

EGYPT

A CHANGE OF PACE

Forward-looking and shaking off many of its structural deficits, Egypt is inspiring investor confidence unsurpassed in recent years, while actively assuming its role as a regional peacekeeper

The news out of Egypt is that sustained reforms are finally paying off. Economic growth in the non-oil sector created a record number of jobs in 2007, when real GDP was up by 7.1 percent. This year, favorable external conditions will edge GDP even higher to 7.3 percent. The cabinet of Prime Minister Ahmed Nazif has not only instituted broad-based reforms: favorable external conditions have prompted authorities to alter the way business is done. In a surprising move, the country's fourth-largest state bank was recently privatized. Import tariffs and taxes were recalibrated. The procedures to set up a new firm are now less problematic. In the energy sector, the ministry of petroleum has applied this same tonic to oil and natural gas. In electricity markets, companies who consume more will now have to pay more.

According to the IMF, the pace of change created 2.5 million new jobs from end-2004 to March 2007. Unemployment has been reduced from 11.8 percent to 9 percent over the same period, with many of these new jobs in the expanding telecom sector. Orascom Telecom and Telecom Egypt have forged into new territory: software, call centers and back offices in the suburbs of major cities like Cairo and Alexandria.

As a measure of investor confidence, no one has felt the change of heart as much as the Cairo and Alexandria Stock Exchanges. The stock market gained more than 50 percent in local currency terms in 2007, only surpassed by trading floors in China and Indonesia. Measured in U.S. dollars, the gains in Cairo are even more compelling. These inflows have resulted in handsome returns for institutions like Faisal Islamic Bank of Egypt and Citadel Capital. In 2008, the currency injection should finally filter into household incomes.

Although bilateral relations are occasionally heated,



President Hosni Mubarak (right) and Arab League Secretary General Amr Moussa during a 2000 summit of Arab leaders.

Washington sees Cairo as a cornerstone in the Arab-Israeli peace process and a key ally. "Our friendship with Egypt is deep and broad. Egypt will continue to be a vital strategic partner of the United States," said President Bush during his January meeting with Hosni Mubarak in Sharm El-Sheikh.

Egypt is not only a political stalwart for the West, it is also the founder of the Cairo-based Arab League, which brings together 22 countries and promotes regional economic integration and peace in the region. Headed since 2002 by the hugely popular ex-minister of foreign affairs Amr Moussa, once described by *Time* magazine as "perhaps the most adored public servant in the Arab world", the League is a staunch supporter of Palestinian rights. "There is a mounting awareness in the Arab world that there is a need to change, develop, and link up with the 21st century", says Mr. Moussa. "Reforms are under way, and the region

is becoming a haven for foreign businesses and investors. However, in order for more reforms to take place, fair solutions must be sought out to the region's political problems, in particular the Arab-Israeli conflict. By approaching these issues in a productive and constructive manner, as we did with the Arab Peace Initiative, the Middle East will move from a state of tension to a state of relaxation, and in turn this will speed up the process of change."

Here are excerpts from an interview Summit Communications conducted with Mr. Moussa in September. What is your assessment of the economic reforms undertaken by Prime Minister Ahmed Nazif?

I see a lot of progress in the economic field and it should trickle down to the rest of Egyptian society. Prime Minister Nazif is a man of vision who is following a very active policy in dealing with the problems of the Egyptian economy. What role does Egypt play in finding a solution to the Arab-Israeli conflict?

The role of Egypt is essential. This country has a quarter of the Arab population. It is often the first country to call other countries to meet in order to solve conflicts in the Middle East. That is why I give such importance to the reforms in Egypt and the position taken by Egypt on major issues. What are the greatest challenges facing Arab society?

First are the reforms, second are the Palestinian and Iraqi problems, third is the security situation and dealing with the nuclear issue, and fourth is the emergence of the impression that there is a war between civilizations, in particular between the West and Islam. All these issues affect the mood in the region. ■

A more extensive version of this interview is available at www.summitreports.com.

Developing The Essence... Before The Structure

Elevating The Vision... Beyond The Mission

Serenity <i>Al-Fayoum 1994</i>	Integration <i>Al-Nahda 1997</i>	Distinction <i>Four Seasons Urban Oasis 2002</i>	Elegance <i>Four Seasons Nile Plaza 2004</i>	Luxury <i>Four Seasons San Stefano 2006</i>	World Class <i>Madinet Nadi 2007</i>

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EGYPT

NEW STOCK EXCHANGE NILEX TARGETS INVESTORS IN SMES

Last year's launch of the Nile Stock Exchange adds a new, valuable facet to the vibrant CASE which is piquing interest

Even though the Cairo and Alexandria Stock Exchanges (CASE) are both over a century old, it's the last few years of their history that have proven the most exciting. At the end of the 1990s a new agenda of reform introduced organizational, technological and procedural improvements that have made CASE one of the MENA region's most profitable and record-beating bourses, whether in the amount of daily transactions taking place (almost 73,000 in January 2008) or the value of the stocks traded (\$5.2 billion in October 2007.)

