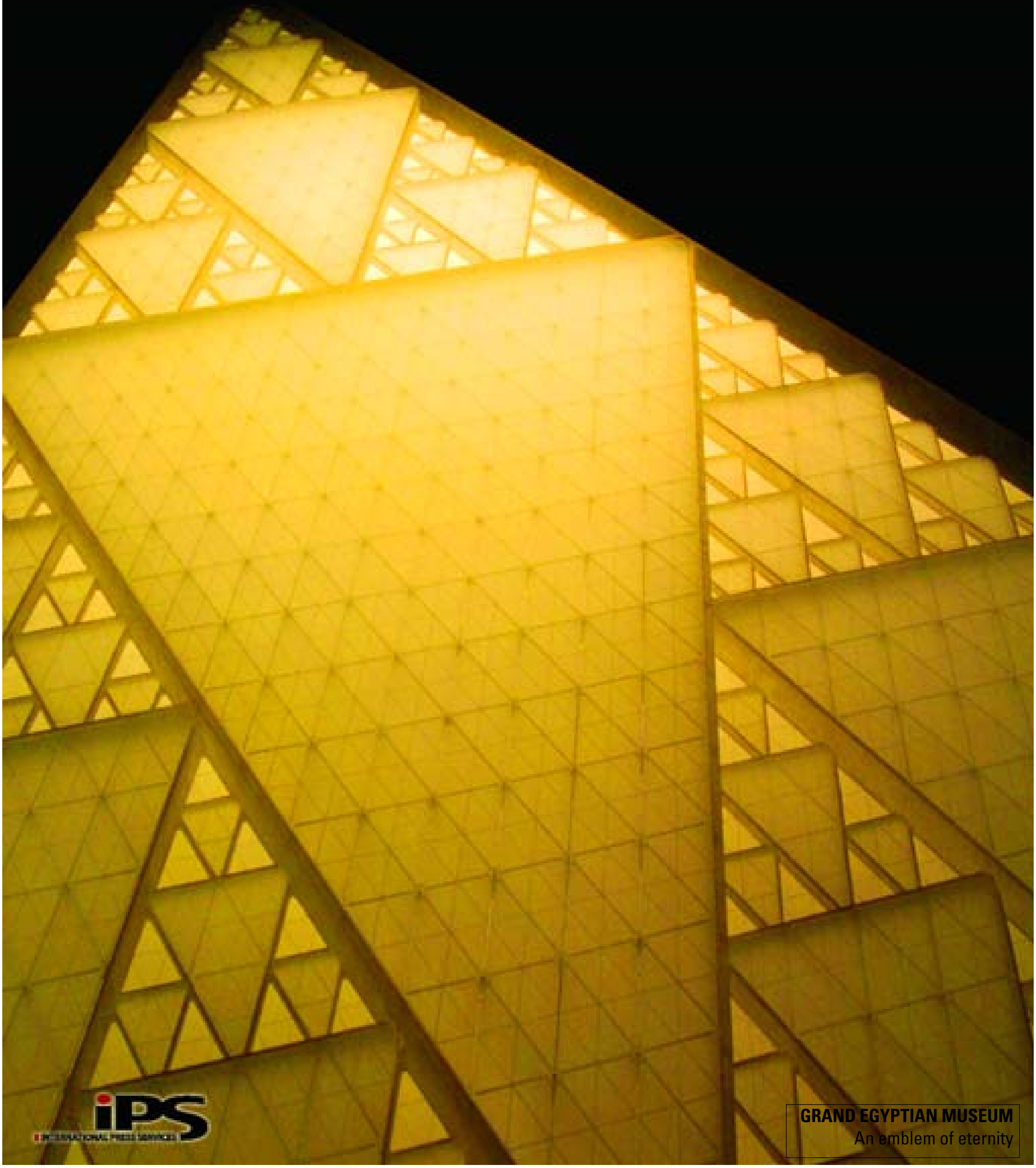
EGYPT

The paradigm Shift.



GRAND EGYPTIAN MUSEUM
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EGYPTIAN FINANCE CASHING IN ON UNMATCHED HISTORICAL OPPORTUNITIES

"You catch us now, and you take the curve upwards with us. Whoever catches the early bird gets the money" –*Minister Boutros Ghali*

Egypt is at both a metaphoric and geographical crossroads. Situated at the crux of Europe, Africa and the Middle East, the world's oldest civilization is once again on the rise. On the heels of widespread economic reforms, (President Hosni Mubarak's Egypt: Open for Business campaign) and progressive EU economic accords, Egypt is witnessing the emergence of a rapidly developing private sector and new levels of economic success. Besides the traditionally strong tourism sector, which flourishes by offering tremendous history and coastline, Egypt now also boasts a thriving financial sector, and solidly growing IT&C and infrastructure sectors. In the backyard of three important geopolitical and economic regions, Egypt in 2007 is presenting itself as a host of new business and investment opportunities.

Driving the economy are President Mubarak's July 2004 economic reforms, meant to spur investment, trade, and growth. These reforms included slashing corporate and personal income taxes by 50 percent, floating the Egyptian Pound, further privatizations of state-owned banks, and customs and investment reforms. The positive effects are quantifiable in Egypt's unprecedented GDP and FDI growth. Foreign direct investment has risen from 407 million dollars in 2004 to 7.2 billion dollars during the first half of FY 2006/07.

The country's GDP, while relatively unchanged in the period from 2001-2004, has risen from 93 billion dollars in 2004 to 117.7 billion dollars in 2006, while real GDP growth has been at 6.8% for the past two years and is estimated to maintain growth of 6.6% for 2007/2008.

Boutros Ghali, Minister of finance

His Excelency Dr. Boutros Ghali credits many factors as driving Egypt's sustainable growth, including increased exports, investment inflows, and an upswing of consumption. He claims," Everybody is watching what happens in Egypt. Not because Egypt is the only player in the market, but because they have money in it. A failure is not on the agenda because now we have opened up the economy and we cannot afford any mistakes."

