



BELTONE EGYPT NEWS

25 March 2008

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Market Wrap-up | Market Sees Slight Rise

Yesterday, the Egyptian stock market experienced a slight rise, trading on a modest turnover of E£1.8 billion (US\$328 million). The CASE30 Index gained 0.1% to close at 10,905.02 points. Retail investors comprised the bulk of the market, accounting for 58% and emerging as net buyers. Institutions, on the other hand, accounted for the remaining 42% of volumes, emerging as sellers. Local trading comprised 78% of the market yesterday, compared to 22% for foreign and Arab trading. Foreign investors were seen as sellers, while Arab investors emerged as buyers.

South Delta Flour Mills outperformed the market, to become one of the best performing stocks, surging by 5.0% to E£57.97. Meanwhile, other shares in the mills sector, reversed tracks to top the worst performers' list. North Cairo Mills lost 9.2% of its share value to E£43.92 and East Delta Flour Mills moved downwards by 9.1% to E£41.42. Cement Qena was one of the top performers in the session, gaining 5% to reach E£80.51.

Cairo Housing was the only positive mover in the housing and real estate sector, rising by 4.4% to E£29.75. Nasr City Housing, on the other hand, slipped by 1.6% to close at E£67.31.

National Société Général Bank (NSGB) and Export Development Bank of Egypt (EDBE) were the only positive performers in the banking sector. NSGB went up by 2.4% to E£43.59 and EDBE gained 1.2% to E£27.53. Meanwhile, Sunday's top performers, Suez Canal Bank and Crédit Agricole Egypt scored the biggest losses yesterday amongst the banks, falling by 3.4% and 3.2%, respectively. Suez Canal Bank closed at E£35.09 and Crédit Agricole Egypt reached E£22.02.

Orascom Telecom emerged as the only positive mover in the telecoms sector for the second day in a row, moving up, by 0.9%, to E£74.11. Meanwhile, the Egyptian Company for Mobile Services (Mobinil) lost 3.7% to E£196.38.

All the textiles shares closed on a negative note yesterday except for Arab Polivara Spinning and Weaving, which gained 1.1% to E£8.54. El Nasr Clothes and Textiles (KABO) slid by 1.1% to E£2.72. Arafa Holding shares moved downwards by 0.6% to US\$1.68 and Arabia Cotton Ginning slipped by 0.8% to E£9.61.

Corporate Highlights

Orascom Development Holding (ODH), a newly established Swiss-incorporated company, is to make a tender offer to acquire 100% of **Orascom Hotels and Development (OHD)** (share price: E£89.88, earnings per share FY07e: E£1.85) with a minimum of 51%. *Al Mal* and *Al Alam Al Youm* newspapers reported, citing an announcement by the company, with the aim of listing on the Swiss Stock Exchange and subsequently on the Cairo and Alexandria Stock Exchanges. ODH will offer OHD shareholders three options. The first is a share swap option at a ratio of 10:1 (one ODH share for every ten OHD shares). The second option to investors is to sell OHD stocks for cash, at a price of E£78.49 per share, which is equivalent to the six-month trailing average. Investors will have a third option not to accept either offer and remain shareholders in OHD. It is widely expected that the Sawiris family, who collectively own 62% of OHD, will opt for the swap, according to the news reports. ODH will be listed on the Swiss Stock Exchange. ODH will also be listed on the Cairo and Alexandria Stock Exchanges. There is no intention to de-list OHD – it shall remain a listed company on the Cairo and Alexandria Stock Exchanges. The timing of the offering has yet to be officially announced but is expected to take place imminently. Swiss-based **UBS** is acting as sole financial adviser on the listing on the Swiss Stock Exchange and Egypt-based **Beltone Investment Banking** is acting as sole adviser on the listing on the Cairo and Alexandria Stock Exchanges. OHD's historical financial accounts have been restated in accordance with IFRS standards, in order to comply with the requirements of the Swiss Stock Exchange.

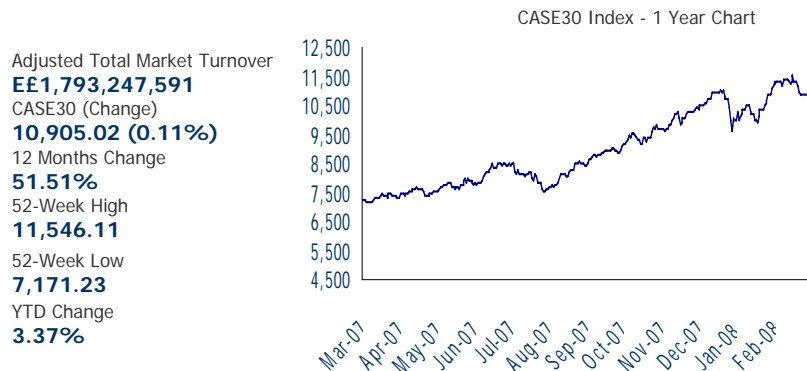
Olympic Group (OG) (share price: E£75.43, earnings per share FY08e: E£4.61) sent a release to the CASE, clarifying that the logistics company (OCL) would be established by Namaa, its real estate subsidiary, and not by OG. OCL will be 88.75% owned by Namaa and will engage in logistics, warehousing and distribution activities. It should be noted that Namaa is to be spun off from OG during Q3 2008.

