

## Growth Story Delayed by Macro Hurdles

December 15<sup>th</sup>, 2011

Recommendation  
**Hold\***

Current Price  
**EGP2.83\*\***

Target Price  
**EGP3.54**

Upside  
**25.4%**

### We value CCAP at EGP3.55 per share; with a “hold” recommendation

Our valuation on CCAP, offering an upside of 25% from the current market price, is reflective of the concurrent fair value indications across most of its platform assets. Citadel Capital’s consolidated Net Asset Value (NAV) of EGP3.54 per share is comprised of EGP5.04 (Gross Asset Value or GAV), which pertains to the group’s inherent value in platform assets, owned through its Opportunity Specific Funds (OSFs). Netting the GAV with a 10% holding company discount, along with liabilities and overheads at CCAP’s holding company level (amounting to EGP0.99 per share), results in a target price of EGP3.54 per share. Near term upside potential for Citadel’s NAV exists mainly in the form of a positive turnaround of developments for ASEC Holding, currently comprising 23% of the GAV.

### Platform investments valued at EGP5.04 per share; impacted by weak macro environment

Stripping the group’s investments into 19 platform companies owned through OSFs, and applying varying valuation methodologies, yields a GAV of EGP4,398 million or EGP5.04 per share. We note the largest value contributor, ASEC Holding (23% of GAV), is being impacted negatively by the latest developments in Egypt, Sudan and Algeria. ASEC Cement, the primary value driver of ASEC Holding (AH), has witnessed a significant drop in y-o-y earnings, owing to the negative macro developments surrounding its exposure. In addition to AH, and given the seed-stage status of many assets, most of the group’s other investments have witnessed earnings deterioration, on account of the overall uncertainty in the region. Driven by the fundamentals of the underlying business, TAQA Arabia’s (10% of the GAV) earnings continue to be robust, in contrast to the rest of CCAP’s assets.

### Positive turnaround in macro assumptions results in an instant 31% upside to valuation

The group stands to gain instantly, in case of a rebound in the political and economic visibility in Egypt, Sudan and Algeria. The roughly 65% correction in the stock price since the beginning of 2011, is reflective not only of the uncertainties engulfing CCAP’s Egyptian assets (71% exposure), but in addition to the unfavorable scenarios unfolding in Sudan (14% exposure) and Algeria (8% exposure). While AH’s investment in Sudan (Takamol Cement) faces an oversupplied market situation, its progress in Algeria (Djelfa and Zahana) is currently at a standstill, as a result of sluggishness faced in mobilising the requisite debt (on part of the Algerian banks). A probable return to stability in each of these markets renders an immediate upside to our target price, valuing the company at EGP4.66 per share.

### With liquidity also being in focus, a few exits seem obvious, but in the medium term

Although the proceeds from the rights issue and the OPIC loan approval (total of EGP1.6 billion) do provide sufficient respite to the group’s longer term need for cash, what comes in to question is the need for working capital. Estimating about EGP210 million of annual cash required to manage its overheads, and with parts of the rights and OPIC loan proceeds being allocable, we expect CCAP to exit a few assets within its current portfolio of platforms. However, an unfavorable outcome (unlikely in our opinion) of the negotiation (for deferral) with existing banks on the current outstanding USD180 million loan (first tranche USD20 million paid in 2011), would require the group to strategise on a much more aggressive exit strategy in the medium term.

### Citadel Capital is a private equity player with a diversified portfolio of investments

CCAP, along with its copartners, has about USD8.68 billion of investments under control, owned through its OSFs. Close to 93% of the group’s investments are exposed mainly to Egypt, Sudan and Algeria, with the rest being allocated to other parts of Africa and the Gulf. In terms of sectors, roughly 35% of the investments are allocated towards building materials, 20% into oil & gas, 19% each on consumer goods and infrastructure. The company, over the years has increased its investment base, both through organic (mostly Greenfield) as well as in-organic means. Although the asset portfolio is currently biased more towards Egypt, the long term strategy is to diversify further into growth markets such as Algeria, Sudan, Libya and the rest of Africa. The main challenge facing the group is the weak turnaround of events unfolding within its macro exposure, resulting in fair value deterioration of most assets.

Reuters Code  
**CCAP.CA**

Bloomberg Code  
**CCAP EY**

Shares Outstanding  
**872 million**

Market Cap  
**EGP2.5 billion**  
**US\$0.4 billion**

Enterprise Value  
**EGP3.0 billion**  
**US\$0.5 billion**

Average Daily Turnover  
**EGP17 million**  
**US\$3 million**

52-week high/ low  
**EGP9.53 / 2.72**

Shareholders’ Structure  
**26% | Citadel Capital Partners**  
**74% | Institutional & Public**



\* Refer to back cover for investment ratings  
\*\*Closing of 14 December 2011

FY ends December	2009a	2010a	2011e	2012f	2013f	2014f	2015f
Revenues (EGP mil.)	91	94	62	62	70	81	89
Net Income (EGP mil.)	160	(1,355)	(613)	(390)	(111)	46	129
EPS (EGP)	0.24	(2.05)	(0.70)	(0.45)	(0.13)	0.05	0.15
P/E (x)	11.7	(1.4)	(4.0)	(6.3)	(22.3)	54.2	19.2
BVPS (EGP)	5.4	3.6	3.2	2.8	2.6	2.7	2.8
P/B (x)	0.5	0.8	0.7	0.8	0.8	0.8	0.8
ROA (%)	6.5	(27.3)	(12.6)	(8.5)	(2.5)	1.0	2.7
NET Debt/Equity (%)	0.2	0.5	0.2	0.2	0.3	0.4	0.4
Investments (EGP mil.)	3,680	4,146	3,913	3,680	3,738	3,969	4,307
Dividends (EGP mil.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CCAP and Beltone Financial estimates