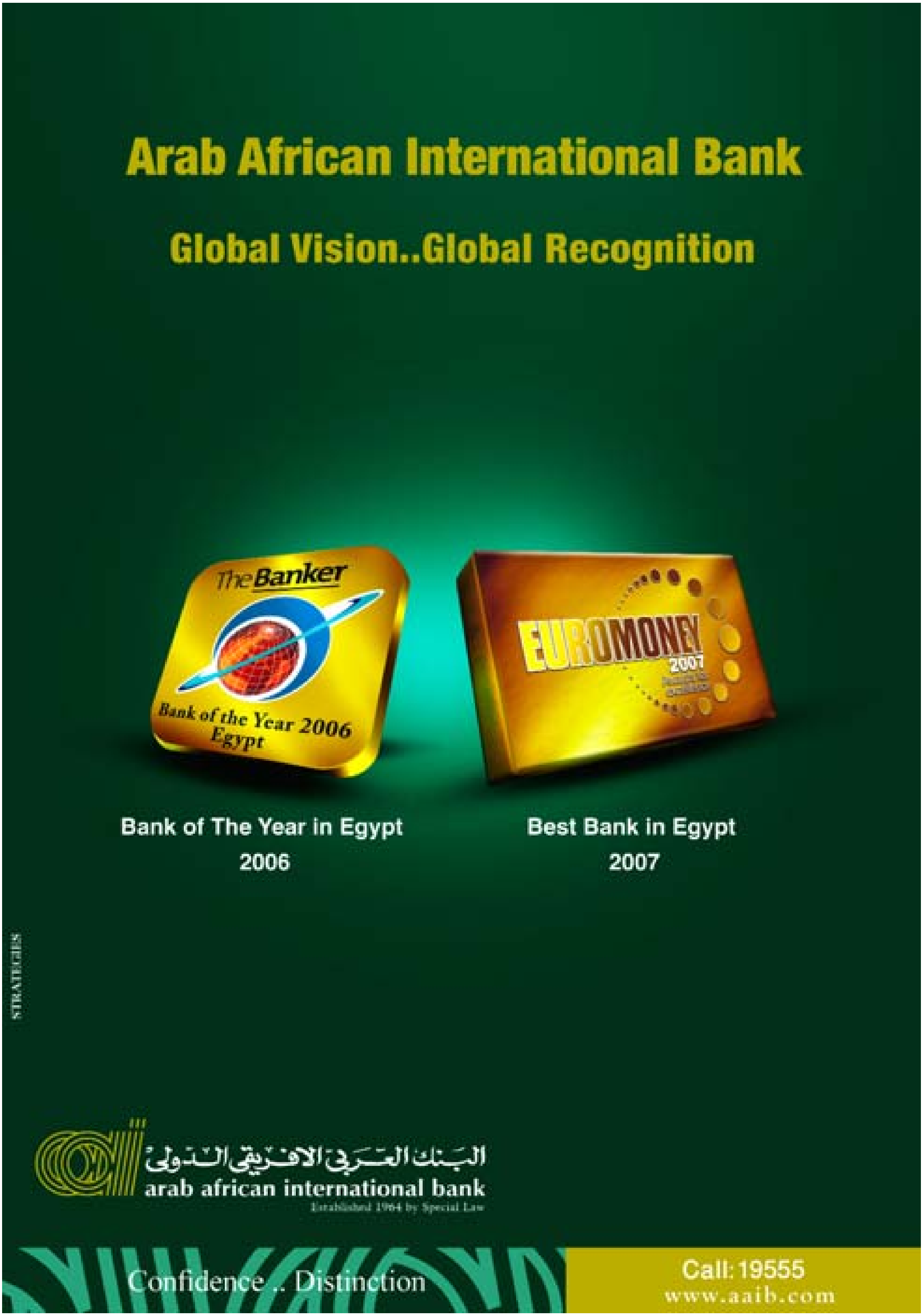
The economic reforms have left their clear mark on the financial sector, starting when President Mubarak approved a plan of mergers integrations of small banks into parent companies to open up the industry to foreign investors and to prepare for privatizations.

However, liberalization is not without its growing pains. Egypt still has high inflation and unemployment rates, and an unfavorable imbalance in trade. But the finance minister attributes high inflation to unforeseeable crises such as the avion flu, and he justifies the deficit as a necessarily byproduct of growth. He explains, "When the current account goes into deficit it means we are importing more -- and what we are importing more of is investment, raw materials, machines, and intermediate goods."

Today 28% of the capital invested in Egypt comes from foreign pockets, a percentage that Ghali would like to see rise: companies, such as private equity giant, Citadel Capital are helping to add to that number by bringing in capital from regional and international co investors.

Citadel Capital was founded in 2004 by Ahmed Heikal and Hisham El-Khazindar, with partners from the leading financial institutions EFG Hermes, Goldman Sachs and Merril Lynch. Citadel Capital is based on the premise that their insider knowledge of the local and regional scene could turn into high returns on investments.

After their initial successes, the firm was able to raise private capital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Global Vision..Global Recognition
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Bank of the Year 2006 Egypt
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from both local and gulf sources to invest in private equity in the region. Heikal explains, “The model we use is that of a special purpose vehicle. We invest 20 % using Citadel capital, and then bring along co-investors to participate with us in the various industries. Through our shareholders agreement, those shareholders give us broad freedom to manage those companies.”

At present, the company, using Egypt as a home-base, has international operations in cement, fertilizers, mining and oil up stream as well as a power distribution company for electricity, natural gas and water. They are also currently building a refinery in Egypt and a sugar company in Sudan. Heikal highlights Citadel’s success in growing the companies they purchase, which adds to Egypt’s labor force. The company now boasts over 11,000 employees.

Ahmed Heikal claims, “Our primary objective is to make money for the company and our investors. While doing that, we expand businesses and create employment and thus contributing to the growth of the economy and employing the people, which we are very proud of.”

Both Heikal and Minister Ghali have high aspirations for the future of Egyptian economy and the financial sector in general. Heikal states, “Given political stability in Egypt and the region along with a long-term oriented government, Egypt has a fantastic future. We have now an unmatched opportunity in history with the current oil-prices to use liquidity in the gulf to generate real economy.”

> We have now an unmatched opportunity in history with the current oil-prices to use liquidity in the gulf to generate real economy.”
> –***Ahmed Heikal***

However, there is still room for improvement in the blossoming economy. Heikal claims, “I know there has been a surge of FDI the last couple of years but I do believe this is still only a fraction of what Egypt could be able to attract especially within in the next four years given the liquidity we have here.”

Minister Ghali also sees room for growth, claiming “I will not be content with seven percent, although it is good. There is no reason why we cannot achieve Indian or Chinese growth rates if we put our minds to it. I think with time, we will achieve it.”

Progressive economic reforms have left quantifiable footprints on the Egyptian economy and society. The work force is more qualified and diverse than ever before, and the economy continues its steady expansion. Few deny that in spite of high inflation and unemployment rates and a trade imbalance -- the difficulties often faced by fast developing economies -- Egypt is on the right track for future growth. The new economic landscape will need to adapt and integrate within the larger framework of pressing infrastructure needs and necessary educational reforms. Meanwhile, foreign investors, eager capitalize on her massive work force, natural resources, and strategic location, continue to discover that today’s Egypt, open for business, is an exciting place to invest. ■

Kasr El Nil Bridge

AAIB THE DYNAMISM OF FINANCE

A **bank of 'firsts'** at the front of the pack

On the heels of widespread government reforms and liberalization, the banking sector is being transformed. To compete with the opening up of the sector to international competitors, financial institutions are being forced to adapt, provide new services, and to grow, both organically and through mergers and acquisitions. Arab African International Bank, established in 1964 as the first multinational bank in Egypt, has been one of the country's shining examples of an innovative financial institution.