Since the elections in 2004, economic reform – including privatization and an "open for business" attitude – has allowed CASE to prosper and contribute to the growing competitiveness of Egyptian businesses. A tightening of disclosure rules has led to more transparency and improved corporate governance by its members.

The first MENA-based exchange to join the World Federation of Exchanges (WFE) in 2005, CASE's international involvement also includes agreements with foreign bourses such as Shanghai and London, lending to invaluable information sharing. Leadership in regional organizations helps to promote integration, and trips to the U.S. and U.K. highlight investment opportunities on offer in Egypt. Maged Shawky, Chairman of CASE, explains: "We have an international advisory committee and all the members are from the international community. They helped us develop our strategic plans for the future." Some of those plans have already been put into action, with last year's launch of NILEX, MENA's first small and mid-cap market, which will help SMEs be more competitive and allow investors to diversify their portfolio. CASE also aims to open a derivative market to provide further exposure opportunities to international investors. ■



Maged Shawky
Chairman of CASE

VENTURING AHEAD WITH ETHICAL FINANCIAL SERVICES DRAWS CUSTOMERS

Enhancing awareness of the benefits of Islamic banking with minimal deposits has brought solid returns

Currently only 20 percent of the Egyptian population has a bank account. But that is changing, slowly but surely, with the help of products and services from financial institutions such as Faisal Islamic Bank of Egypt.

While Egyptians are still shy of traditional banking, the bank's Shari'ah compliant products, which follow the rules of Islamic principals, are drawing ever more customers to its almost 20 branches. Lower minimum deposits than most banks mean that Egyptians have the opportunity to invest no matter how small their assets. More than 750,000 deposit accounts currently held at the bank are testament to the policy's popularity.

Since it was established in the mid-1970s, Faisal Islamic Bank of Egypt, fully regulated by the Egyptian Central Bank, has accumulated assets of over \$4 billion and a range of financial products and services spanning savings deposits to *murabaha* – financial agreements which allow customers to purchase housing or cars without incurring *riba* or interest, prohibited by Islamic Shari'ah law. The bank also participates in venture capital schemes supporting new business and technological development.

The bank's Zakat fund, funded by customers and 2.5 percent of the company's annual capital, provides aid for Egyptians in need. As the bank's Governor Abdel Hamid Abumoussa underlines, this help includes, but is not limited to, "scholarships for university students, sewing machines for people to work with and earn money, and a building for orphans."

help includes, but is not limited to, "scholarships for university students, sewing machines for people to work with and earn money, and a building for orphans."



Abdel Hamid Abumoussa
Governor of Faisal Islamic Bank of Egypt

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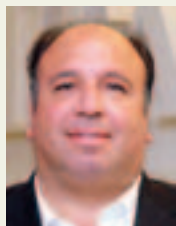
EGYPT

THE PRINCES OF PRIVATE EQUITY

Citadel Capital puts its own cash on the line, co-investing aggressively in companies it believes it can turn around and transform into regional giants

In July 2007, leading private equity firm Citadel Capital sold Egyptian Fertilizer Company to Abraaj Capital for \$1.4 billion, topping a run over the last three years in which the company has executed some of the most compelling and successful private equity transactions in Egypt and the region, raising and investing \$2.8 billion.

Here, Chairman Ahmed Heikal talks about Citadel's successful strategy and the changes taking place today in Egypt's business world.



Ahmed Heikal
Chairman
Citadel Capital

What is your assessment of the reforms that have taken place under the leadership of Prime Minister Nazif?

We have seen an improvement in the banking sector, the new tax law, the new tariff reforms on exports and imports, and the new energy policy. The reforms were very obvious in these areas and they are in the right direction. With time we will feel their positive impact, but there are still big challenges ahead, and that is where the government will concentrate in the next few years. The reforms have in some cases contributed to a rise in inflation, and with the poverty levels in Egypt, this is a very critical issue that needs attention.

Citadel Capital is among the largest private regional equity firms. What brought you to Egypt, and not Dubai, for example?

I think Egypt is a big economy with lots of untapped potential as are several markets in the Arab world and central Africa. However, the location of the head office of a private equity firm is irrelevant, since you need to be on the ground wherever you invest, which is how we operate.

What differentiates you from the other private equity firms in the region?

Our philosophy is to focus on value creation; we grow the companies that we invest in and that creates value for the local economies, the employees of those companies and consequently for our investors and for ourselves as well. If you focus on value creation, the returns come automatically. And in doing so we are not afraid to take risks. Our appetite for risk is quite high, and our co-investors know that. They trust our judgment based on our successful track record with them.

What is the average length of time you keep companies in your portfolio before selling them?