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Please see the important disclosures contained on the last page of this report

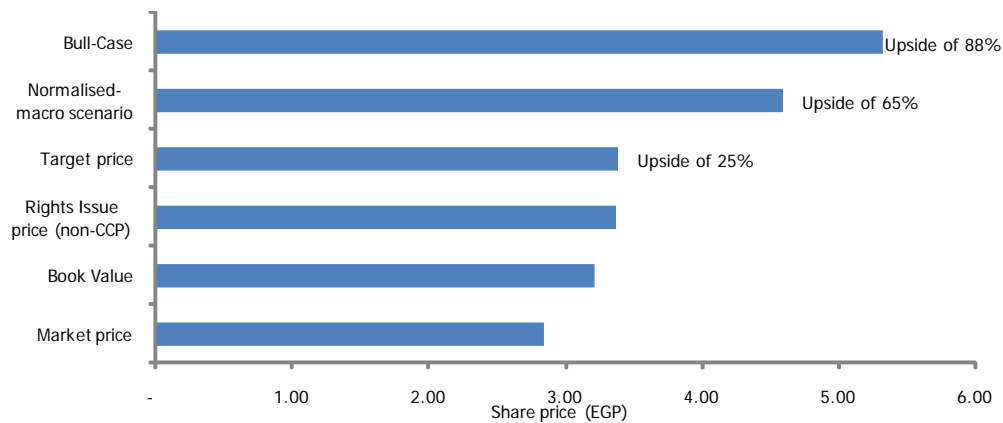
## Valuation

### Our base-case valuation suggests an upside of 25%; recommending a hold

Applying the SOTP methodology, the fair value estimate has been arrived at by using a range of valuation methods for each of the 19 platform companies, along with a single-stage DCF model applied for the holding company. The target price NAV of EGP3.54 per share, reflects the concurrent weak sentiment that prevails across most of the sectors that CCAP is exposed to. The current market capitalisation of CCAP, which has fallen YTD by 65% in 2011, in our opinion, reflects the market pricing in the worst-case scenario for the group's investments in Egypt, Algeria and Sudan. Our fair value estimate, however, comes close to the effective price of EGP3.36 per share paid by non-CCP shareholders during the recently undertaken rights issue and at a premium to the 2011e book value of EGP3.20 per share. We also highlight that a return to economic and political stability in Egypt, along with a favorable turnaround of CCAP's nexus with the Algerian government, would immediately shift our valuation upwards to EGP4.66 per share (referred as Normalised - macro scenario in the chart). The bull-case scenario, yielding a valuation of EGP5.31 per share, in addition to the normalised macro-scenario, takes into consideration the probability of an optimum exit for ASEC cement in Algeria (Djelfa and Zahana) and WAFRA (Sudan) in 2017.

*CCAP's share price implies a 25% upside from the current market price*

Figure 1 | CCAP's valuation scenarios



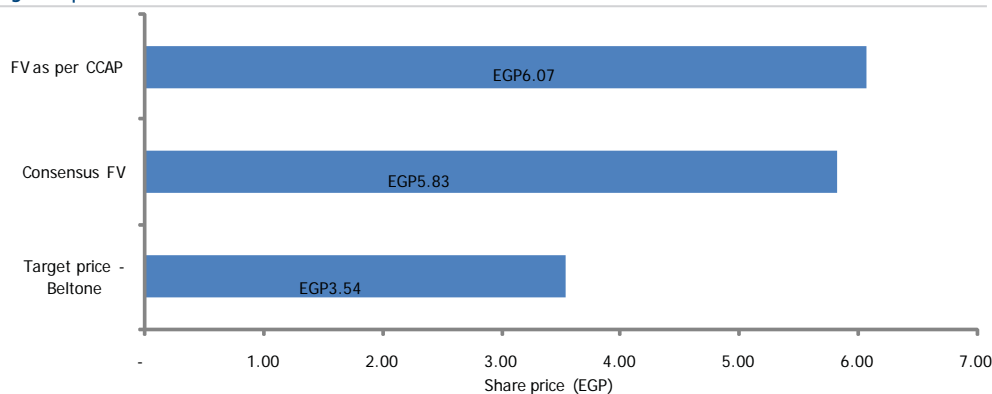
Source: Beltone Financial estimates

### We are at a significant discount to consensus

Our base-case target price of EGP3.54 per share for CCAP's NAV, compares with an NAV of EGP5.83 as valued by consensus (Bloomberg). We attribute the difference in valuation, to our approach valuing individual platform assets, taking into account the concurrent earnings situation. Under the current market scenario and with all the ongoing uncertainties facing CCAP's exposure, we notice a substantial deterioration in earnings across most of the assets. A significant earnings slump (or widening losses), especially since the beginning of 2011, is witnessed in most of the group's assets, resulting in fair value erosion. Apart from decreasing profitability, what has added further pressure to the group's valuation is the absence of lucrative exits in recent times. Our view should, however, be more or less in line with consensus, assuming a return to stability in the outlook for CCAP's main assets (centred round mainly in Egypt, Algeria and Sudan).