Vice chairman and managing director, Hassan Abdalla notes that the AAIB is well-versed in transforming to the changing demands of the sector. In a sense, they have been the bank of 'firsts.' They were the first bank to issue credit cards in the 1980's, and in 2003, the first to introduce smart card technology along with Transparent and Visa Mini cards. In May of 2005, they were the first bank to implement a successful merger and acquisition within Egyptian's newly privatized banking sector, acquiring Misr America International Bank.

With activities in corporate, investment and retail banking, the bank's vice chairman is very clear about the bank's strategy. Abdalla claims, "We are steadily expanding our share corporate big tickets items and investment banking. The Egyptian economy is extremely diversified, which makes us diversified in our portfolio. We are in construction, real estate, oil and gas, tourism and food and beverage."

The AAIB currently boasts $ 3.7 billion of assets and 1000 employees, and over the past four years, the bank has demonstrated a compound average growth rate that reached 64 % in net profits and 76 % in loans. Abdalla explains, "AAIB has demonstrated consistent growth rate over the past five consecutive years that has outperformed market norms." The bank is also growing fast in retail, where Abdallah sees "untapped" growth potential. AAIB is rapidly adding outlets to their 30 existing branches, which they admit are still not enough to cater to mass retail.

To keep up with the dynamism of multinational banking, AAIB is revisiting its expansion aspirations in the Gulf, where the bank first set foot in the 1970's. They now have full-fledged operating branches in Dubai and Abu Dhabi.

A pillar in Egyptian society, AAIB proudly shows their parallel face of corporate social responsibility. Their 2005 project to renovate a wing of the Abou El-Reesh hospital has been translated into a full-fledged NGO called "We owe it to Egypt," financing healthcare and education initiatives. The bank also sponsors a contest for university students, where they are trained over a period of six to nine months by an advisory board of professionals.

Euromoney reward: "best bank of Egypt 2007"

> "AAIB no longer derives its legacy from its history, but from its current trend of growth and pioneering competence that has added further rigor to its banking heritage."
> —***Hassan Abdalla***

With a 43 year history to support it, Abdalla makes clear that the bank is looking forward. "AAIB no longer derives its legacy from its history, but from its current trend of growth and pioneering competence that has added further rigor to its banking heritage." A rigor best exemplified in being awarded 2007 Euromoney's "Best bank in Egypt," accolade for its performance in the last year. ■


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We do the Rest . . .
more services,
more customers,
more success in the future
المصرية للاتصالات
Telecom Egypt

TELECOMMUNICATIONS: A GIANT EMERGES IN THE REGION

Global Prowess, local expertise drive one of the **world's fastest growing** markets.

The IT&C sector in Egypt is expanding and evolving, spurred by market liberalization and increased competition. July 2006 saw the introduction of the sector's third mobile carrier Etisalat into the market to compete with long-established Mobinil and Vodafone. The three operators have seen impressive growth figures and have a current 21 million subscribers, while internet services subscriber rates are still proportionately low.

State-run fixed-line provider Telecom Egypt owns stakes in at least 19 subsidiaries and affiliates, including a 44.7% stake in Vodafone, and 95% of leading broadband provider TE Data. At present, investment in the telecommunications sector reaches 1 billion dollars yearly, which represents a 20% annual growth rate. Prompted by such encouraging growth, H.E. Dr. Tarek Kamel, Minister of Communications and Information Technology, explains, "Our priority is reform. We have started by introducing competition and increasing the platform for additional services, transferring technologies to customers and providing better qualities of services." But the key to future growth will also depend greatly on attracting foreign investment and building multilateral partnerships.

Dr. Kamel affirms aggressive future goals, claiming, "I would like to see the continuing development of 3G and 4G and value-added services; I would like to see the percentage of the mobile market rise from 25% to 40%, and our current number of internet subscribers, which is still very low at around 250,000, have a 20% penetration."

However, at the present moment, the country still lags in the infrastructure capacity to sustain such growth projections. National Telecommunications Regulations Authority Chairman, Hassan Badawi, describes government initiatives to lower ADSL prices, develop buildings to provide more landlines, and to provide higher-speed lines for buildings in which many neighbors are forced to share one line.

The Smart Village in close proximity to Cairo is an ideal location for high tech companies.

In a sector previously dominated by two mobile phone operators, Etisalat's 2006 entry has caused an upsurge of competition, encapsulated by a frenzied media campaign advertizing new 3G services. The UAE/Egyptian consortium's entry has induced the two existing operators to diversify their market activities, and has seen their subscriber numbers rise.

While the industry's growth rate of around 23% is high, this is due, in part, to a very low 25% overall penetration.

Mobinil, part-owned by Orange and Orascom Telecom, was introduced in 1996 and was joined two years later by Vodafone. Leading the market in number of subscribers, Mobinil has 11.5 of the market's 21 million customers, (which has grown from 83,000 in 1998) while Vodafone is leader in per/customer revenue.

Commenting on its number one position, Mobinil CEO Alex Shalaby claims, "We are not alone in the pack. Fortunately, we are the market leader and have been so for the past nine years. We make every effort to maintain this position." A position that Mobinil seems intent on preserving as they have announced their plans in July to buy a 3G license, already held by both competitors, for around 650 million dollars.

While increased competitiveness in the market is benefitting business in Egypt, Dr. Kamel also notes the sector is experiencing some growing pains in finding the niche for a third operator among two such well-established companies. ■

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 56 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.

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ORASCOM TELECOM'S NAGUIB SAWIRIS

Revolutionizing the industry, this **telecom pioneer** is surprisingly unchanged

Shrewd, ambitious, ethical, religious, family man, risk-taker, workaholic, and philanthropist: these are just some of the adjectives that have been used to describe Egyptian entrepreneur Naguib Sawiris, who has been profiled by Forbes in their 2006 World's Richest People edition. He is estimated at 10 billion dollars.

Naguib Sawiris stands at the helm of Orascom Telecom (OTH), the largest capitalized company on the Cairo and Alexandria Stock Exchange. Mobinil, Egypt's number one mobile operator since its inception in 1998, was the company's first of several telecommunications operations: OTH is also leading mobile telecommunications company operating in seven emerging markets in the Middle East, Africa and South Asia.

