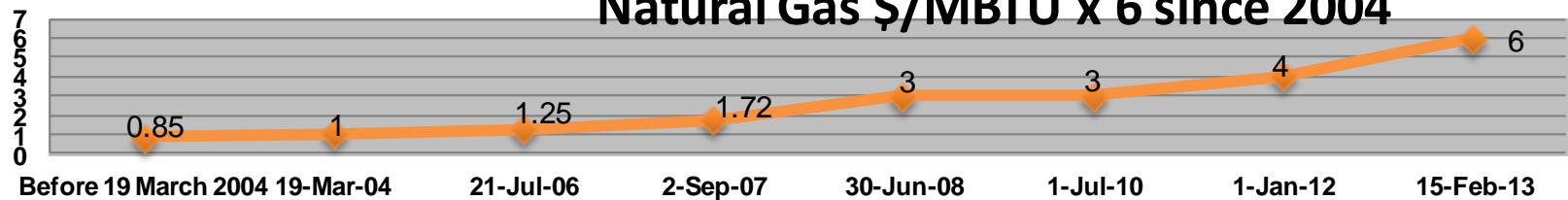
Electricity EGP/MWH x 3 since 2004



Fuel Oil EGP/t x 6 since 2004



Natural Gas \$/MBTU x 6 since 2004



31 March 2014

YTD March 2014 key results (Consolidated)

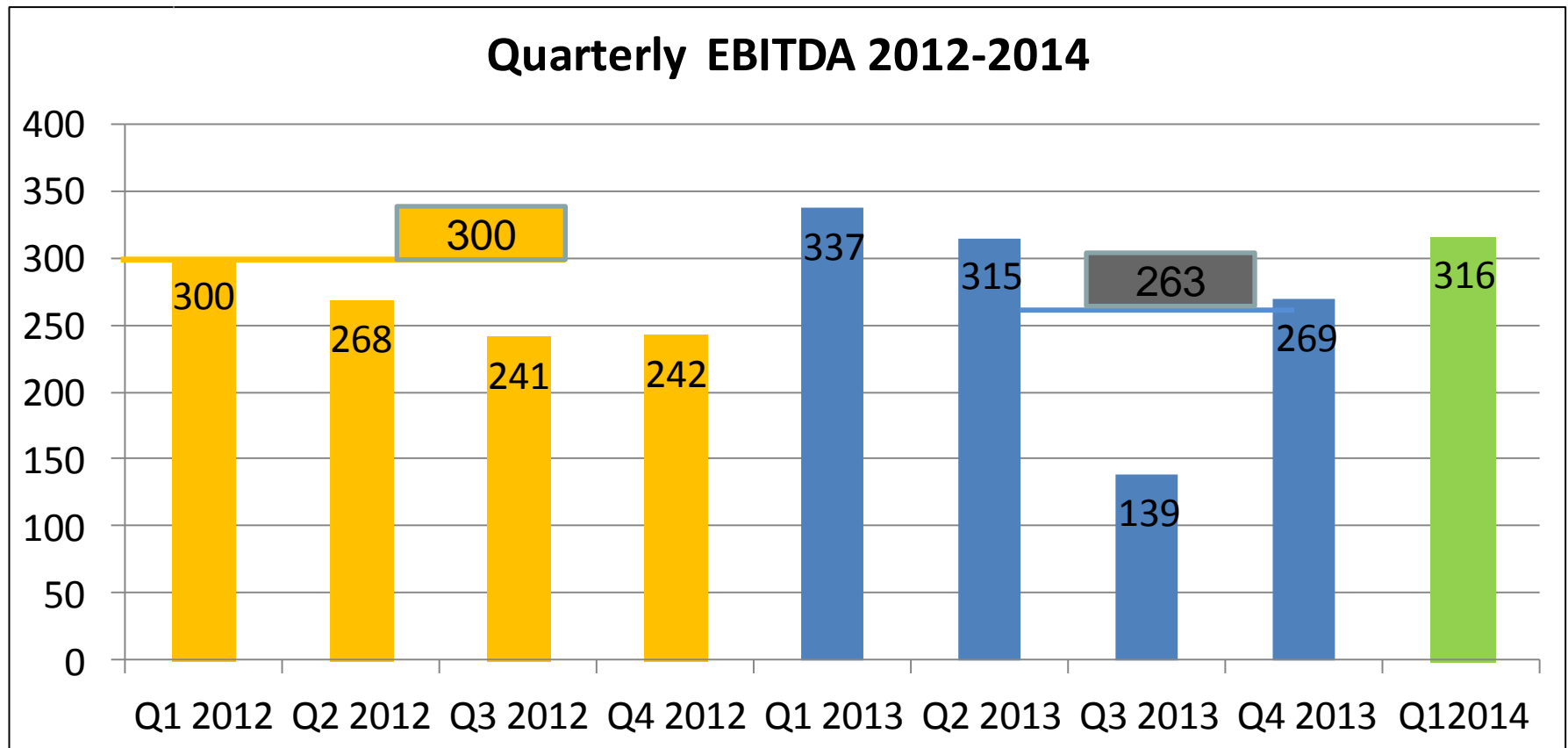
2014 Q1 EBITDA (316 MEGP vs. 337 MEGP in PY) decreased by (21 MEGP or -6.1%) as price improvement did not cover for the costs increases driven by energy (higher prices and shortage causing clinker imports).