We go into every company with the mentality of being willing to operate it for life. This allows us to put a lot of energy in growing the company and increasing its value. However, we are at the end of the day a private equity firm and we assess all exit scenarios, and if the offer is suitable then we seriously consider it.

What are the specific factors that made investments such as ASEC Group or EFC a success?

They are both working in industries where Egypt and the region have a lot of competitive advantages in terms of price of energy, labor and availability of required raw material. They both had a great opportunity to increase production and address export markets. We eyed those opportunities and as soon as we took control, we worked very hard on opening up additional production facilities in neighboring countries and addressing export opportunities. In ASEC, we also did a lot of reengineering to the group to make it more efficient.

We can't finish without mentioning Abraaj Capital buyout. What was the significance of this success for Citadel Capital?

It has enforced our ability and reputation for having selected it. Many people criticized us for the price we acquired it for, which then seemed very high. But we could see the potential of this company. We worked for two years to explore this potential and we were able to sell it for almost double what we bought it for, and thus give our investors great returns. It is a success story for Citadel in every respect. ■

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EGYPT

BANKING ON A FOUNDATION OF HEALTH AND EDUCATION

Egypt's transformation into an emerging economic powerhouse has been powered by a combination of smart, reformist policies and the hard work and innovation of the private sector, says a top Egyptian banker

Arab African International Bank (AAIB) is one of Egypt's leading private-sector financial institutions at the center of an exciting emerging economy. "For the country's growing population to have a brighter future, Egypt needs to create over 700,000 new jobs every single year, demanding average economic growth of 7 percent per annum," comments AAIB Vice Chairman and Managing Director Hassan Abdalla.

"We have a pro-business government implementing long-term economic reforms, and the time is right for banks such as AAIB to kick-start an exciting new phase of economic history," Mr. Abdalla remarks. He sees strong potential in the nation's banking sector, noting its sound fundamentals and ample room for product innovation. "Given the depth of the Egyptian market," he says, "there is a need to broaden the financial system to include forms of financing such as private equity, consumer finance — especially mortgage finance — leasing and venture capital."

Established in 1964 as Egypt's first private-sector bank, AAIB has posted the industry's top growth figures for the last five years running. From being the first bank to introduce a foreign currency trading desk in the 1960s to the first introduction of



Hassan Abdalla, Vice Chairman and Managing Director of AAIB, sees strong potential in the banking sector with ample room for innovation.

credit cards in the 1980s and the first smart cards in 2003, AAIB has always ensured that its clients enjoy innovative services from a trusted partner.

The bank's status as the leading private-sector player in Egypt has been affirmed by international observers including *Euromoney* ("Best Bank in Egypt" for 2007) and the *Financial Times*-owned publication *The Banker*, which named AAIB Egypt's "Bank of the Year" in 2006. International ratings agency Moody's upgraded AAIB's credit rating in 2006, moving it from an "A" with a positive outlook to "A+" with a stable outlook.

An industry visionary with long experience in European and American financial markets, Mr. Abdalla attributes AAIB's success to "our deep knowledge of the market, ability to move fast and face risk in innovative ways, and our insistence on fundamentally understanding our clients' needs."

Still, it's not only about the accolades: Mr. Abdalla insists AAIB displays more than just corporate leadership, underscoring his bank's commitment to setting an example for the private sector.

"We are compelled to play a leading role in the nation's social development," Mr. Abdalla notes. "That's why we have formalized our commitment to corporate patriotism — a reconceptualization of corporate responsibility — by creating and endowing the 'We Owe It To Egypt Foundation'. It is all about ramping up efforts toward corporate patriotism and building our generation's legacy, where business unites around common goals and vision for national health and education," he concludes. ■

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EGYPT

OPPORTUNITY CALLS WITH
NEW COMPETITION

Telecom Egypt boasts a mutually beneficial partnership with Vodafone Egypt and a successful outsourcing company, Xceed

Throughout its history Telecom Egypt (TE) has had to adapt its business model and working methods thanks to constant changes in the telecommunications industry in Egypt. One thing, however, it has never had to face, and is direct competition.

In 2008 this looks to change as the Egyptian government hopes to choose, for the first time, a second fixed-line operator to provide services to Egyptian consumers. The operation should be up and running by 2009, and while it will bring a huge challenge to Telecom Egypt's market dominance, Chairman and CEO Akil Hamed Bashir affirms: "We have to continue improving customer satisfaction. We are always looking at diversifying, so we have to look for new revenue generation by offering more services to our customers."

The ICT industry has become a key area for development here. E-government, education, and higher penetration strategies all form part of the ICT revolution and Telecom Egypt's support has been key. In 2005 TE's IPO raised \$890 million. Its number of subscribers, currently at the 11 million mark, are rising and profits increased by 22 percent in 2007. But Telecom Egypt is not resting on its laurels.