"I think the secret is that we identified the opportunities in risky emerging markets earlier than others," "Definitely. We never project figures that we don't think we are going to achieve. We take that very seriously."
–Naguib Sawiris

Known for his risky ventures in emerging markets, Sawiris has pioneered a business strategy prefaced on delving into areas of great risk, such as Pakistan, Algeria Tunisia and Iraq. "I think the secret is that we identified the opportunities in risky emerging markets earlier than others," he claims.

While Sawiris admits that opportunities in emerging markets are dwindling, he does not foresee forfeiting his foothold in this territory, as is evidenced by OTH's plans to expand operations into Brazil. Sawiris explains, "It is an emerging market with 180 million people where penetration, at 50%, is still relatively low. We know these markets very well and there is room for us as a third player."

Naguib Sawiris,
Chairman Orascom Telecom

Brazil aside, 2007 also sees a company strategy moving away from emerging markets into well-established ones, as shown by OTH's holding company, Weather Investments S.P.A.'s $12 billion purchase of a controlling stake in Italian mobile and fixed-line phone operator Wind Telecommunicazioni in 2005 and Greece's TIM Hellas (now Wind Hellas) in 2007.

Sawiris claims of the ventures, "Because of the growth we've had, we are able to use our synergies and the fact that we are one of the world's largest buyers of mobile equipment to optimize, more than others, on our cost structure the prices of our equipment. We can bring these synergies to Europe, as proven in Wind, and hopefully can be proven in Wind Hellas."

Regardless of how Sawiris' European ventures develop, the niche he has carved out as telecom world powerhouse is undeniable, as evidenced by the media-frenzy developed around rumors that Weather Investments would soon go public.

He attributes his success to character, claiming, "I have not changed from who I was when I started," as well as a rigorous work schedule: his day starts at 6:30, and besides a daily power nap, ends around 11. "I think the key is that I have more hours than anybody else." Ending philosophically, Sawiris reflects, "If you want to remain human, you should not change. If you think that business and money will change your character, then you become a pseudo-person."

Shifting the focus back to his business-side, when asked if Orascom Telecom would reach the 70 million subscribers worldwide that they anticipate this year, Sawiris answers with the cool confidence that is his trademark, "Definitely. We never project figures that we don't think we are going to achieve. We take that very seriously." ■

TELECOM EGYPT: UNPARALLELED CONVICTION

Akil Beshir awakens Egypt's **"Sleeping Giant"**

Brought in as Telecom Egypt Chairman in 2000 after a long career in the private sector, Akil Beshir has been accredited with waking Egypt's "sleeping giant." In just seven years, he has stream-lined, diversified, and made customer-friendly a once over-bloated state-owned company. As Egypt's sole fixed-line operator, Telecom Egypt has experienced growth in an age where fix-line operators typically see their profits fall as the public switches to mobile services.

The keys to Telecom Egypt's successes are attributed to a number of market and personal-related factors. The current economic boom in Egypt has created a demand for fixed-line services, especially in regard to its essential role in providing infrastructure for a growing mobile phone market. But Beshir and his efforts in restructuring the human resources and marketing departments must also be attributed their due credit. Beshir explains, "We have changed from selling lines and selling connectivity to selling solutions. We have empowered our marketing division and our key account managers now tailor solutions to big customers."

Along with internal reorganization, Beshir lists five fundamental growth drivers for his state-run company, the sole fixed-line provider in Egypt, which include increased market penetration, tariff rebalancing, broadband growth, geographic and cross-industry expansion, and both direct and indirect involvement in mobile services, an industry currently sky-rocketing in Egypt.

For the first time, Telecom Egypt has seen expansion into other areas, such as Jordan and Algeria, and Beshir notes plans to jump on future expansion opportunities.

Akil Beshir, Chairman of Egypt Telecom

"We have changed from selling lines and selling connectivity to selling solutions. We have empowered our marketing division and our key account managers now tailor solutions to big customers."
–Akil Beshir

The company has also started developing projects outside of its regular domain such as building sub-marine fibre cables to Suez, Alexandria and Europe. The plan considers the advantageous geographic location of Egypt, which Beshir classifies as "the most stable country in the whole region," as intermediary to absorb the current internet boom in Asia as it passes through to Europe and the US.

The growth of the mobile market in Egypt is probably the highest in the world, expanding at a rate of 56%. In the mobile arena, Telecom Egypt benefits as wholesaler of the infrastructure all mobile providers need to operate, especially with the recent introduction of Egypt's 3rd mobile provider, Etisalat to the market. To absorb the new traffic, Telecom Egypt upgraded their transmission network, which resulted in a proportionate increase in wholesale revenues, from 20% in 2005 to 30% in 2006. With swelling mobile activity, the country's only fixed-line operator also benefits heavily from interconnectivity, calls between mobile phones and fixed-lines.

Equally importantly, Telecom Egypt gains from its strategic role as 44.7% shareholder in Vodafone, where they collaborate with the mobile operator in offering special services to subscribers, including broadband service to Vodafone customers. Beshir claims that due to this synergy, "last year we were expected to have a 3 or 4 % increase in revenues, and we actually had 11%."

Beshir adds, "Although we have problems, such as a relatively-low 15% penetration, we have successful indicators of a bright future. The point that I stress to investors is that we DO have a growth story as well as a value story." ■

EGYPTIAN INDUSTRY KNOCKS AT EUROPE'S FRONT DOOR

FDI soars, Regional investment key

Foreign Direct Investment is often used as a barometer for a developing economy's success. The 2006 fiscal year saw an unprecedented 6.1 billion dollars of FDI in Egypt, tripling that of two fiscal years earlier. However, most striking has been the redistribution of FDI amongst various industrial sectors. Where previously the majority of investment was concentrated in oil and gas, 2006 saw a new demographic model unfold, with 28 % of FDI directed towards industry.

According to Amr I. Abdel Azim, Vice Chairman of The General Authority for Investment and Free Zones (GAFI), the primary governmental regulator and facilitator of investment, "The good thing about our observations this fiscal year is that the majority of our FDI consists of green field operations and the sale of public assets. Oil and gas is a very important sector for us but is no longer the predominant one. This is a very positive sign for diversified investments in Egypt."

Egyptian textiles continue upward trend.

As companies discover the benefits of investing in Egypt, which, as Farida Khamis, Vice President of Oriental Weavers explains, "offers an prime international location, low prices for energy and labor, and encouraging government strategies," many also are coming to share Egyptian textile giant Alaa Arafa's vision of Egypt as "the warehouse of Europe."

This paradigm holds true in regard to textiles. Dr. Eng Nader Riad, President and CEO of Bavaria, a company that produces fire extinguishers, reflects, "When Egypt was part of the British domain, it was a very big name in textiles. Now textiles in Egypt are continuing their upward trend and are becoming an international brand name. You see a similar pattern with the ceramics and building industries, as well as growth in the engineering and agricultural industries."