*We value CCAP at a 39% discount to consensus*

Figure 2 | Our valuation relative to consensus and CCAP



Source: Beltone Financial estimates, Bloomberg and CCAP

## Valuation

### CCAP's NAV is comprised of platform companies worth EGP4,398 million

We estimate Citadel's platform assets at a gross asset value (GAV) of EGP5.04 per share, making up 142% of the consolidated NAV. ASEC Holding, the group's platform which owns its cement (through ASEC Cement) and construction portfolios, accounts for 32% of the NAV, followed by Taqa Arabia (14%), Nile Logistics (11%), Egyptian Refining Company (ERC) (9%), Gozour (8%), Africa Railways (7%) and Finance Unlimited (7%). The GAV has been calculated by the use of various valuation methodologies, consisting of fair value, book value, latest market transactions, market price and cost, depending on the type and maturity stage of the asset. Close to 75% of the GAV (excluding convertibles), is comprised of assets that have been valued based on carefully allocated peer multiples (fair value), market transactions (latest equity participation) and market price (for listed assets). The remaining 25% of the GAV, valued at cost, consists of assets that are predominantly of seed capital nature (or early stage Greenfield). Our assessment of the ASEC convertible (11% of NAV) is at book value, given the current loss-making state of AH and also taking into consideration our calculated NAV for the underlying asset, being in close proximity to the initial investment cost.

### But holding company overheads and liabilities have considerable implications

Although the valuation of CCAP's consolidated platform assets is at a significant premium over the current market price, what depresses the overall NAV is the presence of overheads and liabilities for the holding company. The group books a sizeable annual recurring fixed overhead expenditure of around EGP210 million, incurred at the holding company level. Netting these expenses with agency fees and financial overheads and discounting on a six year single-stage model, yields us a negative per share implication of EGP0.54 beyond the GAV. Adding further pressure to the GAV is the debt, and intra-company platform liabilities valued at a negative EGP0.46 and EGP0.06 per share, respectively. Assuming CCAP were able to exercise a comfortable degree of control over the majority of its largest platform assets, we apply only a 10% holding company discount.

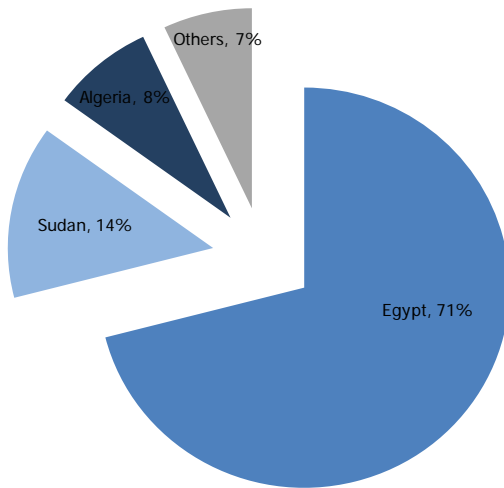
CCAP's NAV Break-up					
Base - Case Valuation	Investment cost (EGP Mn)	NAV/EGP Mn	NAV/share/EGP	NAV Proportion	Valuation Methodology
ASEC holding	924	998	1.14	32%	Fair Value
Taqa Arabia	250	419	0.48	14%	Fair Value
ASEC convertible	291	339	0.39	11%	Book
Nile Logistics	184	326	0.37	11%	Latest Transaction
ERC	278	278	0.32	9%	Cost
Gozour	247	251	0.29	8%	Fair Value
Gozour (land bank)	54	240	0.28	8%	Fair Value
Africa Railways	225	225	0.26	7%	Cost
Finance Unlimited	191	210	0.24	7%	Fair Value
Wafra	161	161	0.18	5%	Cost
Bounyan	151	154	0.18	5%	Cost
Glass	136	136	0.16	4%	Cost
UF	107	130	0.15	4%	Fair Value
ASCOM	183	115	0.13	4%	Market
UF Convertible	113	74	0.08	2%	Book
NPC	72	72	0.08	2%	Cost
Grandview	70	70	0.08	2%	Cost
NPC Convertible	52	52	0.06	2%	Book
Tawazon	48	48	0.06	2%	Cost
Mashreq	39	39	0.04	1%	Cost
Tanweer	179	32	0.04	1%	Fair Value
NVPL	67	30	0.03	1%	Latest Transaction
<b>Total GAV of Platforms</b>		<b>4,398</b>	<b>5.04</b>	<b>142%</b>	
HC discount		(440)	(0.50)	-14%	NA
Holding company net debt		(280)	(0.46)	-13%	Book
Due from/(to) related parties		(173)	(0.06)	-2%	Book
Other assets/liabilities		56	0.06	2%	Book
HC Overheads		(472)	(0.54)	-15%	Single-stage DCF
<b>CCAP's NAV</b>		<b>3,090</b>	<b>3.54</b>	<b>100%</b>	

**Fair value depletion linked mainly to Egyptian exposure**

CCAP's total investments as of 2010, is 71% in Egypt. This concentration of CCAP's portfolio into one market, especially during concurrent times of political tumult, has not only lead to earnings weakness for existing assets (ASEC Holding, Gozour, Finance Unlimited etc.) but at the same time resulted in negative sentiment surrounding the outlook for Greenfield investments (ASCOM, Bonyan, Glassworks, Foundries etc.). Sudan, which accounts for 14% of the group's investments, has also been impacted by an oversupplied cement space (impacting earnings of ASEC Cement's Takamol Cement plant), along with continued gestation at NVPL. Although Algeria looks promising, in terms of above average IRR probabilities, sluggishness faced on part of the Algerian banks, have resulted in uncertainties (at least for the short term).