	Ytd. Mar. 2014	Ytd. Mar. 2013	Var. 2014-2013	
			Var.	%Var.
<i>Kt</i>				
Volume sold	2,193	2,134	59	2.8%
Domestic	2,068	2,060	9	0.4%
Export	125	74	50	67.7%
<i>EGPm</i>				
Revenue	1,452	1,273	178	14.0%
EBITDA - recurring	316	337	-21	-6.1%
% of revenue	21.8%	26.5%	(4.7) p.p.	
EBIT	212	248	-36	-14.4%
% of revenue	14.6%	19.5%	(4.9) p.p.	
Net Profit before Minority Interest	174	246	-72	-29.2%
Cash Flow from operations	278	335	-57	-16.9%
	31.03.14	31.12.13	Var.	% Var.
Net Financial Position - NFP	1,721	1,704	17	1.0%
Operating Working Capital - OWC	277	328	-51	-15.6%

EBITDA Evolution (Consolidated)

While 6.2% lower than in Q1 2013, first quarter EBITDA is confirming the trend inversion in profitability.

EGPm



Financial Highlights

MEGP	2010	2011	2012	2013	March 2013	March 2014
Revenues	6,152	4,820	4,597	5,049	1,273	1,452
EBITDA - recurring	2,120	1,199	1,051	1,061	337	316
<i>% on revenues</i>	<i>34.4%</i>	<i>24.9%</i>	<i>22.9%</i>	<i>21.0%</i>	<i>26.5%</i>	<i>21.8%</i>
EBIT	1,705	837	702	681	248	212
<i>% on revenues</i>	<i>27.7%</i>	<i>17.4%</i>	<i>15.3%</i>	<i>13.5%</i>	<i>19.5%</i>	<i>14.6%</i>
Net Profit (Group Share)	1,236	568	524	538	221	169
<i>% on revenues</i>	<i>20.1%</i>	<i>11.7%</i>	<i>11.4%</i>	<i>10.7%</i>	<i>17.3%</i>	<i>11.6%</i>