However, Riad is not content with stopping at regional success, as reflected by his own company's international achievements. He says, "Competing in Europe is a more complicated second stage of development, meaning success has to be developed into a higher phase."

The Bavaria CEO highlights several areas of progress that are helping bring Egypt to that higher-level: improvements in the quality of human resources, ratification of company laws-intellectual property right laws in particular-and increases in foreign direct investment, especially in the pharmaceutical and in chemical industries. Raid explains, "All of this, compounded, is bringing Egypt closer to the international economy."

It would appear the March signing of the EU Neighborhood Policy Plan, which promotes trade, development and social initiatives between Egypt and Europe, is another important stepping-stone towards international competitiveness. Riad reflects optimistically on the plan claiming, "We are prepared to develop this relationship into a partnership having multiple stages and enhancing the value of what the Egyptian economy has to offer at every stage."

As metaphors referencing Egypt abound-Arafa's "warehouse," or Riad's own, "backyard of Europe"-many expect that Egypt will soon eclipse South Africa as the recipient of the largest amount of FDI in Africa and the Middle East, signaling a great triumph for this burgeoning industrial player. ■

ORASCOM CONSTRUCTION

Constant renovation, agile strategy cement Group's position

Those not familiar with Orascom Construction Industries (OCI) may expect a fairly straight-forward construction company. Instead, one finds an extremely diversified group, which is the leading cement producer in the Middle East, and is currently expanding into the natural gas market. At its helm is Egyptian entrepreneur Nassef Sawiris, Director and the Chief Executive Officer of OCI since its incorporation in 1998. Sawiris, a self-acclaimed risk-taker, prides himself on his Group's ability to navigate difficult environments and to churn out impressive growth figures despite being active in risky markets.

The company, principally divided between cement production, and construction services, employs over 40,000 people, and declared almost 3 billion dollars in revenue, representing 47% revenue growth in 2006. As cement producer, OCI own and operate plants in Egypt, Algeria, Turkey, Pakistan, northern Iraq and Spain, with a combined 2006 production capacity of 21 million tones, and a projected additional 10 million ton capacity for 2007.

Egyptian Cement Company Plant in Ain Sokhna.

As a contractor, OCI is active in over 100 projects, providing engineering procurement and construction services on large, industrial, commercial, water/sewage, transportation, telecommunications, maritime, tourism and railway projects, principally in Europe, Middle East, Africa and Central Asia.

The philosophy of the Group is one of constant renovation, mostly in emerging markets. Sawiris explains, "we've reinvented the company three times already, and I think Orascom Construction Industries will be a different company again in five years."

One of the Group's initial transformations was from construction business to cement company. Director of project development, Hassan Badrawi explains, "80% of our cash flow currently comes from cement." He also explains that the group thrives in the cement business despite overcapacity in areas like Pakistan through hedging their activities in multiple markets simultaneously, which enables them to absorb such fluctuations.

Nassef Sawiris, CEO ORASCOM

The next shift on the horizon has OCI expanding their portfolio into natural gas, which Sawiris sees as the next main area for growth potential. OCI is investing in Egyptian Basic Industries and in two Nigeria-based projects for ammonia and urea, products integral to exportable natural gas. Sawiris predicts great potential in this area because he believes that a great deal of the capacity in Europe and the US will be revisited within the coming five-ten years. Badrawi adds with confidence, "three years from now, we will be one of the largest fertilizer or natural gas industries in the world."

Despite initiatives to reinvent, the company has no plans to loosen its grip on the cement and construction markets it currently dominates. Sawiris foresees a bright future for the Company, driven by both modern financial schemes, such as mortgages, which are a significant driver of economic growth, and favorable policies by a government bent on liberalizing the country. He claims, "Egypt has seen major growth in infrastructure spending by the government, which is very positive for the industry. There are more power stations, increased investments in roads, the metro, airports, and water and sewage facilities. In this sense, infrastructure will be a key opportunity for us to augment our construction business." ■

ENERGY: FROM SUBSIDIES TO SURPLUSES

In 2004 Egypt began introducing economic reforms intended to increase trade, facilitate doing business, and promote growth. Perhaps nowhere else have these reforms left their mark as on the energy industry. Whereas before, Egypt's natural reserves were used mainly for heavily-subsidized local consumption, the opening of the market has brought a slew of international companies to the table, generating unprecedented revenue and priming the once-closed sector for export abroad.

Gas production has quickly become one of Egypt's booming markets, and today international companies, such as ENI, BG Group, RWE, BP and Shell, dominate Egypt's gas ventures. In January 2007, gas reserves amounted to 68.5 trillion cubic feet, and an additional 100-125 trillion undiscovered cubic feet are projected by the Ministry. While oil reserves dwindle worldwide, Egypt is promoting itself as a new player in gas, as well as exporter of Liquid Natural Gas.

Petroleum Minister Eng. Sameh Fahmy reflects that in the past few years, Egypt has made several gas discoveries, and 133 agreements and amendments to existing agreements have been signed. Gas exports started in Egypt in July 2003 with the completion of the first stage of the Arab Gas Pipeline, from Egypt to Jordan. The project is now undergoing completion of its third phase through Syria,

H.E. Eng. Sameh Fahmy, Minister of Petroleum

Diverse sector, **new opportunities** welcome investors

which will not only flow gas to Syria and Lebanon but also close in on the crucial European market, through Turkey. The government states an ambitious plan to extend the natural gas network to more parts of the country and an additional six million customers within the next six years.

Minister Fahmy accredits Egypt's success in attracting investors to her favorable investment environment, considered the most open in the region. He contrasts the situation in Egypt with that in Libya and Algeria, Egypt's regional competitors where state companies impose debilitating restrictions on international companies.

Knowing that investors panic in the face of state meddling, the government is making efforts to provide favorable investment circumstances, starting with the 2004 50% corporate tax cuts, and now in the form of contract renegotiations. Eng. Shamel Hamdy, first undersecretary at the Petroleum Ministry adds, "We are trying to help these companies if they can prove to us that the expenses of operating in Egypt are too high. If this is proven, as was with BP, we have agreed to gradually accept the higher price of up to 4 dollars after production." The price in Egypt for local sales had been capped at around 2.65 dollars/m Btw, considerably lower than international market prices.

While the ministry is making steps to help cushion the burden of high off-shore drilling costs, the issue of government energy subsidies, a keystone of energy policy for the past 15 years, still encumbers the Ministry and the country. However, this issue is what the often-controversial Ministry is now seeking to phase out.

Mubarak 2 Gas &Petrochemical Complex.