*A majority of the group's assets are exposed to Egypt*

**Figure 3 | Investment exposure**



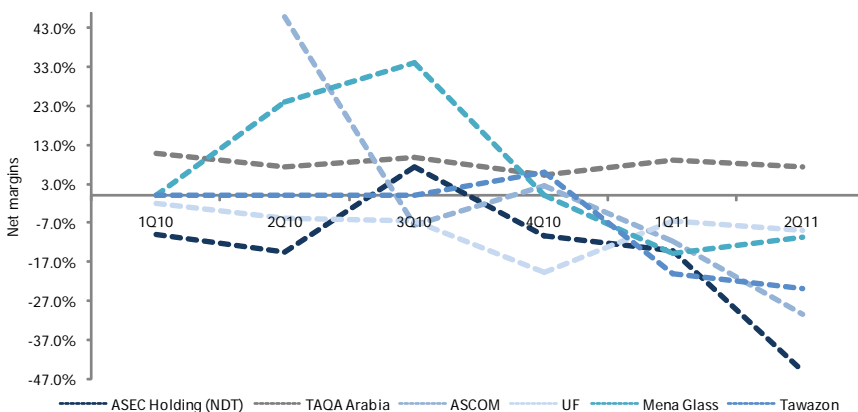
Source: Beltone Financial estimates, Bloomberg and CCAP

**Most of Citadel's assets have witnessed earnings deterioration in recent times**

Our conservative stance applied in valuing CCAP, is driven mainly by the factor of widening losses booked across most of the group's platform assets. The decline in operational performance is led by the group's largest asset, ASEC Holding (AH), owned 49% through the Opportunity Specific Fund (OSF), National Development and Trading Co. AH, which consists mostly of a portfolio of Cement investments, through ASEC cement (mainly Egypt, Algeria and Sudan). The company has been hit hard by the negative turn-around of events surrounding the markets. Apart from the weakness in markets impacting operational performance of existing assets (Egypt and Sudan), ASEC Cement has been recently exposed to a sluggish Algerian government, raising concerns on the outlook for its Brownfield (Zahana) and Greenfield (Djel-fa) investments in the country. The decline in earnings performance is paralleled by many of the other assets owned by Citadel through its OSF's; ASCOM, United Foundries (UF), MENA Glass and Tawazon (Waste management). Taqa Arabia is one of the few assets owned by CCAP, which has seen a stubborn sustenance in financial performance in spite of the overall weak macro environment.

*Associate earnings have dropped significantly in 2011*

**Figure 4 | Profitability of CCAP's assets**



Source: Beltone Financial estimates and CCAP

### Earnings deterioration to continue in 2012

In tandem with the latest profitability indications till date for 2011, we expect continued weakness in earnings through the end of 2012. Foreseeing no major impetus for earnings revival in the near term, we expect most of CCAP's assets to be faced with either lower earnings or widening losses (for Greenfields). In particular, AH should see double digit percentage net losses to prevail on account of weakness in the overall construction and cement space in Egypt and Sudan. MENA Glass and ASCOM should report consistent losses for the next four to five quarters, given the Greenfield early stage cycle of the businesses. Other seed-stage assets such as Nile Valley Petroleum (NVPL, Sudan), Nile Logistics (Egypt), Wafra (Sudan), Bounyan (Egypt) and UF should continue booking losses as expected. The group's African railways platform, Rift River Valley Railways (RVR) should break-even (at the bottom-line) in 2012, albeit having minimal implications on CCAP's earnings. We expect Taqa Arabia to continue witnessing margin sustainability, while expecting marginal deterioration in profitability of Gozour and Finance Unlimited.

*We expect earnings weakness to continue in 2012*

### But a reversal in macro-economic trends, would mean an instant upside to CCAP

Despite being cautious on the medium term outlook in 2012, we reiterate the probability of Citadel's fair value witnessing a substantial upside, in excess to average market returns. The above-average value accretion could come not only in the form of positive earnings from existing and seed capital assets, but also the impact of any progress in the Algerian cement portfolio (which is currently stalled, due to the lack of bank funding). A normalised macro situation in Egypt, Sudan and Algeria, would not only result in better earnings visibility for large assets such as AH, Gozour and Taqa Arabia, but at the same time raise the possibility of the group making lucrative exits on the smaller platforms. Although difficult to assess under the current circumstances, another positive outcome for the group could also be in the form of a depreciating EGP, resulting into higher yielding exit returns in the long term.