Financial Highlights

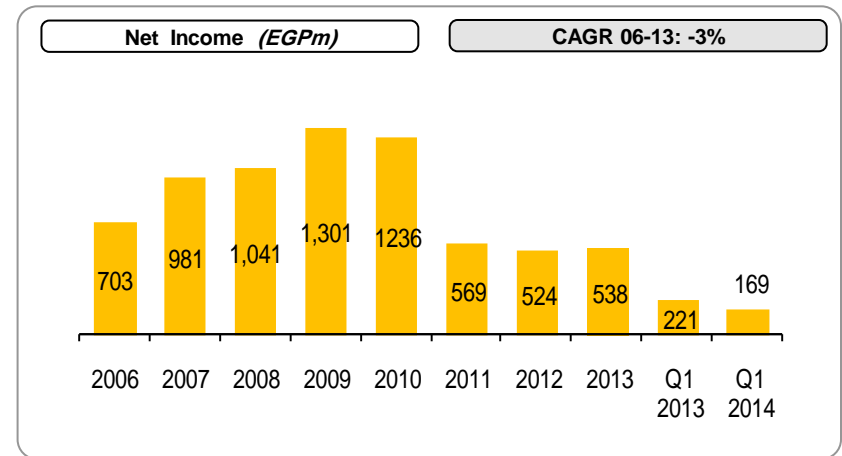
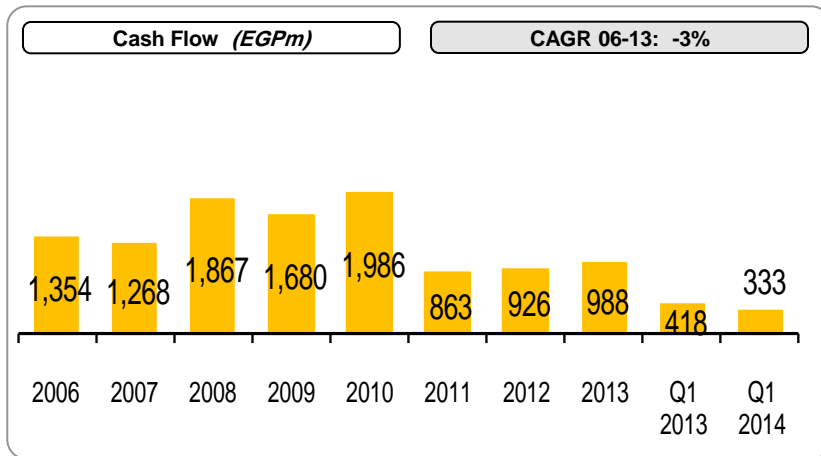
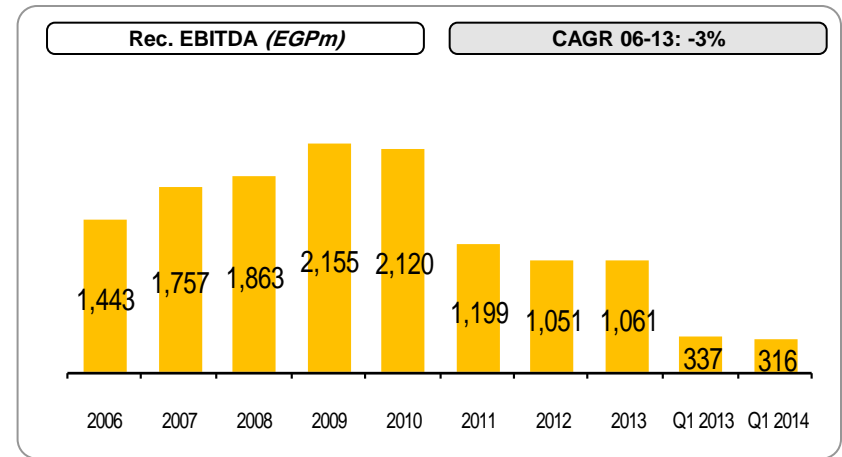
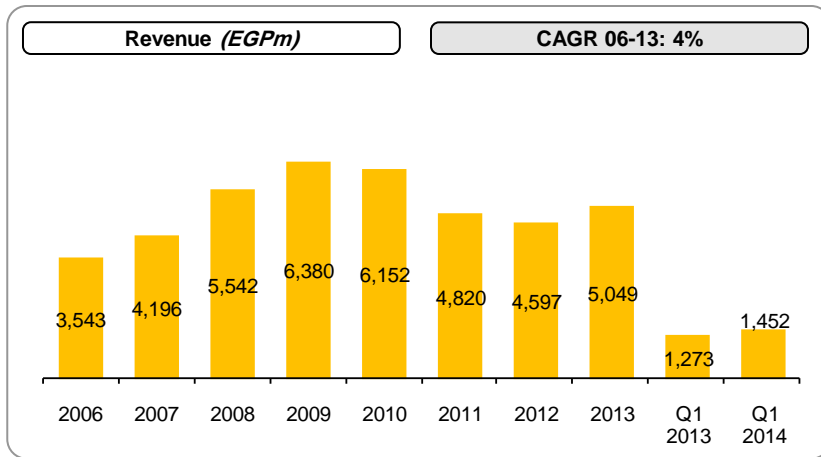
➤ Strong equity structure with growing accumulation of cash

MEGP	2010	Dec 2011	Dec 2012	2013	March 2013	March 2014
Total L-T Assets	6742	6703	6654	6,842	6627	7064
Inventory	952	998	804	844	846	864
Account Receivables	243	247	268	204	229	202
Cash and Cash Equivalents	1758	1448	1622	1817	1900	2021
Total Current Assets	3299	2957	3029	3129	3343	3568
Total Assets	10041	9661	9683	9971	9970	10632
S-T Debt	13	0	-	3	-	2
Cp of L-T Loan	8	24	37	52	37	64
Cp of L-T liabilities	12	4	-	-	-	-
Total Current Liabilities	1805	1609	1684	1747	2169	2657
L-T Loan	34	81	57	58	55	233
Total Equity	8039	7771	7756	7930	7563	7483
Total Liabilities & Equity	10041	9661	9683	9971	9970	10632
Net Debt(Cash) Position	(1670)	(1338)	(1528)	(1704)	(1808)	(1721)
Net Debt(Cash) / EBITDA	NS	NS	NS	NS	NS	NS
Net Debt(Cash) / Equity	NS	NS	NS	NS	NS	NS
FCF**	1326	490	777	656	269	210