Arab African International Bank (AAIB) (share price: US\$2.21, earnings per share FY07: US\$6.35) released full financial statements to end December 2007. Net profit increased by 72% to reach US\$127 million in 2007, driven by a 52% increase in net interest income to reach US\$116 million. Fees and commissions surged by 49% to reach US\$54 million in 2007. Booked provisions went up by 64% to US\$20.4 million versus US\$12.4 million in 2006. Investment income soared by 169% to reach US\$34.4 million in 2007. On the balance sheet, gross loans doubled to reach US\$2.9 billion in December 2007, while deposits grew by 48% to reach US\$5.1 billion. Utilisation reached 57% in 2007, versus 42% in 2006.

The Kuwaiti-based real estate developer, **Mena Holding**, announced that a consortium of Kuwaiti and Emeriti companies was formed to establish a residential city near the Northern borders of Beni Suef governorate. The new project will cover 100 million m² and should cost around US\$20 billion in investments.

Economic Highlights

The Monetary Policy Committee (MPC) at the **Central Bank of Egypt (CBE)** decided, in its meeting on Sunday March 24th, to raise the overnight lending and deposit facility interest rates by 50 basis points to 11.50% and 9.5% respectively. The MPC indicated, in a published statement, that the recent rise in





25 March 2008

BELTONE EGYPT NEWS

Economic Highlights (cont'd...)

inflation, to 12.1% in February 2008, had raised inflation rates to a level exceeding the CBE's comfort zone and that the rise in inflation was due to the upward pressure from both food and non-food prices. The MPC expected domestic growth to maintain its momentum, continuing to further stoke inflationary pressures, and aimed, through its decision, to contain inflation expectations. *Comment: It has become clear that, despite the shortcomings in the strength of the monetary policy transmission mechanisms in Egypt, the CBE will continue to prepare for the official implementation of an inflation targeting monetary policy, becoming more responsive to changes in inflation and, more importantly, its underlying factors. We continue to believe, however, that the hike in interest rates will not have the desired impact on liquidity in the market if banks do not respond promptly by raising their interest rates on clients' deposits, a step which banks had not taken, following the recent hike in the overnight interest rates by 25 basis points on February 7th. Initial responses from banks, following the MPC's meeting, indicated some willingness to raise their deposit interest rates. In the absence of additional local and international shocks to the prices of products heavily represented in the CPI, the mix of the CBE's auctioning of deposits at higher interest rates to absorb liquidity, a general rise in banks deposit interest rates, and measures taken by the government to curb the increase in the prices of food products, leads us to expect inflation to rise at a slower pace in the short term. Consequently, the CBE could opt, under this scenario, to maintain the overnight interest rates at current levels, unless the increments in inflation remain high, in which case we expect the MPC to raise its rates later in the year.*

The Board of the **Export Promotion Fund** agreed, in its meeting yesterday, to: resume financial support for dairy exports; commence payment of financial support for some engineering products to increase their competitiveness against East Asian countries exports; to provide support for the Export Guarantee Co.; to encourage export financial support to a number of processed and semi-processed exports to

Key Shareholder Transactions (23/03/2008)

Company	Shareholder	Position	Action	Number of Shares
North Cairo Mills	Holding Company For Food Industries	Board Member	Sold	52,103
General Silos and Storage	Holding Company For Food Industries	Board Member	Sold	61,584
Nile Cotton Ginning	Amira Hazem El Sayed Ahmed El-Sherif	Chairman	Sold	1,120
Nile Cotton Ginning	Amira Hazem El Sayed Ahmed El-Sherif	Chairman	Bought	1,120
El Arabia Production and Reconstruction	Thorayah Mohamed Ahmed Katarayah	Board Member	Bought	720
Samad Misr - EGYFERT	Nazek Faek Samy Hassan	Board Member	Sold	1,000
Samad Misr - EGYFERT	Sherine Mamdouh Mohamed Kamal Abdel Baky	Board Member	Sold	500
Delta Insurance	Nour El Din Abdallah Nour El Din	Board Member	Sold	9,800
Delta Insurance	Telcap Limited	Board Member	Sold	10,000

Economic Highlights (cont'd...)

increase insurance against non-commercial risks, and to provide financial support for maritime transportation of perishable goods. The Export Promotion Fund currently provides their competitiveness in external markets.

Regional Highlights

National Bank of Abu Dhabi (share price: AED22.95, earnings per share FY08e: AED1.0) AGM approved the distribution of 40% cash dividend and 20% bonus shares. The AGM also approved AED1.39 billion issuance of convertible bonds.

Emirates NBD (share price: AED13.75, earnings per share FY08e: AED1.7) AGM approved the distribution of AED0.35 per share and a 15% bonus share.



25 March 2008

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