Chairman's Letter

Dear Shareholders,

The year 2010 has been a crucial period in ASEC Cement's history, a year during which we moved from plans to realizations. These achievements include launching production at our first greenfield plant in Sudan, beginning commercial operations at ASEC Ready Mix, and launching our third greenfield project in the Upper Egyptian city of Minya. Notwithstanding these important milestones, we must also acknowledge that the environment in which we live has created difficulties for our business, as every country in which we operate has been profoundly impacted by political turmoil.

In Algeria, the unfortunate confrontation with Egypt, which arose due to the tensions caused by the 2010 FIFA World Cup qualification match, required us to repatriate all our Egyptian workers. Although the crisis was over after the first few months of 2010, the situation did not fully stabilize. At the same time, the Algerian government changed its policies in favor of local initiatives.

In Sudan, the political tension continued to escalate as the referendum on the separation of the South approached. The referendum took place in the first week of January with the result overwhelmingly in favor of the secession of the southern regions. While this development had been widely expected by the international community, the ensuing instability has undoubtedly had a negative effect on local demand and investment.

Until the end of January, Egypt had been the most stable component of ASEC Cement's portfolio, however, the turmoil caused by recent events will most likely set back the country's short term growth outlook. Industrial unrest has also spread throughout the country, further complicating business activity in every sector.

Notwithstanding this difficult environment, we shall continue our strategy of building up our regional footprint through a diversified portfolio of greenfield and brownfield investments.

In Algeria, Zahana's plant continued its gradual, but steady, process of improvement. The dry and wet kilns have been revamped leading to a significant increase in production. Sales were also on the rise, especially in the higher margin Sulphate Resistant Cement (SRC). Of course, results could have been much better if Zahana were not subject to the cumbersome regulations typical of public sector enterprises in Algeria; as a consequence of these, all procurement activities have been delayed. While all financial indicators demonstrated significant improvements over 2009, rising overhead due to labor costs combined with flat cement prices has also hurt the plant's profitability.

In Djelfa we have almost completed the civil works and steel fabrication phases, while most of the equipment has been procured and assembled. The project unfortunately faces delays due to a lack of adequate funding. While the equity has been almost entirely paid, the debt component, which by law can come only from Algerian banks, has not yet been finalized. We have signed a loan agreement that we have thus far been unable to enforce due to the political situation. We are now in discussions with the Algerian government to resolve this.

In Sudan, as briefly mentioned before, 2010 saw the launch of production at our Takamol plant. At the end of August, Takamol had produced its first clinker followed by its first batch of cement in September. From an industrial point of view the cement plant has been fully commissioned, apart from some specific items that will be tested before the end of June. The power plant is also very close to being fully commissioned. Both plants are running smoothly and sales activity began at the end of September.

Unfortunately, market conditions are very tough with annual demand well below 3 million tons compared to installed yearly capacity of more than 6 million tons. Prices are consequently decreasing due to the lack of market discipline. However, even under these difficult conditions, we have been able to increase our market share on a constant basis, reaching 20% by the end of 2010, occupying second place in the market. In gross terms, sales of clinker and cement exceeded 470,000 tons in December, and we are now number two in the country in terms of market share and our distance from number one is steadily shrinking.

In Egypt, Misr Qena, in which we are the leading shareholder, reported its best annual performance to date, with a 5% Y-o-Y increase in revenues and a 4% increase in EBITDA. Due to effective cost control measures combined with the company's strong cash position, net income reached EGP 428.8 million. Meanwhile our relationship with Qena continues to deepen as 2010 witnessed two important decisions: Misr Qena's participation in the capital of ASEC Ready Mix with a stake of 45%, and their USD 25 million investment in Minya, equivalent to a stake of 16%. Dividends reached EGP 16 per share, up from EGP 10 at the beginning of last year.

We launched Minya, our third greenfield project, during autumn of 2010. The equity equaled USD 155 million and has been almost paid while the loan agreement with seven banks was signed in September for an amount equivalent to USD 200 million. Works on site have already started and we are proceeding very fast in civil works, and steel and equipment fabrication. Unrest in January was limited and it should not affect the commissioning date expected at the end of the first quarter of 2013. Now we will have to follow up very closely with the construction process and dedicate particular attention to the power supply. Given the uncertainties related to the reliability of the electricity grid, we are also evaluating the possibility of a captive power plant.

ASEC Ready Mix started its operations during the summer with two batching plants, one in Qena and the other in Assiut. Sales have steadily picked up month after month although projections for 2011 are uncertain given the current prevailing situation in Egypt.

Finally, we have kept our licenses in Syria and Kurdistan active.

Overall, 2010 was a momentous year for ASEC Cement. To be sure, the political developments coinciding across the company's operational footprint will complicate our plans, and we have already reacted with a number of measures aimed at cutting costs from the level of the holding company down to that of each subsidiary. Nevertheless, we will continue pushing for the timely completion of Minya and for a greater integration of our Egyptian activities with Misr Qena.

Meanwhile in Sudan, we are working to expand on our already strong position in the north, and tap into new markets in the south as well as in neighboring countries. In Zahana, we want to achieve further improvements through a significant reduction in the related management costs, while in Djelfa we are hoping to achieve an agreement with the Algerian government to complete the project as soon as possible.

This year and the next will be difficult but we are convinced that our company is poised to deliver on its stated objectives over the next few years. With our achievements in 2010 as proof of our commitment to these goals, management and staff at ASEC Cement will continue to persevere as we strive to become the leading MENA-based producer of cement within the coming decade.

With my best personal regards,

Giorgio Bodo
Chairman Of The Board &
Chief Executive Officer