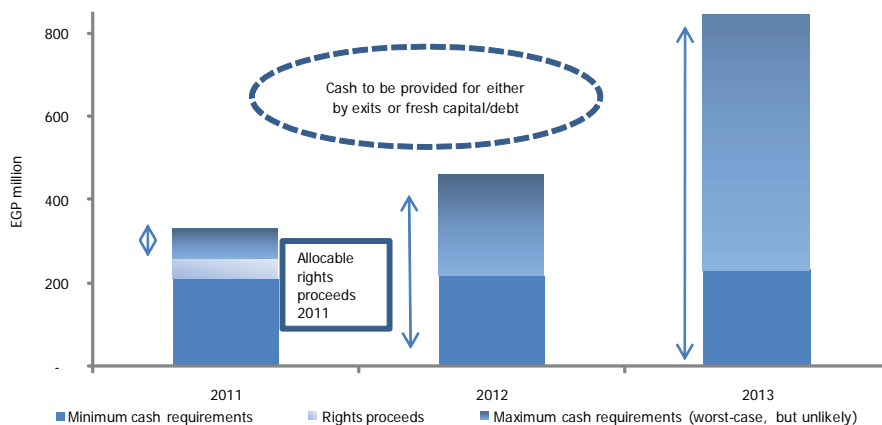
*Reversal in the macro environment for Egypt, Sudan and Algeria, would result in above-average returns*

### Successful rights issue and OPIC loan puts liquidity concerns to rest, but for the time being

We estimate CCAP's total working capital needs, inclusive of interest payments to be around EGP210 mn per year. With the first tranche (10%) of the existing USD200 mn loan being paid this year, the total required cash for CCAP for 2011, sums up to EGP330mn. The group is currently in talks with banks for an option, deferring principal payment installments along with alterations to interest payment policies. Assuming successful completion of these negotiations with the banks, the group will have only the working capital portion of EGP210 mn, EGP220 mn, and EGP230 mn to be expensed during 2011, 2012, and 2013, respectively. With part of the EGP720 mn raised during the recent rights issue, being allocable, the company in 2011 seems to be in a comfortable position to tackle liquidity. With working capital requirements recurring for 2012 and 2013, the group would have to exit a few small investments to the extent of about USD40 mn each for 2012 and 2013 and/or utilise the OPIC loan proceeds (USD150 mn). However, the possibility of the refinancing negotiations not ending in favor of CCAP would however require the group to raise a little more cash during 2011 (beyond the rights proceeds), and at the same time seek an even more aggressive exit strategy for 2012 and 2013 (needing exits of USD70 mn per year). We however view this as a distinct scenario, given our knowledge of the group being in final stages of a favorable outcome with the banks.

*We do not have any short term liquidity concerns*

Figure 5 | CCAP's cash requirements as estimated by us



Source: Beltone Financial estimates and CCAP

### CCAP's upstream oil & gas assets could fetch EGP150 mn

Given the bitter experience faced on account of the NOPC impairment, we expect the group's upstream oil & gas assets such as NVPL and NPC to be on top of the list, in case of an imminent need for exits. Valuing NPC and its convertible at cost, and NVPL based on latest equity participation (by Sudapet), we value a complete exit of these assets to generate cash of around EGP150mn. Based on our calculated exit price, a minimal impairment on NVPL would have to be charged on CCAP's P&L. In addition, an optimistic scenario of a recovery in NOPC/Rally's prospects in the Issaran Field (Gulf of Suez) would bring in additional cash flows, entailing the group to reverse impairments (previously charged).

### Glass Works and Foundries could generate a larger amount of cash

Although too early to speculate a near term exit on larger investments, we would not rule out a medium-term exit on the glass and foundries assets owned by the group in Egypt. We expect the company to exit its stake in each of these assets, given the profile of these sectors being non-aligned to the group's overall focus of expanding into high growth sectors yielding above-average long term returns. Given the Greenfield status of these assets, we value these assets at almost par value, relative to the initial investment. The Gozour land bank of 40mn sq. meters, owned along the Alexandria desert road, is another medium term exit target (as land prices in Egypt haven't really corrected), which could bring in instant cash to the group's balance sheet.

Platform company	Investment cost (EGP mn)	NAV/EGP Mn	Stake	Probability of exit
ASEC holding	924	998	49%	Low
Taqa Arabia	250	419	35%	Moderate
ASEC convertible	291	339	50%	Low
Nile Logistics	184	326	30%	Moderate
ERC	278	278	13%	Moderate
Gozour (land bank)	54	240	20%	High
Finance Unlimited	191	210	100%	High
Gozour	247	251	20%	Moderate
Wafra	161	161	38%	Low
Bounyan	151	154	32%	Low
Africa Railways	225	225	33%	Moderate
Glass	136	136	21%	High
UF	107	130	30%	High
ASCOM	183	115	39%	Moderate
UF Convertible	113	74	78%	Moderate
NPC	72	72	15%	High
Grandview	70	70	13%	Low
NPC Convertible	52	52	NA	High
Tawazon	48	48	33%	Low
Mashreq	39	39	27%	High
Tanweer	179	32	100%	Moderate
NVPL	67	30	15%	High