** FCF Defined as CFO-capex

Financial Highlights

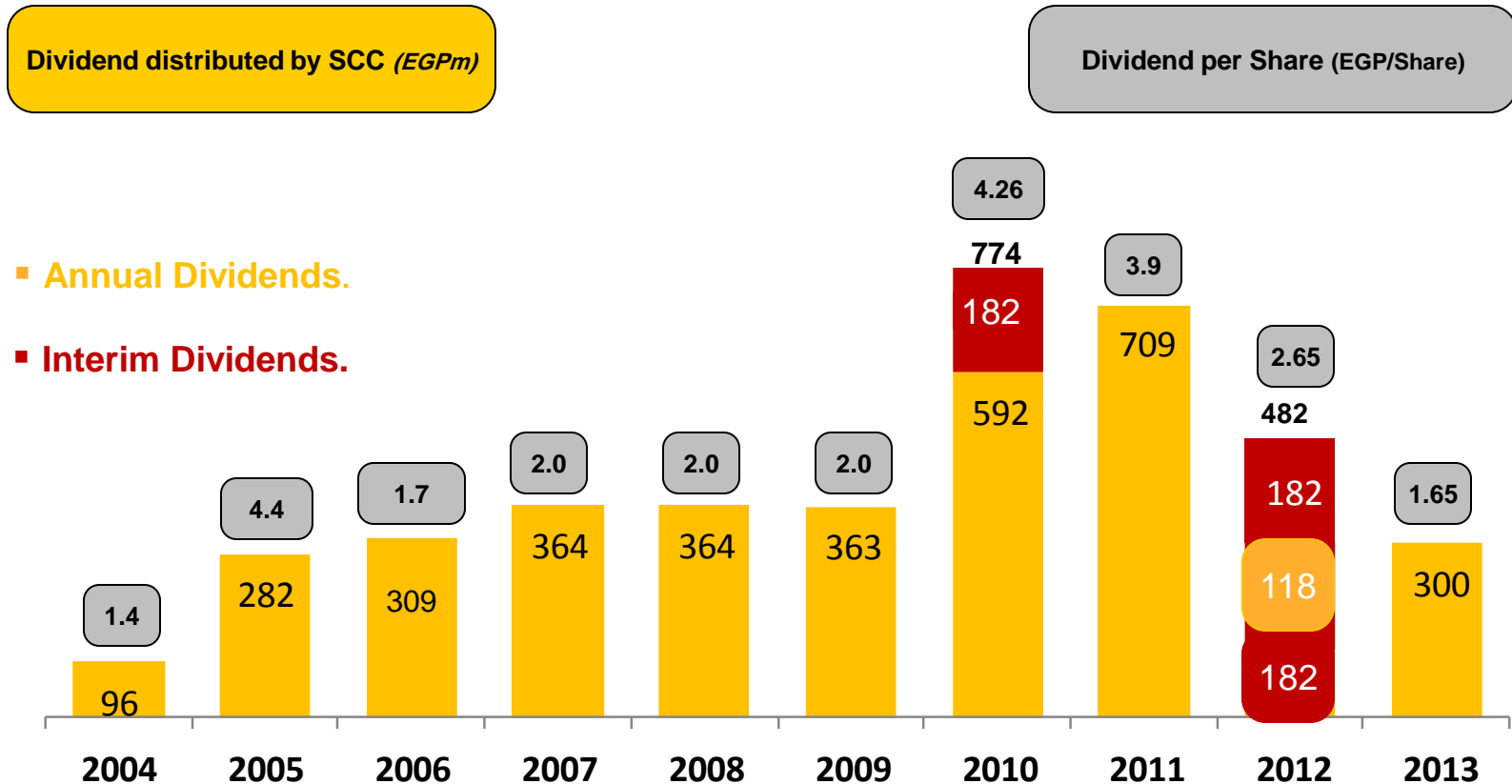
Key Historical Financials : current environment heavily impacting results but cash flow generation has been somehow resilient.



31 March 2014

Financial Highlights

➤ More than EGP 4 BN dividend pay out since 2004



* Starting from 2006 the number of Capital Shares has been increased from (64M) up to (181M)

31 March 2014

Financial Highlights

➤ Main Historical Acquisitions and Capex

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

CAPEX