The rest of the telecommunications market has already gone through some diversification. Two cellphone operators currently operate and Telecom Egypt has its fingers in part of this pie through an almost 45 percent stake in Vodafone Egypt, obtained in 2006. But TE is not just a silent partner, as Mr. Bashir explains: "We have joint services and we will



Akil Hamed Bashir
Chairman and CEO
Telecom Egypt

very soon launch some products to the market, so it is a mutually beneficial relationship."

TE's retail outreach gives Vodafone Egypt a chance to place their products throughout the country, while partnership in a private company gives TE a taste of the competitive environment to come.

Providing broadband solutions to individuals and companies, its subsidiary TE Data is one of the fastest growing ITC companies in the Middle East. Operations in Jordan form part of its portfolio, and recent developments include the establishing of wi-fi access points in Luxor and a Data Center in Giza. While penetration is still limited and the cost of purchasing a PC keeps numbers down even further, TE Data is coming up with cheaper connection solutions that will suit those who are taking advantage of the Ministry of ITC's Egypt PC 2010 initiative to provide Egyptians with better access to computers.

Meanwhile, in a 2006 joint venture with Orascom Telecom, TE set up Lacom – the first private company to provide fixed-line services in Algeria. While regulatory issues are currently slowing operations down somewhat, TE's foray into Algeria shows, as Mr. Beshir suggests, that, "Telecom Egypt is looking for opportunity."

Perhaps the most successful of TE's diversification opportunities has come from its ownership of Xceed, which is leading a growing IT and BPO industry in Egypt. A constantly improving infrastructure and attractive location are some of the factors that, as Mr. Beshir puts it, "make Egypt unique". With 1,600 multi-channel workstations for call center services, Xceed has become the biggest company of its kind in the southern Mediterranean region, with contact services carried out in eight different languages for clients that include Microsoft and Oracle.

By operating more and more like a private company, especially in light of growing competition, TE is not only investing in services and technology, but also in its human resources. Mr. Beshir explains: "We have a leadership development program we give to 25 employees each year through an American institution called the IIE." This ten-month course is paid for by the company, and through this training, young leaders are assured of their success in one of Egypt's hottest industries. ■

NAVIGATION WITH AVIATION INSPIRATION

Peering into DeBirs yachts is like looking into luxury; sleek modern furniture, comfortable cushions and LCD screens reflect the underlining attention to detail paid by the Egyptian company.

Established in 1998 in Alexandria's Amria Free Zone, DeBirs Yachts has worked hard to establish itself in the fiercely competitive world of international yacht building. Producing to very discerning clients, DeBirs' Executive Director, Marwa Singer, knows why clients come to them: "Most of our yacht owners previously owned very well known brands of boats. They now come to DeBirs because they want a

product that can stand out."

The company creates impeccably designed motor yachts, drawing clients from the Middle East, Europe and the U.S. "What makes us unique is our design concept and maximization of space and volume," says Ms. Singer. Through knowledge of interior space of the world's most luxurious private jets and understanding constant innovation in space distribution, DeBirs is setting new standards in the industry worldwide.

In Egypt, the first challenge for the company lay in the lack of a yacht building tradition. Through the guidance of international designers and a Western-



The DeBirs 85RPH spacious and multifunctional main salon, ideal for entertaining a large number of guests.

oriented methodology of work execution, DeBirs Yachts now not only creates unique products but also pretty unique employees. Standards are maintained through consistent evaluation and

employees are encouraged to shun hierarchy and work as a team. "We introduced the idea of multitasking," says the executive director, "and also look at staff weaknesses to be improved. It is a continuous process, because without your staff you have no company." A third of the staff is female and healthy competition between all workers creates an environment of constant improvement and innovation. Ms. Singer is proud, commenting: "Every day we are learning something new and we are doing our best to offer something innovative. This makes us leaders."

No wonder then that sales keep improving and investors keep calling. DeBirs' future is bright indeed.



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Telecom Egypt

EGYPT

A MODERNIZED EGYPT POST SETS SIGHTS OVERSEAS

While remaining a truly Egyptian establishment, enjoying an extended period of modernization, the past two years have seen Egypt Post look towards the international sphere for business

In tune with the government's desire for reform and growth, Egypt Post has been in touch with its American, European and Arabic counterparts trying to secure cooperation agreements that will see this national institution become an international player.

Egypt Post is no longer just about postal services; rather it is committed to offering an ever-increasing integrated service of communication provisions and financial services, as well as governmental and e-government services. The process entails "transforming the organization from a service organization to a commercial one," says Alaa Fahmy, Chairman of Egypt Post. "We are changing the structure of our organization and building a new one; actually today, 60 percent of our structure is new."

Reform has been Egypt Post's greatest ambition over recent months, and two thirds of the more than 3,600 postal centers throughout the country have been modernized, while more have been established to support the growing demands of clients and services. From electronic document interchange and the latest Faisal Islamic Bank Investment Accounts to birth certificates and car insurance, Egypt Post services are varied and support all members of the community.

