



ASEC CEMENT COMPANY

Q3 – 2010

Message to Shareholders



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Dear Shareholders,

The third quarter of this year has been rich in achievements and realizations. After several years of hard work in getting licenses and moving ahead in the construction process, we have been finally able to start commercial operations in many of our projects.

In Takamol we began producing clinker at the end of July and cement at the end of August. Asec Ready Mix started its full commercial operations in all three batching plants. Finally, at the end of September we signed with a consortium of banks a loan of USD 200 mio for the Minya's project.

First of all, Let us talk about Takamol, our first Greenfield project. As briefly mentioned, at the end of July we started the production of clinker and a few weeks later we were able to produce cement. The first bags of cement were sold by the end of August. The remaining part of the plant should be finally commissioned before the end of the year. At the same time the power plant is also very close to the full commissioning but we already have four engines working to give the power we need for the cement plant. Other improvements have been realized in the non process buildings (Administration, canteen, clinic), and in the internal roads, now paved with asphalt etc. The total amount of cement produced rose from 15 Ktons in August, to 28 Ktons in September. Our market share by September was already of 6% and we expect a rapid growth in the next few months.

Another positive development was the decision of the Sudanese Government to significantly reduce the taxes and the fees on the production of cement from 28 to 17 SDG per ton. This will help to reduce the production costs and will make the local cement industry more competitive. On the other hand, we have also to note that demand is still weak after Ramadan due to the political uncertainties which are prevailing in the country for the approaching of the referendum on the possible secession of the Southern regions. These are all factors beyond our control but we will do our best in order to improve the performance of the plant in terms of reliability and profitability.

In Egypt, we were also able to achieve important results with the finalization of the funding for our Minya's project and its launch at the end of September. The equity, about 145 mio \$, has been fully paid and the debt (about 200 mio \$), is also now available with the signature of the loan with a consortium of banks lead by the AAIB. Works are already going on at site with the leveling, the construction of the non process building and the fences, and the analysis for ground water. A number of contracts have been signed for civil works, equipment, electrical parts. In the next few weeks we will sign the contracts for steel fabrication, civil designs and custom clearance. We are also finalizing the contracts for the supply of gas and electricity. Minya's plant will be the first grey plant in its governorate, and together with Qena's plant and the ready mix activities, it will assure us a very strong role in Upper Egypt. We expect to go in production by the end of the first quarter of 2013.

Misr Qena, where we are the single biggest shareholder, continues to perform very well, with an EBITDA margin for the first 9 months of the year, higher than 50 per cent. We strongly believe that 2010 will be the best year ever in terms of production and financial performance for Qena. At the same time the cooperation between Qena and Asec Cement is constantly growing as it is shown by the 45 % stake of Qena into Asec Ready Mix, where we have control with 55% and by their investment in our project of Minya with 25 mio dollars, equivalent to a 15 % stake.

In Algeria, Zahana continues to show significant improvements in terms of production and financial results. In the third quarter we were able to increase production of clinker and cement by 33% and 8% respectively, following the overhaul of the dry line that took place in the first few months of the year. For

the whole 2010 we expect to reach a volume of more than 800,000 tons of cement a record in the history of the plant.

The choice of the company to carry out the new line of 4,500 has almost been finalized and we count on signing the relative contracts by the beginning of next year. The time to go in production with the new line should be 30 months: i.e. by mid 2013.

On Djelfa's front civil works have almost been completed but we had to reduce the speed of works on site for the continuous delay in the disbursement of the loan which was signed in July with two public sector banks. If the situation will not be unlocked we will look for other opportunities to fund the remaining parts of the works. On the other hand market conditions continue to be very favorable with a significant excess demand.

For Syria and Kurdistan we are working to be able to launch these projects by next year. In Kurdistan the idea is to start for now with a single line of 2,500 tpd with the second line to follow later on. We are now in the final phases of negotiations with a Chinese company for a turnkey contract.

Giorgio Bodo

Chief Executive Officer