



ASEC CEMENT COMPANY

Q2 – 2009

Message to Shareholders



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Dear Shareholders,

In the second quarter of the year we continued our activity on all fronts in order to fulfill our objectives.

On the industrial front, we are continuing our efforts to improve Zahana performance. Several actions have been put in place in order to increase production and improve environmental aspects: pipes from the cement mills to the silos have been changed, a new electrical tunnel is now effective, new compressors ensure greater stability in the performance of the cement mills. In the month of May, we have obtained the highest monthly production of cement in the last few years. We have also been able to establish a daily record of 3,200 tons of clinker production in June. All these are comforting news; but the rehabilitation of the plant will still take time until we are able to stabilize production at higher levels by the end of the year. Given the improvement obtained in the quality of clinker and cement we are planning to introduce 42.5 cement specifications with higher margins from the month of August. At the same time we are working on the upgrading with the installation of a brand new line of 4,500 tpd of clinker. The tender offer should be launched by the end of August and we expect to complete these works by 2012. Relationships with the local authorities are constantly improving.

In Algeria, Djelfa's works are progressing very well and we have already reached at the almost 40 % of the needed civil works. We are now completing the procedures to obtain the remaining permits (environmental and construction); we hope to have them all before the end of summer. It is worth noting that Djelfa's project has been mentioned several times by the Algerian Government and the local press as crucial in securing a proper equilibrium between demand and supply in the next few years.

Takamol is improving and a lot of efforts are made to produce clinker by October/November 2009 and cement a few months later. Notwithstanding all the difficulties on site things are moving and civil works are almost completed. Mechanical and steel erections are progressing well and all major parts are finally on site. The bridge linking the East to the West bank of the Nile has been finally inaugurated by the President and that was an essential aspect for the proper performance of our project. We are also pushing very hard to complete as soon as possible all the remaining aspects like roads, water pipelines and water treatment, captive power plant just to mention the most important. Finally, we have entered into negotiations with ASEC Engineering and Holtec for the technical management of the plant.

As you know since the last shareholders meeting of the company we have been able to get representation both in the Board of Directors and the Executive Committee of Qena. This will allow us to consolidate the results of Qena with the equity method for the second quarter of the year. This is very important also because Qena is actually showing a continuous improvement in its results, in terms of sales, gross margin and net profit. The generation of cash flow is high and constant. At the same time we have been able to get the approval of Qena's Board for the establishment of a joint venture (JV) with ASEC Cement in the field of ready mix. The objective is to develop this type of product in Upper Egypt market as it is still not much used. The JV will see ASEC Cement with a 55 % stake and Qena with 45 %; hence we will be able to manage it and fully consolidate. Gradually we might expand our presence also to the aggregate business in order to have a fully vertical integrated presence.

In Egypt demand is growing at very high rates and ASEC Cement Board has actually decided to restart the Minya's project provided the necessary funding is secured. In case of a realization of this project we will try to act in order to favor its "convergence" with Qena. This will allow ACC to have important economies of scale and significant synergies.

On the funding front, perhaps the most delicate for the company, we have been able to realize significant progresses. The capital increase up to \$580 million has been almost entirely subscribed; we are missing \$10 million only and the remaining part should be paid before the end of the year. The Sudanese Pension Fund has committed to pay as capital and as shareholders loan the sum of \$15 million of which 9.5 already paid. Moreover, we have been able to sign a facility in EGP for the equivalent sum of 50 million dollars with a maturity of 7 years. Finally, by the end of June we will be able to sign with the IFC two agreements, one for an investment of \$24 million into the equity of Djelfa and the other for a debt of \$26 millions.

These developments, apart from the absolute values involved, are very important because they testify the soundness and the interest of Djelfa's project and the reliability of ASEC Cement as partner for such an important Institution. We hope that this will be the first act of a long and fruitful cooperation.

Currently, we are working to complete new agreements for the remaining part of the equity of Djelfa and if all goes well, we might finalize new agreements by September. At the same time we are working to complete the debt in the next few months. Given the difficulties experienced in securing enough funds we have been obliged to adjust Djelfa's project in two phases with one line going in production in 2011 and the second one in 2013. Finally, by August we should sign a medium term loan (sharia's compliant) in Sudan for an amount of at least \$40 million.

In the last few months we have been able to obtain some important results in terms of the progress of our Greenfield, in terms of funding and in terms of management of the existing plants. We are getting closer to our objectives but the second part of the year will be equally intense to finally secure these objectives.

Giorgio Bodo

Chief Executive Officer