While remaining a national institution, Egypt Post is taking on the challenge of modernization through the necessary commercialization of services, the introduction of marketing support departments, the upgrading of centers nationwide and the improvement of staff training and working conditions. "We believe we have three pillars for development: infrastructure, infostructure and human resources. We are budgeting about \$1.8 million every year dedicated only to training our people," underlines Mr. Fahmy.

In many ways, the growing success of this modernization plan comes from the support given by the Egyptian government to a more wide-spread program of change being applied throughout the country. Prime Minister Ahmed Mohamed Nazif's own background in the ICT sector made this industry a sure-fire target for the implementation of any policies of transformation. "The government actually took the risk and accepted the burden of change, and its success is that it enabled the people to make our systems more modern in terms of economy, services and culture," says Mr. Fahmy. "From my position as chairman I would say that I have made use of this liberalization of the mind to reform, modernize and develop this organization."



Alaa Fahmy
Chairman
Egypt Post

Liberalization of the mind and of the many mechanisms for doing business in Egypt have meant that companies have been actively encouraged to look for partnerships with the private sector and attract foreign investment. "At Egypt Post we like the configuration of a foreign entity with a private local entity and ourselves," Mr. Fahmy explains. "This combination brings everything, from know-how to state-of-the-art technology and the private sector's efficient mechanism of doing business."

A mutually beneficial twinning agreement with the European Union means that the French La Poste and Egypt Post will work together to unify the poles of the Mediterranean. La Poste's reforms, which took place four years ago, will provide valuable guidance to Egypt Post, while the latter's ample experience in retail business and extended services will prove beneficial to the French organization.

Another region of interest to Egypt Post is, naturally, the Arab world, to which Egypt is committed in terms of promoting sustainable economic and social development. In March 2007 Mr. Fahmy announced a project to establish a common network of Arab postal organizations, an initiative that would help channel foreign investment to members, improve inter-network postal distribution and maximize the benefits of providing logistic solutions for the region. While still at the conceptual phase, practical approaches to the project are already being listed, including the necessary unification of databas-



The structure of the organization is changing: 60 percent is new and the company boasts interests with Etisalat Egypt and France's La Poste; a principle agreement with USPS will create a strategic alliance to further strengthen infrastructure and knowledge sharing development.

es, the celebration of an international forum to put pilot schemes in place, and the setting up of further discussions via forums, workshops and the internet.

Meanwhile, Egypt Post's international adventures are in full flow, particularly with the United States. The combination of more than 140,000 Americans of Egyptian descent living in the U.S. and increasing American business interest in Egypt underline a need for Egypt Post to form partnerships with the American postal sector. A principle agreement signed with United States Postal Services (USPS) will create a strategic alliance for infrastructure purposes and a knowledge-sharing dynamic, bolstered by USPS's recent reforms that were triggered by competition from private companies and electronic communication.

Business interests closer to home are not only related to Egypt Post's own services and their extension. A 20 percent participation in Etisalat Egypt, the developers of

EGYPT POST IS STRIVING TO IMPROVE THE DAILY LIVES OF EGYPTIANS WITH HEALTH CAMPAIGNS AND E-GOVERNMENT SERVICES

Egypt's third largest mobile network and MENA's best new carrier according to the Comms MEA Awards 2007, means that Egypt Post's ICT involvement is far-reaching. Viewed as a long-term investment by Egypt Post, hopes are that the company and the industry's profitability will provide the institution with funds to continue investing in reform and modernization. "We also have a strategic agreement with Etisalat that Egypt Post will provide them with all the services that we can," says Mr. Fahmy.

Egypt Post, however, is not only working to change its way of working or the boundaries of its business; it also works to change the way Egyptians live their daily lives. This is, of course, done through improved services, but it is also achieved through social responsibility initiatives that are helping Egyptians on a daily basis, from working with the government on ICT services to contributing directly to the management of Egyptians' health.

Cooperation with the Ministry of Industry and Trade means that Egyptian consumers can now complain and make sure their protests reach the top through Egypt Post's consumer database, which provides the ministry with periodical reports. At the same time, a change of mindset for Egypt Post employees means that they now participate in a national blood donation campaign organized by their employer.

Along with the developments in its business model and the services it provides, active participation in social responsibility programs confirms that Egypt Post is identified as a major catalyst of change and development at home and abroad. ■

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Egypt Post has built upon the foundations of an ancient system, and instead of being an antiquated entity, we have proven ourselves to be a highly wired state-of-the-art communications company, prepared to meet the challenges of the 21st century and deliver not just mail, but quality.