Source: Beltone Financial estimates and CCAP

**Investment risks**

- As more than 70% of CCAP's assets are invested in Egypt, a scenario of prolonged political uncertainty (beyond 2012) could put further pressure on the overall intrinsic value and delay the probability of making lucrative exits.
- Continuity in regional unrest also raises the possibility of the group booking additional impairments in the value of platform assets.
- The macroeconomic policies adopted by the post-elections government, if unfavorable, would directly affect the investment climate in Egypt & CCAP in particular.
- An unfavorable outcome to the bank negotiations on the existing USD200 million loan for deferral of loan principal payments, would put significant pressure on the group's liquidity position in the medium term, requiring EGP1.2 billion of cash for the next two years. The resulting liquidity pressure could force the group to indulge in immature exits, in some of its most promising assets.
- Increasing concerns over the strength of the EGP and a probability of depreciation in the coming years would bring in additional burdens on the group in servicing debt which is mainly USD denominated.
- The group's main investments in Algeria (Djelfa and Zahana) are dependent heavily on the Algerian government's consent to mobilise bank debt and CCAP securing low-cost energy concessions. A continued slack attitude by the Algerian authorities (towards Citadel Capital) would have a large impact on the firm's long-term value investment potential.
- CCP, the main promoter shareholder has, over the years, diluted its stake down to 27%. Any further dilution in stake could further reduce the management's say and alter the overall growth prospects of the group.
- With around 15% of the investments being focused on high growth markets in Africa such as Sudan, Kenya and Uganda, the group is at the same time constantly exposed to high risk premiums, and a higher cost of capital vis-à-vis other PE players.
- A substantial part of the group's NAV is derived from peer multiples specific to the region and sector. An industry-wide downgrade in valuations would instantly result in fair value depletion for CCAP.
- A large part of the rights issue proceeds (USD33 million) is allocated into the Egyptian Refinery Company project. Failure of the project to take off and reach economic feasibility could lead to further value depletion for CCAP in the long term.
- The group's CEO has been currently cleared of all legal charges by the Egyptian authorities, encircling deals made with the previous regime. A scenario of any of these charges being revoked in the future could render a direct impact on CCAP's prospects as well.
- The group invests usually into minority stakes through its OSF's, possibly leading to a weaker say in the management control of the ultimate asset. Our holding company discount of 10%, under the presumption of the group being able to exercise a reasonable degree of control over most assets, in this case, could be subject to an upside revision.



## ASEC Holding (AH) (EGP1.14 per share; 32% of the NAV)

### ASEC Cement accounts for 68% of ASEC Holding

The group's cement portfolio, owned through ASEC Cement, makes up roughly 68% of AH's GAV. ASEC Cement currently operates at a total cement capacity of 4.4mtpa, which includes a 27.5% stake in Misr. Cement Qena in Egypt, along with a 1.6mtpa capacity in Al-Takamol (Sudan) and 1.09mtpa capacity owned through its Brownfield investment in Zahana (Algeria). The company plans to add another 8mtpa of annual cement capacity, resulting in a total cement capacity of 12mtpa by the end of 2015. The segment's main expansion plans are centered around its new investments in Egypt (ANCC), Algeria (Zahana and Djelfa) and Syria. While ANCC (2mtpa) remains on course to be operational by the end of 2013, plant progress in Zahana and Algeria have faced hurdles in the form of a blockade in bank funding. Negotiations are currently on between ASEC Cement and the Algerian authorities for disbursal of the requisite bank loans for each of these projects. ASEC Syria, a 1.7mtpa capacity plant, which was planned to come on-stream by 2014, is currently at a standstill, given the ongoing political turmoil engulfing the country.

### Regional unrest has impacted other subsidiaries

AH, which also consists of ASEC Engineering, ARESCO, ASEC Automation, ASENPRO and ESACO has also been recently hit by earnings weakness, hailing from the uncertainty that encompasses the regional exposure. While Turnkey contractor ARESCO turned profitable given its exposure beyond the MENA region, ESACO experienced a drastic turn in operations, booking losses of EGP203 million in 1H2011. The affiliate has been hit hard by cost overruns and a dwindling backlog, and is currently being restructured. ASEC Engineering also turned loss-making in 2011, while ASENPRO witnessed profits easing on the back of the unfavorable market conditions.

ASEC Holding Valuation Break-up						
Asset	Implied value - base case (EGP m.)	Implied EV/Mt. (EGP) (base-case)	Basis	Implied value - Optimum case (EGP mn)	Implied EV/Mt. (EGP) (Optimum-case)	Basis
Misr. Qena Cement (Egypt)	744	1,368	Market value	1,058	2,025	Saudi Peers
Arab National Cement Co.(Egypt)	393	1,000	Cost	636	1,176	Market
Zahana Cement Co. (Algeria)	494	1,368	In line with Qena	744	2,025	Saudi Peers
Takamol (Sudan)	971	1,368	In line with Qena	1,507	2,025	Saudi Peers
ASEC Algeria (Djelfa)	297	1,582	Cost	648	1,582	Cost
ASEC Syria	46	1,167	Cost	46	1,167	Cost
GRD Kurdistan	43	952	Cost	43	952	Cost
ASEC Ready Mix (Egypt)	36	N.A.	2x cost	36	N.A.	2x cost
Other associates	61	N.A.	Book	61	N.A.	Book
Other assets	358	N.A.	Book	358	N.A.	Book
Cash	148	N.A.	Book	148	N.A.	Book
<b>NAV - ASEC Cement</b>	<b>3,589</b>			<b>5,285</b>		
AH's share In ASEC Cement	2,191			3,226		
Other assets	1,066		PE multiples	1,386		
Debt	1,200		Book	1,200		
<b>Total value of AH</b>	<b>2,057</b>			<b>3,412</b>		
<b>CCAP's share in AH</b>	<b>998</b>			<b>1,655</b>		