Hamdy explains, "The issue of our high subsidies, which was around 7.7 billion dollars this year, represents a tremendous state burden. We started to address this issue two years ago by moving some local prices, because they had been fixed for 15 years."

The Ministry wants to redirect funds previously allocated for subsidies towards education, health care and other social initiatives for the country's poor. Until a survey to identify Egypt's most-needy is completed in a few years, small steps to move the prices will be taken. Hamdy claims, "We will not make the mistake of stopping again. If we had taken these steps in the past 15 years, we would not be in the situation we are in right now."

Hamdy also anticipates the new subsidy policies to come as welcome news to international firms with a staked interest in the Egyptian energy market. The Undersecretary explains that a rise in prices will be looked favorably upon by the gas companies, which will sell internally to Egypt's market of 75 million, instead of exporting to more competitive markets. He reiterates that these changes will benefit Egypt. "The problem is that within Egypt this gas is needed for development-especially within the Electricity Industry Ministries. They want to have more factories here in Egypt to employ more people."

Another area in which Egypt is excelling is in Liquid Natural Gas, where it stands as the 6th largest exporter in the world, mainly to the US, Spain, France, India, the UK Japan, and Italy. First discovered in the late nineties, Egypt has raced to build up its capacities, which include the SEGAS train, one of the largest gas-liquefaction units in the world, producing 4.8 million tons of LNG per year.

Pushing ahead with expansion, the ministry has laid down the framework to create a new plant in Tabitha by the end of this year, the country's fourth. Minister

> "Over the next five years, we hope to lift national production to 100 million tons per year."
> —*Eng. Shamel Hamdy*

Fahmy notes how Egypt's six years from discovery to export has set a new standard for the execution of LNG projects, providing Egypt with foreign-currency revenues, direct and indirect employment, technology and reliable infrastructure for gas export.

Oil reserves are depleting across the globe, and this paradigm holds true for Egypt, where mature fields have seen production for the last 40 to 50 years. However, Fahmy counters negative forecasts citing that new reserves have recently been detected in the Mediterranean, the Nile Delta and western Desert. Claiming important infrastructure needs, the Ministry has recently signed international contracts for two new refineries in Sokhkna (Suez), a project on the Mediterranean coast, and a third adding units to a refinery outside Cairo. Speaking with E&P Magazine, he states, "Over the next five years, we hope to lift national production to 100 million tons per year."

Record gas discoveries, where reserves have risen more than 700 percent, from 8.4 trillion cubic feet to 68.5 trillion cubic feet in the past twenty years, is carving Egypt's niche as a diverse energy player. Hamdy reflects on the 2006 fiscal year, claiming," This year has been one of the best in the last ten to twenty years. With the new discoveries, we will have to translate these new reserves into more production, which is what we will do very quickly." ■

Idku LNG Plant

EGAS: PAVING THE WAY FOR NATURAL EGYPT'S GAS SHIFT

New demand spurns infrastructure investment

State-owned Egyptian Natural Gas Holding Company, (EGAS) was established in August 2001 to manage Egypt's natural gas resources, at that time a budding market. The company oversees production sharing agreements between the government and concessionaires to encourage international investment and exploration, as well as mediates bidding rounds for exploration, develops LNG projects, and promotes gas utilization in the local market.

EGAS is working in conjunction with the Ministry of Petroleum to establish a robust natural gas industry to achieve sustainable growth, as well as secure surpluses for international export. For environmental and practical reasons, natural gas is being developed to compensate and eventually displace imported liquid fuels such as diesel and LPG. This year, natural gas consumption has reached 50% of Egypt 's hydrocarbon consumption, and several industries, such as the electricity and fertilizer sector are main consumers of natural gas.

The Petroleum Ministry is setting ambitious plans to both explore for new gas reserves, as well as to provide the necessary infrastructure to bring natural gas to local consumers as an alternative energy source.

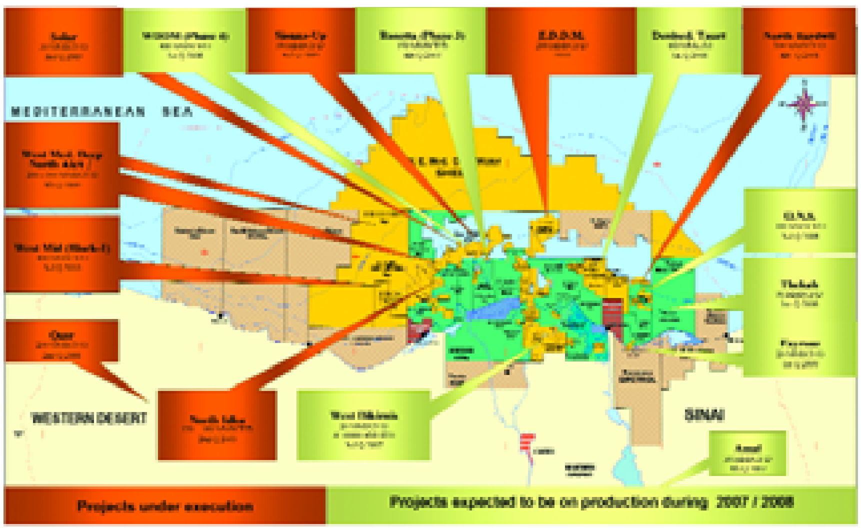
Regarding the future of the industry, according to current production, Egypt reserves should last around 35 years. In the past six years, around 133 new agreements and modifications were signed, with total investments exceeding $6 billion.

During 2006/2007, EGAS has made 19 concession agreements with international companies, including the most recent round of bidding to explore for gas and crude oil in the Nile Delta, North Sinai, and Mediterranean Sea.

As natural gas consumption grows, the need for infrastructure grows with it. Aside from new exploration facilities, a pressing need is sparking the expansion of gas grids in order to promote the business, increase FDI, and bring the product to more local consumers, which account for only 2% of domestic gas consumption. Aside from adding new distribution areas, the number of local distribution companies has risen to 11 to help facilitate an ambitious plan six-year plan to increase the June 2007 number of 2.51 million consumers to 6 million.

Industry is also shifting its energy needs towards natural gas, using 367.8 BCF in 2006/2007 as opposed to 333.5 BCF during 2005/2006, which represents 28% of Egypt's total gas consumption. Electricity, the largest gas consumer, represents 56%. Natural gas has shown an approximate growth rate of 8% in domestic market, as well as creeping into the NGV industry with about 81,000 converted cars and 114 natural gas filling stations to date representing about 10% increase from previous year.