Egypt Post... Exceeding Expectations

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EGYPT

ORASCOM TELECOM AND WEATHER INVESTMENTS

Rising subscriber numbers bear testament to the prominent group's ability to win new business and drive for further expansion



Naguib Sawiris
Chairman
and CEO
Orascom Telecom

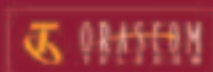
Orascom Telecom and its parent company Weather Investments continued to experience substantial growth throughout 2007. Orascom Telecom had 65 million subscribers registered as of September 2007, a 47 percent increase from the previous year, bringing the total number for Weather Investments to more than 82 million subscribers spanning Algeria, Bangladesh, Egypt, Greece, Italy, Pakistan, and Tunisia. These results further reinforce Weather Investments' position as one of the major global telecom players and as the entry point of choice to a population of 523 million people in the countries where it operates. This population lies in a mix of both technically advanced attractive markets and high growth and under penetrated emerging markets. ■

COMPANY HIGHLIGHTS AND MILESTONES

- ▶ **1998** - Orascom Telecom Holding S.A.E. ("Orascom Telecom" or "OTH") is established.
- ▶ **1998** - Orascom Telecom's first operation, The Egyptian Company for Mobile Services (ECMS - later Mobinil) is granted a GSM license and launches the same year.
- ▶ **April 2001** - Orascom Telecom takes over management control of Mobilink in Pakistan, which had started its operations in 1994.
- ▶ **July 2001** - Djezzy, OTH's network in Algeria, is granted a license in July 2001 to operate a nationwide GSM telecommunications network to provide a range of mobile services in Algeria.
- ▶ **May 2002** - Orascom Telecom Tunisie - Limited Company Tunisiana is granted a license.
- ▶ **January 2004** - Orascom Telecom Iraq (OTI) launches its initial phase of the network IraQna after being awarded the first license for the central region in Iraq.
- ▶ **November 2004** - Orascom Telecom Iraq (OTI) expands its services to the southern region of Iraq to become the first operator to deploy its services nationally across the whole country.
- ▶ **February 2005** - Orascom Telecom rebrands Sheba Telecom in Bangladesh and launches its services under Banglalink.
- ▶ **May 2005** - Through a series of transactions, OTH acquires additional equity stakes in Djezzy in Algeria and in Tunisiana in Tunisia to reach 87.66% and 50%.
- ▶ **May 2005** - The Italy-based telecoms holding group Weather Investments SpA takes control over the Italian GSM operator Wind Telecomunicazioni SpA.
- ▶ **August 2005** - Weather Investments, headed by Naguib Sawiris, who also controls Egyptian mobile group Orascom Telecom, completes its acquisition of a controlling 62.7% stake of Wind, Italy's third largest wireless company by subscribers.
- ▶ **December 2005** - OTH acquires a 19.3% interest in Hutchison Telecommunications International Limited ("Hutchison Telecom") from HWL.
- ▶ **January 2006** - Orascom Telecom announces its subscriber base exceeds the 30 million benchmark.
- ▶ **February 2006** - Consortium Algerian de Telecommunications, a joint venture between Orascom Telecom and Telecom Egypt, launches its fixed line telecommunication services in Algiers.
- ▶ **May 2006** - Orascom Telecom signs a joint venture with Intel Capital for a new WiMAX investment in Orascom Telecom WiMAX Limited.
- ▶ **December 2006** - Orascom Telecom announces its subscriber base exceeds the 50 million benchmark.
- ▶ **February 2007** - Weather Investments acquires Greece's third largest mobile operator TIM Hellas, and wholly owned subsidiary Q-Telecom, and relaunches the company under the Wind Hellas banner in June of that year.
- ▶ **March 2007** - Mobinil serves over 10.6 million subscribers, representing a market share of approximately 52.5% of the Egyptian mobile market.
- ▶ **October 2007** - Orascom Telecom awards Alcatel-Lucent to lay the Mediterranean Sea segment of a new 2,400-mile submarine cable network (MENA) to link Egypt, Italy and Saudi Arabia and positioning Egypt as a central hub for traffic transit across Europe, Middle East and Asia.
- ▶ **October 2007** - Greece's Public Power Corp. agrees to sell its stake in ISP Tellas Telecommunications to mobile operator Wind Hellas, part of the Weather Investments group. The takeover facilitates Wind and Tellas to launch converged fixed-mobile services.



Across the face of the globe, there are millions who deserve to be heard, who are worth listening to. People with hopes and fears. Talented people who want to realize their potential. All they need is a means to communicate. Our business is communications. Orascom Telecom designs, builds and operates complete communications infrastructures. Today, Orascom Telecom operates in seven countries and helps more than 61 million people to voice their hopes, fears, ambitions, and feelings. Our family of more than 20 thousand employees strives every day to make sure that the world will hear the people's voices. To all the unheard millions still out there, we are coming.



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Egyptian Ministry of Petroleum
www.petroleum.gov.eg

The Ministry of Petroleum supervises the exploration, production, marketing and distribution of oil, gas and other natural resources through its five entities.

