



# ASEC CEMENT COMPANY

Q2 – 2010

Message to Shareholders



## **Message to Shareholders**

Dear Shareholders,

In the second quarter of the year we moved forward in realizing our projects on several fronts.

In Takamol we have been able to complete the testing phase for all the equipment and we are ready now to begin production of clinker and cement in the next quarter. Asec Engineering has started the mobilization of its people to staff the plant and we are also working on all fronts to have a company ready to start the operational phase by September. The roads have been completed as well as all the buildings. The quarries are now marching at full speed and have reached the needed capacity both for limestone and clay. A number of contracts are already in place for the supply of the relevant materials like: iron ore, heavy fuel, lubricant, cement bags etc. The power plant has also progressed significantly with three generators commissioned; we plan to have the remaining two by next quarters and to be able to supply the plant with electricity on a continuous basis for all our needs. A number of outlets have been rented in different parts of the country in order to supply directly the suppliers disintermediating the big traders and recovering part of the value chain that otherwise will not come to us. At the same time our distribution strategy also aims to reach different and remote parts of the country notwithstanding the logistical difficulties.

In Zahana, we were able to start again the dry line after the major overhaul that took place in the first quarter. It is important to notice that the overhaul took place in 45 days and with no accidents, something that had never happened before in Zahana. The results of the actions taken were quite evident: production of clinker and cement increased by more than 40 % in Q2 over the same period of last year and sales showed a similar dynamic. At the same time working conditions are continually improved as well as the environmental impact of the plant has also been ameliorated. There has been no existing plant in Algeria that has shown such an improvement, and Zahana is considered the best example of cooperation between the public and the private sectors.

We are confident that the good results obtained in the second quarter of the year will be maintained for the whole 2010 and that in 2011 further progresses will be achieved.

Always in Algeria we have progressed in our Djelfa's plant with civil works and steel works at a very advanced stage. Negotiations with the local banks are advancing and we are estimating that the signature of a revised loan agreement for 180 mio dollar will be reached in a few months time. Market conditions continue to be favourable especially for private firms who can move without the constraints and limitations of the public sector companies.

In Egypt a lot of work has been devoted to the launch of our Minya's Greenfield project. In order to maintain our license we have decided to move the second line of Djelfa to Minya; in this way we will save on the time of realization, the most critical aspect to maintain the validity of our license. We are intensely negotiating with several suppliers to sign the relevant contracts (civil works, equipment, steel fabrication, electrical parts etc.). On the funding side we have reached an agreement with a consortium of banks, led by Arab African Investment Bank, for a loan of 200 million dollars. We have already a written commitment by the banks to subscribe the entire amount of the loan. On the equity front we are aiming to reach about 140 million of dollars and our objective is to finalize this by the end of the third quarter to launch the project immediately afterwards.

Misr Qena, where we are the single major shareholder, had a very good performance with excellent results in terms of production and sales and an increase of net profit by 14 per cent over the same period of last year. Unfortunately the company had to mourn the loss of its Chairman and CEO, Mr. Mohamed Mahmoud, with whom we have been able to realize many interesting projects like the joint venture in Asec Ready Mix and the participation of Misr Qena to the capital of MInya. However, we are confident that the relationship between the two companies will always remain very strong.

Asec Ready Mix, as already mentioned, is a JV company operating in the concrete business and participated at 55 % by Asec Cement and at 45 by Misr Qena. ARM begun its operations in two batching plant in the second quarter and the third one is expected to be ready by September. The aim of this company is to vertically integrate our activities in Egypt and to become the first and most important ready mix producer in Upper Egypt, a part of the country where a lot of infrastructure will need to be built.

As you can see the second quarter has been an important one for our company. By the end of year we count of having other further progresses along the realization of our goals.

**Giorgio Bodo**

**Chief Executive Officer**