Source: CCAP



## ASEC Holding profile and potential (48.5% owned):

Platform Company (stake)	Investments (Stake)	Assets owned/ business	Country	Current status	Growth Potential	Status
ASEC Cement (68%)	Misr Qena Cement (27.5%)		Egypt	Operates 1.7mtpa of cement	Owns 45% in ASEC Ready mix. Owns 16% in ANCC Long term potential for consumption in Egypt to grow in excess of 5%	Functional
	Arab National Cement Co. (ANCC) (51%)		Egypt	Greenfield	2 mtpa of Cement capacity - 1H2013.	Under-construction
	ASEC Ready Mix (55%)		Egypt	Operates 374,000 cubic meters capacity of concrete	Synergies with existing and new cement capacities - Misr Qena Cement and ANCC	Functional
	Takamol (51%)		Sudan	Operates 1.6mtpa of cement	Currently faces oversupply, but could recover on resumption of stable economic growth	Functional
	Zahana (35%)		Algeria	Operates 1.09mtpa of cement	1.5 mtpa of cement planned by 2014	Delays faced on bank funding
	Djelfa (31%)		Algeria	Greenfield	1.4 mtpa of cement planned by 2014 1.8 mtpa of cement planned by 2016 An undersupplied Algerian cement market to render above-average margins with the lowest cost structure	Delays faced on bank funding
	ASEC Syria (99%)		Syria	Greenfield	1.7 mtpa of cement planned by 2014	Stalled
	GRD Kurdistan (85%)		Iraq	Greenfield	1.5 mtpa of cement planned by 2015	Cancelled
ASEC Holding (48.5%)	ASEC Engineering (100%)	Consulting, engineering, operation and management of cement plants.	Egypt and regional	Egyptian turmoil has had an impact on performance, resulting in a 2011 net loss compared with a substantial net profit in 2010	Recently signed three five-year contracts to manage new plants. Targeting to penetrate new markets; Syria, Iraq, KSA, and UAE	Functional
	ARESCO (100%)	Turnkey contractor, specialising in project management and EPC, for cement plants and other industrial projects.	Egypt, regional and the Americas	Has turned profitable in 2011, buoying group performance	Continues to build its 2012 backlog and actively seeking projects in Africa and Russia	Functional
	ASEC Automation (54%)	Electrical service and automation systems provider.	Egypt, regional and global	Operational and profitable	ASA is targeting new market segments : Oil & Gas, Fertilizers, Petrochemical, Power Plants, Sugar Plants	Functional
	ASENPRO (63%)	Environmental protection; pollution and dust emission from cement production.	Egypt and regional	Profitability eased in 2011 on postponed maintenance contracts and impacted by client-side labor actions and related issues	Establishing a new hightech. Facility on space of 2,443m <sup>2</sup> in 15th of May City. Targeting to sign contracts in KSA	Functional
	ESACO (70%)	Civil construction works, mechanical erection, steel structure and equipment manufacturing.	Egypt	Losses of EGP203 million in 1H2011. Facing a range of challenges including cost overruns and a weak backlog of projects	ARESCO has taken complete control of ESACO to resize operations and restructure debt	Functional

Source: CCAP

## TAQA Arabia (Taqa) (EGP0.48 per share; 14% of the NAV)

### TAQA Arabia continues to be solid, with gains to come

CCAP's second largest investment continues to perform positively in contrast to the rest of the assets. TAQA's net margin as of 2Q2011 stood at 7.4%, which is consistent to the results posted during 2010. The robustness in performance till date, is reflective of the underlying strength in the drivers to which the division is exposed. Specialising in the high growth sector of natgas distribution & EPC, where the focus of MENA governments (Egypt in particular) is to increase penetration levels, puts TAQA at a favorable position to gain customer base. The group owns four concessions to distribute gas to 11 governorates in Egypt. Ownership of these concessions, along with the advantage of being able to provide the logistics for setting up the required infrastructure (through the EPC arm), provides the group with a higher revenue stream. Increasing penetration levels for natgas distribution along with a stable revenue stream through its power generation and distribution arm, makes TAQA Arabia a solid investment case for the long term.