EGPC
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EGAS
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www.egsma.gov.eg

EGYPT

'I'M HIGHLY OPTIMISTIC ABOUT THE OIL AND GAS SECTOR'S FUTURE'

Egypt's Minister of Petroleum Sameh Fahmy comments on the latest developments in the country's oil and gas sector

According to the Oil & Gas Journal, Egypt has more than four billion barrels of proven oil and condensates reserves approx. Proven gas reserves are about 73 trillion cubic feet (Tcf). The country's energy sector is now divided into five strong entities: EGPC, EGAS, ECHEM, GANOPE and EMRA. But for Minister of Petroleum Sameh Fahmy the industry's restructuring is not just about global competitiveness. Mr. Fahmy would like hydrocarbons to play a more crucial role in economic development. By 2012, he targets to attract \$20 billion, with \$16 billion as foreign direct investments, more than 50 percent of which will be invested in upstream activities. In 2007-2008, the country is set to export crude oil, oil and petrochemicals products, NG and LNG of \$12 billion. Egypt also ranks in sixth place in terms of sales of liquefied natural gas (LNG).

What is your forecast for Egypt's role as an energy producer in coming years?

I'm highly optimistic. The oil and gas sector in Egypt has a great future with all the globalization issues involved. Geographically, the country is strategically located in Europe's backyard and on the front yard of Africa and the

A JOLT OF ENERGY

Although Egypt is far from being a major oil producer, Cairo sees potential when others remain glum

Egypt's Minister of Petroleum Sameh Fahmy sees potential where others remain glum. After all, it takes one key sector of the economy to spark activity across the board. And in Egypt, that sector could well be energy.

"We need a success story that we can build on," says Mr. Fahmy. With a background in strategic planning, no one like him knows how psychological factors impact on productivity. He compares initial investments by the big oil majors as an entrance fee that needs to be paid. The point is that newly discovered oil fields in Upper Egypt could then set off a wave of optimism that cascades down the supply chain. Often, it is more a matter of business management than fundamentals.

In Egypt, oil has traditionally been lifted from fields in the Gulf of Suez. Joint venture firms like the Gulf of Suez Petroleum Company (GUPCO) worked through production sharing



NASSER NURI/REUTERS/CORDON PRESS

Sameh Fahmy Minister of Petroleum (right) at the opening session of a European Union, Africa and Middle East energy summit in Sharm El-Sheikh, November 1, 2007.

agreements with international oil companies. Since the 1990s, investments have focused on enhanced oil recovery methods to keep the fields in operation. But Mr. Fahmy may have found his success story in the Saqqara field, an offshore find announced during the recent years. "We're looking for more big discoveries and inshallah we will find them soon," says Mr. Fahmy.

But oil at \$100 per barrel can also threaten the energy security of small exporters like Egypt. The country's generating capacity stood at 17.06 gigawatts as of 2004. Because electricity supply is crucial for the success of manufacturing industries, nuclear power plants may soon be in the works. In early January, French

Middle East. In terms of the industry, we've acquired a great deal of expertise and a solid pipeline network. For the last 10 to 12 years, we have discovered more oil and gas deposits than any other country in the region. Granted, they are not very large fields. But the effort, challenges and discoveries are there as proof. Now we are setting our hopes on big discoveries. In the past few years we have found oil and gas deposits in locations we thought were barren. Together with our neighbors, we plan to turn Egypt into an energy hub. We still have a long way to go, but I am sure we will succeed in our mission.

How do rising energy prices in international markets impact on the domestic oil industry?

International prices lately are very volatile and often lack logic. But the reason for the surge in prices is very clear: a mismatch between demand and supply. Three months ago, I predicted the price of oil would reach \$100 per barrel by end-2007 and people thought I wasn't serious. But I was very serious. I think if prices continue to edge upward beyond \$100, it will become a major problem for all countries, not just Egypt. Still, we need to take it at face value because it has its positive and negative sides. Right now, it is a major

the Suez Canal Authority (SCA) play off the competition by offering steep discounts of up to 35 percent to the largest tankers of liquefied natural gas (LNG). Northbound traffic has jumped into double digits since 2005, according to the SCA.

However, the jolt of energy is coming mainly from natural gas. Until January 2005, Egypt had never exported gas of its own in the shape of LNG. Newly discovered fields in the Nile River Delta have altered the equation. Between 1999-2000 and 2006-2007, production jumped 183 percent. Today, Egypt is the world's sixth-largest exporter of LNG. According to the *Oil & Gas Journal*, proven reserves now stand at 73 trillion cubic feet (Tcf).

At the ministry of petroleum, Mr. Fahmy would like to see proven gas reserves jump in light of the agreements signed with International companies. Foreign investors in the sector already include BP, Eni, Union Fenosa and Shell. But with new discoveries like the Obeiyed field in the Western Desert, more capital is likely to flow into Egyptian gas. All it takes is pipeline infrastructure and the harnessing of geographic advantages, as well as a dose of business savvy.

