Suez Cement
Italcementi Group

Press Release

SCGC Reports Q1 Results as at 31 March 2016

SCGC's 1st Q 2016 results at a glance

MEGP	Q1 2016	Q1 2015
CONSOLIDATED REVENUES	1,606	1,403
RECURRING EBITDA	140	160
NET PROFIT AFTER NON-CONTROLLING INTEREST	2	58

Cairo, May 11, 2016 – Today Suez Cement Group of Companies' (SCGC's) Board of Directors approved the unaudited consolidated financial report for the first quarter of the year 2016.

Egyptian cement market continued its solid trend of growth, which has begun during the last quarter of 2015. Such a growing trend has been confirmed during the first quarter of 2016 which witnessed a remarkable increase in grey cement demand by 15.6%, sustained by the mega and infrastructure projects, as well as a positive demand from private sector's small-mid size projects. Energy availability improvement driven by coal utilization and more steady supply of mazot, allowed Egyptian cement industry to increase clinker production by 12.13% as compared to the same period of last year, and to reach a better balance between supply and demand reflected in the capacity utilization rates reaching close to 80%.

During this period selling prices started to improve by the end of February following the strong demand supported by a strong devaluation of the Egyptian pound vs. USD by around 14.3%; nevertheless, the prices in YTD March 2016 still remained below the level of YTD March 2015.

SCGC continued to maintain its leadership and market share. Group sales volumes increased significantly by 22.1% in the local market during the first quarter of 2016, while Exports remained limited due to the political and economic instability in the regional markets.

SCGC reported a 14.5% increase in revenues for the first quarter of the year versus the same period in 2015, while EBITDA declined around -20 MEGP mainly due to the lower sales prices over the first two months as compared to same period in 2015.

The Egyptian pound devaluation had a negative effect on the operational results through a strong impact on energy costs, imported raw materials and spare parts.

The company continued to implement aggressively its action plans to improve internal efficiencies and modify its energy mix with two plants now fully converted to coal and waste, both fuels representing almost 40% of the total needs. The resulting cost improvement in the plants converted to coal from prior year proved unfortunately insufficient to offset the impact from pricing, energy costs and Egyptian pound devaluation.

While the comparison with prior year is still disfavorable, sequential evolution is positive thanks to the volumes, prices and efficiencies. Net profits after non-controlling interest dropped significantly as detailed in the table above, closing with a net profit of 2 million EGP.

Outlook

SCGC maintains its optimistic outlook on cement production and sales in 2016 and onwards as the fundamentals are still good for the construction sector. However recent tightening measures on consumer credit and imports are expected to have a negative impact on economic growth which is premature to evaluate. The continued shortage in foreign currency, which has not yet improved in spite of the EGP devaluation, may further slow down the economy.

Egypt will move forward with the implementation of several large national projects under the auspices of government stimulation initiatives designed to boost demand for cement across the country. Implementation actually started even if some projects move slower than anticipated in a context when foreign currency issues may also be perceived negatively by foreign investors which participation will be critical.

SCGC is currently preparing for the implementation of coal conversion project at the Helwan Plant over the next two years similar to those already completed at the Kattameya and Suez Plants. 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

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. The company 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.

Italcementi Group is one of the world's leading cement producers, with a strong focus on innovation and sustainable construction materials. The Group companies combine the experience, know-how and cultures of **22** countries in **4** continents, through an industrial network of **46** cement plants, **12** grinding centers, **6** trading terminals, **417** concrete batching units and a workforce of **about 18,000 people**. In **2014**, Italcementi Group consolidated sales totaled **more than 4.1** billion euro.