Press Release

# SCGC Reports 6% Sales Increase for first half of 2016

## SCGC's Q2 2016 results at a glance

| *MEGP* | Q 22016 | Q 22015 |
|---|---|---|
| CONSOLIDATED REVENUES | 1,434 | 1,463 |
| RECURRING EBITDA | 185 | 210 |
| NET PROFIT AFTER NON-CONTROLLING INTEREST | 49 | 61 |

### Consolidated Jan-June 2016 results at a glance

| *MEGP* | YTD 6m 2016 | YTD 6m 2015 |
|---|---|---|
| CONSOLIDATED REVENUES | 3,040 | 2,866 |
| RECURRING EBITDA | 325 | 370 |
| NET PROFIT AFTER NON-CONTROLLING INTEREST | 50 | 119 |

**Cairo, July 20, 2016**–Today the Board of Directors for Suez Cement Group of Companies (SCGC) approved the consolidated financial report for the first half of the year (2016).

Growth in Egypt's cement market slowed in Q2 of 2016, due to lower demand during the holy month of Ramadan and June. However, the slump in sales was ultimately offset by burgeoning demand from the construction sector throughout Q1. Overall, the industry grew 7.6% in the first half of the year versus the same period in 2015.

Cement prices continued to improve, following Q1 trends to jump 4% during April, May and June. That being said, prices were still 3% lower between January and June 2016 compared to the first half of 2015.

In 2016, SCGC maintained its market share and reputation as an industry leader. Group sales volumes increased 6% across the country for HY2016. SCGC's efforts were bolstered by a significant increase in export sales (61%) versus the first six months of 2015.

Despite this, slumping sales in Ramadan and the beginning of the summer resulted in a 1.9% drop in revenues for Q2, whereas half-year revenues rose 6.1% year-on-year compared to Q12015.

SCGC's EBITDA declined 12% in Q2 and HY2016 mainly due to depressed cement prices and the adverse ripple effects of the Egyptian pound's devaluation. SCGC was able to recoup some operational costs thanks to reduced energy, imported raw materials and spare part costs.

The Company continued to aggressively implement strategies to improve internal efficiencies and modify its energy mix with two plants now fully converted to coal and waste energy – which produce 40% of the plants' fuel needs. The resulting cost savings did not fully mitigate the negative impact of falling cement prices, fluctuating energy costs and the devaluation of the pound.

As a result, net profits after non-controlling interest fell, and were further impacted by lower financing revenues and poor foreign exchange rates as compared to 2015.

**Outlook**

SCGC maintains an optimistic outlook on cement production and sales in 2016 and onwards as Egypt's construction sector still embodies strong core fundamentals. However, recent measures to further restrict consumer credit and imports are expected to have a negative effect on economic growth overall. The continued shortage in foreign currency, which has not yet improved despite ongoing currency measures, may worsen the country's economic outlook in the near future.

Management believes Egypt will still move forward with the implementation of several large national projects under the auspices of government stimulation initiatives that are designed to boost demand for cement. Construction has begun on some projects, but many initiatives have faced slower than anticipated launches due to economic uncertainty and financing restrictions.

SCGC is currently preparing for the implementation of its coal energy conversion project at the Helwan Plant over the next two years. SCGC's energy diversification program is focused on increasing the use of waste-derived fuels, petroleum coke, coal and renewable energy in order to prevent fluctuating natural gas and mazut prices from negatively impacting the Company's bottom line. SCGC anticipates that its innovative energy program will continue to improve the Company's manufacturing capacity and decrease operational and production overhead. The launch of coal and petroleum coke energy generation goes hand in hand with SCGC's focus on reducing its environmental impact through the implementation of state-of-the-art dust filter technology and streamlined manufacturing processes.

SCGC is also working to better serve domestic customers by shifting its strategy to service-oriented targets through customer satisfaction surveys, tailor-made product offerings, distribution centers, an SCGC customer call center and awareness sessions with customers about cement quality, technical assistance and partnerships with leading cement consultants and academic institutions.

**Suez Cement on the internet: www.suezcement.com.eg**

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***About Suez Cement Group of Companies (SCGC)***

With an industrial network of five production facilities in Suez, Kattameya, Tourah, Helwan and El Minya, Suez Cement Group of Companies (SCGC) is one of the largest cement producers in Egypt. As of July 1 2016, SCGC is a part of HeidelbergCement Group after HeidelbergCement purchased a 45% stake in Italcementi Group, which owns SCGC. SCGC has a long-standing history in the market, but that has not stopped it from launching new brands and products to meet changing market needs.

SCGC is home to more than 3,000 employees who participate in ongoing training and advancement programs. The group has comprehensive safety and environmental policies, which ensure employees, can enjoy a safe and sustainable working environment. Communities where SCGC plants operate also benefit from the Company's CSR and environmental protection activities. Furthermore, SCGC cement has made some of Egypt’s most famous landmarks possible. SCGC's plans for the future involve implementing best practices in terms of serving market needs and customer demands.