Gas Development Projects



The expected additional quantities in daily production rate due to the new development projects during year 2007 / 2008 is 1250 MMSCF/D

While the ministry together with EGAS digs out a foothold for natural gas in the Egyptian market–gas discoveries are hitting record levels with reserves at 72.3 trillion cubic feet– it is also proving to be a revenue provider for the state, boasting export projects that have seen Egypt rapidly ascend to 6th largest LNG exporter in the world. Among the export projects in operation are the Arab Gas Pipeline, the Mubarak Gas &Petrochemical Complex at Damietta, operating one of the largest gas-liquefying units in the world, and the LNG Project at Idku. The Ministry has also laid down the framework to create a new plant in Tabitha by the end of this year. ■

SHERIF ISMAIL, CHAIRMAN OF EGAS

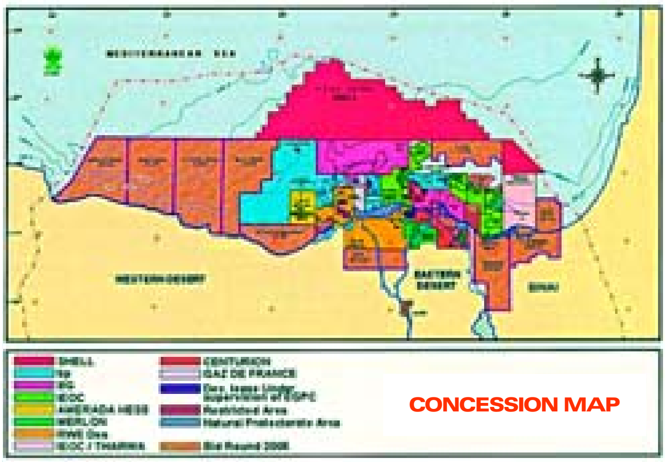
"PAST SUCCESSES LAY THE FOUNDATION FOR A BRIGHT FUTURE."

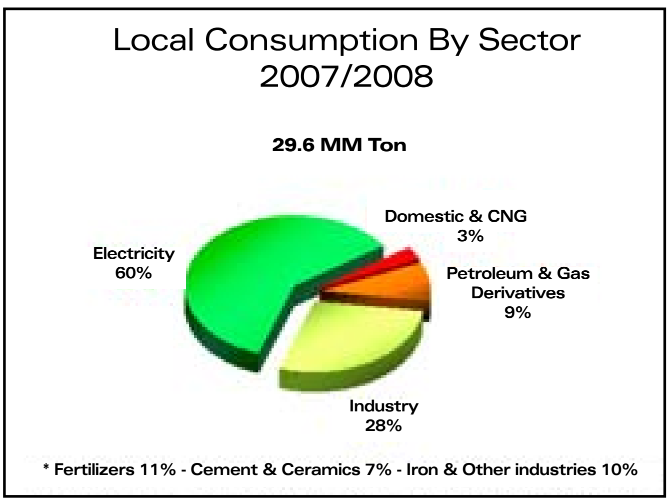
A keystone to EGAS's activities was the completion, in late 2004, of the Egypt's first LNG facility, which first exported cargo from Damietta to Huelva, Spain in January 2005. The entire process, from discovery to export, took only six years, and the Damietta complex now functions exporting 5.5 million t/yr of LNG to Spain and Europe.

The SEGAS train is one of the single largest gas-liquefaction units in operation worldwide and represents a international collaboration in which the operating company, SEGAS, is controlled by Spain's Union Fenosa in conjunction with Italy's Eni (80%), and EGAS and another state-owned company, Egyptian General Petroleum Corporation (EGPC) each own 10%.

The success of the joint venture has seen Eni and their partners declare their intent to invest $12 billion over the next five years in Egypt, marking the project as a triumph for EGAS in realizing their investment procurement objectives.

EGAS Chairman Eng. Sherif Ismail attributes the Italian company's interest to many factors, including Egypt's long-standing potential for oil and gas production, its 100 years of involvement in the business, a good infrastructure of gas grids, crude oil network, and products network, and a growing local market for consumption. He also highlights Egypt's advantageous proximity to the international markets of Europe, the US, and Far East, which add to investment appeal.





Referring to recent contract renegotiations with British Petroleum, where the Ministry of Petroleum agreed to raise their previously-capped prices due to an upswing in off-shore drilling costs, Ismail adds, "I would also like to state that despite her history of capping gas prices, Egypt has a very good relationship with the companies doing business here, because we realize the importance of maintaining a competitive package."

Additionally, Ismail cites Petroleum Ministry studies that project undiscovered amounts of natural gas and crude oil of around 90-120 trillion cubic feet as adding to the overall package.

On the heels of the success at Damietta, Ismail wants to see the company more fully integrated in the entire value chain-"in the transportation, the re-gas, and the downstream market," as well as move towards shorter-term production contracts and spot cargos. As Egypt sees the construction of more gas terminals and the market becomes more flexible, the EGAS chairman sees the need to evolve from long-term contracts for 100% of production to shorter contracts for a smaller percentage, which would enable the company to reserve the rest for spot cargoes. He explains, "In this case, you would be able to optimize your reserves, by getting the best price possible, which would enhance your portfolio. This is good for both sides, as consumers often want to be able to buy from different producers."

Regarding the future of the industry, he states, "Theoretically, our reserves should last around 35 years. The most important thing is that we are signing new agreements. In the past six years, we have signed around 133 new agreements and modifications, with total investments of around $6 billion." ■

Building Better Towns

An Egyptian company with an international team of industry experts, Orascom Hotels and Development is seeing unprecedented company expansion and growth in property values worldwide.

OHD's Flagship Project: Samih Sawiris—founder and chairman of OHD, the region's leading developer of fully comprehensive luxury destinations—initially sought to build a vacation home for himself. After finding the ideal spot on a stretch of the beautiful Red Sea coast, he soon realized the untapped potential of the area. Capitalizing on the demand for waterfront living in a protected environment, Sawiris eventually secured 37.8 million square metres of land along 10 km of prime Red Sea beachfront.

Sixteen years later, Sawiris' small waterfront home and boat jetty has evolved into a bustling town, fully functional with all the amenities of any other city. Home to 10,000 international residents, the town boasts 14 hotels, a marina, a golf course, three educational institutions, a European-standard hospital, church, mosque, and its own football club. El Gouna has proven to be a favorite destination for holiday tourism. Undoubtedly, it is the town's accessibility (only 22 km from Hurghada International Airport) and year-round sunshine that primarily attracts travelers, but the full range of leisure activities and sporting options close the deal.

OHD towns are known to be self-sufficient, offering all the facilities, services, and activities for an ideal family vacation, first-class business event, or permanent living. El Gouna offers over 100 restaurants, bars and eateries, traditional shopping arcades, brand-name boutiques, city-wide transportation, nine certified dive centres, five kitesurfing centres, public beaches, a horseback and camel riding school, go-kart circuit, desert safaris, and pretty much any other imaginable amenity.