President Nicolas Sarkozy made headlines in Abu Dhabi after signing a \$3.94 billion agreement to build civilian nuclear reactors in the Gulf. President Hosni Mubarak could eventually follow the example of UAE and use nuclear power to free up oil and gas for exports. In 2007, he also introduced a renewable energy plan that seeks to diversify the energy mix. By 2020, Egypt will cover 20 percent of its electricity demand with solar and wind energy.

In Europe's backyard, Egypt's geographic location is one of the country's intangible assets. The Suez Canal acts as a conveyor built for exports of Middle Eastern oil, with the Sumed (Suez-Mediterranean) pipeline as an additional transit route. Officials at

EGYPT



The Mubarak liquefaction and export complex in Damietta.

'FOR THE FIRST TIME IN 14 YEARS, WE DISCOVERED MORE OIL RESERVES THAN WE PRODUCED'

challenge for the government as it is about to increase its share in its oil and gas partner. Hopefully, we will have fixed the prices of natural gas when we buy from our partner.

How are you addressing issues of field development?

This is a real challenge. We've decided to shift exploration and production to existing facilities in places like the Western Desert and the Gulf of Suez, where we've undertaken new exploration work. We have a specific vision for the Gulf of Suez and another one for the Western Desert, including the Mediterranean coast. This is part of a new type of innovative thinking that will attract investors and turn the situation around.

What challenges are posed for the Egyptian economy by the natural depletion of oil fields in the Gulf of Suez?

The fact is that there has been no such decline. For the first time in 14 years, we discovered more oil reserves than we produced. Production of crude oil and condensates in 2007 reached about 642,840 bbl/d.

Workforce competitiveness is another priority for the government. What are you doing at the ministry of petroleum to develop human resources?

We've established a company called Petro Skills that is responsible for all the training, as well as joint ventures with universities and colleges. Petro Skills sends people abroad, while professionals from other countries come to Egypt for training. But I admit this is a major challenge because we're losing about 100 people a month in the sector. We can't afford to lose any more in the future. ■

The Rosetta gas field is situated just under 40 miles offshore in the Mediterranean.



Sidpec's expansion plans include opening two new plants for ethylene and polyethylene.

DEMAND FOR THE BRAND: EGYPTYENE MAKER SIDPEC LAUNCHES NEW LINES

Industry leaders such as BP attest to the high quality of Sidpec's ethylene products

Egypt's petrochemicals will never be the same. Since 2004, the government has put the oil and gas sector under the same regimen of economic reforms that has swept across other industries. In its after-math, natural gas and petrochemicals have arisen as two cornerstones of Egypt's value-added economy.

"Petroleum minister Sameh Fahmy has made a clear imprint. He has created a huge industry out of a single petrochemical plant, which was established in the 1980s. Fourteen new plants will be built in three stages through 2020 with an investment of \$10 billion. He's been insightful enough to recognize the potential of gas and petrochemicals in paving the way for the country's economic success," says Eng. Ahmed El Gayar, the Chairman and CEO of Sidpec.

Sidpec is a manufacturer of a polyethylene product. Licensed by U.S.-based Lummus Technology, a consultancy for the hydrocarbons industry, its products are also vouched for by British Petroleum (BP). According to Mr. El Gayar, 60 percent of output is sold on the domestic market. The rest is exported to more than 60 countries. "BP gave us all the required

market studies and helped us set up an export strategy," says Mr. El Gayar.

Competition in the field can be ferocious, especially from the recently expanded petrochemicals of competing countries. With its inexpensive inputs of natural gas, Sidpec is now launching new ethylene applications. The first butadiene-based products will roll out of its factories later this year. Together with the Petrochemicals Holding Company, Sidpec now strives to double its polyethylene capacity to 450,000 tons per year.

The expansion at its plants is a measure that will ensure that Sidpec's competitive advantages remain intact. High quality standards and the convenient port infrastructure at the Suez Canal will do the rest. "In some places, they're starting to ask for our brand name, Egyptene," says Mr. El Gayar. The name implies that a product has been wholly produced in Egypt.

Together with its brand name, Sidpec has learned in record time to match inputs with corporate targets. With the discovery of new natural gas fields in Upper Egypt, Mr. El Gayar thinks his company will do well in the global market. For that he credits the ministry of petroleum for its management savvy, but also the strategic decision-making within his own company.

YEAR 2010 ESTIMATES DOUBLING THE COMPANY'S POLYETHYLENE CAPACITY



3,000 years after pharaohs were bathed in gold,

a new gold rush has begun. In the Eastern Desert, vast reserves of gold have recently been discovered, spurring a new interest in mining. The Ministry of Petroleum, who is responsible for regulating the Egyptian mining industry, has announced that further gold exploration will begin in eight new locations throughout the country. The discovery of gold has been a double blessing for Egypt: not only has it added to the country's reserves, but it has also attracted millions of dollars in foreign investment.



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History was made in April of 2007, when, after 50 years, the first bar of gold bullion was produced. Large scale production of ingots will begin by the middle of 2008.

The 21st Century Gold Rush