Going Global: "El Gouna has been a learning process for us," says Sawiris. "We've made our mistakes and learned from them. That has made us all the more prudent in other projects we've taken up." The lessons have paid off, and now the company fuses legendary Egyptian hospitality with local traditions and international luxuries to create some of the best destinations in the world. The results have prompted invitations by foreign governments to explore development projects within their borders and today the company has an active pipeline of ambitious projects in seven countries. OHD's portfolio of over 118 million square meters of land includes five projects in Egypt, Tala Bay in Jordan, The Cove at Ras El Khaimah in the U.A.E, four projects in Oman, a joint project with Club Med in Mauritius, an alpine resort in Switzerland, and a new development in the Kingdom of Morocco.

Quality, Quality, Quality: In keeping with Sawiris' objective to provide comprehensive, first-class tourism services, OHD destinations house the world's top names in hotel management including InterContinental, Marriott, Mövenpick, and Hyatt. Big names are also favored for the aesthetics of the towns. El Gouna's five distinct architectural styles (Nubian, Mediterranean, Golf, Hill, and Marina) were created by a talented pool of original designers. These include Michael Graves, responsible for the Golf villas and several hotels, and Alfredo Freda, who designed the Tuscany-styled Hill villas and picturesque Yemeni-inspired Harbor Town. The renowned Michael Gathy firm is currently designing luxury suites for OHD's impressive Al Soda Island project off the shores of Oman.

Responsible Development: OHD takes pride in its efforts for environmental preservation by practicing responsible development. In accordance with Sawiris' personal commitment to protecting the natural area, towns are created with the best practices for recycling and safeguards. "The environment is a very expensive thing to maintain, but it pays off," says Sawiris. "I don't believe it's right to develop land without regard for the environment, and it's not fair to ruin it for the next generations. Our clients are people who appreciate the effort we make and are willing to pay the price to enjoy a healthy environment." Success in this area has garnered the company much respect and international recognition along with support from governments in areas where OHD has embarked upon its signature style projects.

On Being a Multinational: Beyond building towns, OHD has engaged in many partnerships, such as an exclusive deal with Club Med to develop residential areas around all Club Med hotels, allowing homeowners to live the Club Med lifestyle. By developing the tourism infrastructure, as well as strengthening ties within the industry, OHD is taking more and more of a leading role in luxury development and vacation paradises. With an international team of experts, OHD has experienced a surge in profits and sales along with its international recognition as a leading developer of tourist destinations. Recent expansions are paving the way to OHD's goal of multinational status, though Sawiris continues to hold himself to the highest standards. "I believe that to be considered a multinational company, at least 60-70% of our profits have to be generated by our non-Egyptian projects. We haven't reached that stage yet." But if the company's past is at all indicative of its future, it won't take long to get there.

EXPLORING EGYPT: MIND TREASURE FOR TRAVELERS

Cultural diversity and luxury surf & turf main draw for visitors

A short fight from most European capitals, Egypt is one of the world's most sought-out travel destinations. Each visit holds a new wealth of options to explore once weekends in Cairo and cruising along the Nile have been ticked off the list. Luxor, the sight of the famous Karnak Temple, the lush Sinai peninsula with its sandy beaches, Alexandria 'the pearl of the Mediterranean', and so many quaint towns beckon travelers with the promise of discovery and unforgettable mind treasure.

While cultural heritage has long been the crux of Egyptian tourism, the past two decades have seen the country emerge as an undisputed destination for

those who covet true luxury surf and turf. Red Sea coastal towns such as Sharm el Sheikh, Dahab, El Gouna and Hurghada are a main draw. Premier diving, golf and world-class resorts cultivate new and returning visitors year-round. With over 2450 km of coast-line divided between the Mediterranean and Red sea, Egypt is an obvious alternative to many of today's over-saturated European seaside resorts.

Founder and owner of HKS Group, Hussein Salem, describes the Red Sea development boom, "I knew back in 1988 that Sharm el Skeikh was going to be the international sun and bathing hot spot."

Hussein Salem, founder and owner of HKS Group

Cultivating a new wave of investors.

Despite impressive growth, Tourism Minister H.E, Mohammed Zoheir Garranah would like to see the industry further developed. He explains "we are talking about 9.1 million people visiting the country creating 1.8 million jobs and revenues of $7.6 billion. But, compared to what Egypt has to offer, I think this number is still very limited." Pushing ahead into the residential tourism niche, with Egyptian and Gulf developers, Garranah has proposed a sales target of 10,000 properties per year, cultivating a new wave of investors. ■

SAVOY Sharm El Sheikh

EGYPT'S FAMOUS HOLIDAY DESTINATION

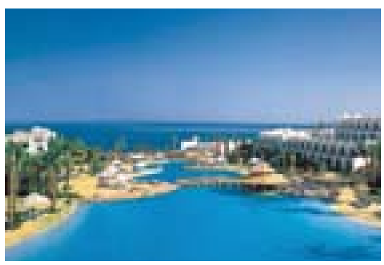
SHARM EL SHEIKH, A TRUE PARADISE FOR THOSE WHO LOVE NATURE AND WATER SPORTS.

With Chairman Emad Aziz at its creative helm, Savoy Hotels and Resorts International cater to excellence and award-winning experience. Situated within the world-famous Ras Mohamed National Park in Sharm el Sheik, the philosophy of the Sharm el Sheik deluxe hotel group is, according to Aziz, to provide 100% customer satisfaction, and to make you feel more than looked-after so you want to return."

Each of the three resorts under the Savoy umbrella boast a unique philosophy and design. The four/five star, 300-room Savoy Sierra offers an all-inclusive concept, and customer-driven service.

The five-star luxury Savoy, with its premier Royal Savoy "club wing," is comprised of 408 units, and a multi-tiered network of outdoor patios and cafes, overlooking seven private swimming pools. The decor is modern and pristine, and the resort also offers private beach with sporting and diving facilities.

Rounding out the Savoy chain are the nine Royal Savoy Villas, comprised of 40 rooms, and directed by a



world-class staff. The nine fully-equipped villas each embrace an Egypt-based theme, from Aswan to Queen Cleopatra. Each villa comes chock-full of perks, including imported furniture and antiquities, plasma TVs, manicured gardens, and private swimming pools and beaches.

Despite winning the 2006 World Travel Awards' "Egypt's Leading Resort" and "Middle East Leading Villa," Aziz is pushing on with expansive plans. "We are now building a new complete city centre with 50 units, an ice skating hall with ice- bar and glass walls, a culture centre showing 3D-shows, a bowling hall and a proper English pub."


"When It Comes to Dreams,
you May as Well Have Big Ones".
MARITIM
jolie ville
Resorts