*TAQA depicts persistency in performance*

Platform Company	Investments	Assets owned/business	Country	Current status	Growth Potential
TAQA Arabia	Gas Distribution	City Gas (99%)	Egypt	Owns 4 concessions for distribution. Distributes 4BCM of gas per year. 56% market share of the private market	Increasing penetration in existing governorates for both residential and industrial customers. GOE's initiatives to push for CNG conversion of vehicles.
		Repco Gas (100%)			
		Nile Valley Gas (100%)			
		Trans Gas (92%)			
TAQA Arabia	Gas Distribution	Master Gas (100%)	UAE Qatar Libya	Master gas operates 7 CNG stations and 10 conversion centres.	Regional economic growth and its need for infrastructure development & investment.
		Al Fanar (50%)			
		Nova Central Gas (100%)			
		Qatar Gas (45%)			
TAQA Arabia	Gas Construction - EPC	Arab Libyan (65%)	Egypt	Al Fanar caters to LPG and Natgas distribution and construction UAE Nova operates in the UAE into gas installation. Qatar Gas is a developer, contractor and operator of gas distribution networks.	No. of converted customers targeted to grow to 6m by 2015 from 2.8m currently as per GOE's national plan. The growth translates to 21m meters of network pipelines and 69m installations to be constructed.
		Arab Gas (49%)			
TAQA Arabia	Power	House Gas (100%)	Egypt	600 Industrial, 794,100 residential and 50,000 commercial customer contracts to convert to natgas. 550km and 1,500km of high pressure and Polyethylene pipelines constructed Engineering design & Consultancy through EGUSCO.	Power infrastructure growth in the MENA region.
		Pharaonic Gas (100%)			
TAQA Arabia	Power	EGUSCO (98%)	Egypt Sudan Yemen	Generation and distribution licenses from the Egyptian electricity regulator. Installed power capacity of 88.4MW. Contracted distribution of 776MW.	Power infrastructure growth in the MENA region.
		Global Energy (100%)			
TAQA Arabia	Lubes & Fuels Marketing	BERBER (51%)	Egypt	16 retail stations till date 17 castrol exclusive oil shops Refined products market share of 1.6%.	Retail growth of 6.8% in 2011.
		TAQA Industry Zones (60%)			
TAQA Arabia	Lubes & Fuels Marketing	TAQA/Sewedy (35%)	Egypt	16 retail stations till date 17 castrol exclusive oil shops Refined products market share of 1.6%.	Retail growth of 6.8% in 2011.
		Renewable Energy			
TAQA Arabia	Lubes & Fuels Marketing	TAQA Marketing Oil Products (100%)	Egypt	16 retail stations till date 17 castrol exclusive oil shops Refined products market share of 1.6%.	Retail growth of 6.8% in 2011.
		TAQA Marketing Oil Products (100%)			

Source: CCAP

### We value Nile Logistics at a significant premium over investment cost

CCAP's green-field river transportation and logistics provider in Egypt and Sudan, Nile Logistics, amounts to 11% of the company's consolidated NAV and in our assessment, valued at a solid 75% premium over its initial investment cost. CCTO II, the OSF which represents CCAP's Egyptian investments in Nile Cargo, saw a recent equity participation from German development finance institution, DEG and the European Investment Bank (EIB). DEG and EIB jointly invested USD21 million, in additional equity into the OSF. Assuming a premium over the acquired price, we value CCTO II at a NAV of EGP650 million, excluding the assets owned in Keer Marine, the Sudanese river transportation arm. Valuing Keer Marine at investment cost owned through CCTO I, implies an allocable NAV of EGP326 million for CCAP. The NAV compares with an initial investment of EGP184 million by CCAP. The premium over the invested equity, inspite of the Greenfield status of the asset, depicts the potential that awaits the asset, on the back of an expected loosening in energy subsidy policy by the GOE.

*Nile Logistics implies a 75% premium over investment cost*

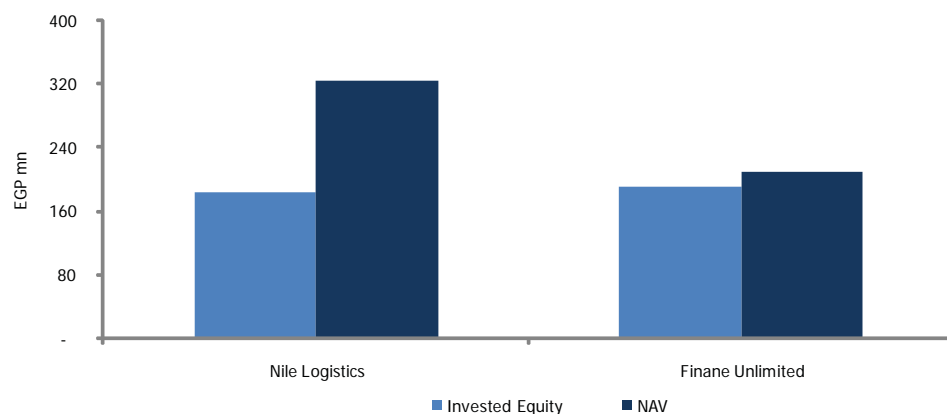
### Finance Unlimited proves profitable till date; a slight premium justified

Finance Unlimited, the platform company which owns CCAP's financial services related assets (Pharos Holding and Sudanese Egyptian bank), continues to post positive earnings (YTD 2011). We price the platform at a slight premium over its invested equity, given the earnings persistency shown mainly by the Sudanese Egyptian bank, along with the restructured Pharos Holding. Maximum value accretion potential comes from the Sudanese Egyptian Bank, while Pharos Holding implies a discount (20%) over regional and global peer multiples inspite of having positive earnings. Tanmey; the micro-finance enterprise which is 51% owned by Finance Unlimited, has continued to post significant losses till date in 2011.

*Pharos Holding and Sudanese Egyptian Bank continue to be profitable*

Platform Company	Investments	Assets owned/ business	Country	Current status	Growth Potential
Nile Logistics (30%)	CCTO II	Nile Cargo	Egypt	Total fleet of 35 operating barges	17 more barges to be added by end 2012. Plans to increase the fleet size to 135 barges in the long term. Business model gains in case of a reducing energy subsidy policy by the GOE.
		NRPMC	Egypt	Three operational river ports	Three more river ports planned in-process
		Ostool	Egypt	Owns a trucking convoy complimenting Nile Cargo	Complimenting Nile Cargo
	CCTO I	Keer Marine	Sudan	owns a fleet of five convoys and a port in Kosti	Plans to double the number of convoys to 10 in a few years. Showcases the same growth potential as Nile Cargo.
Finance Unlimited (100%)	Pharos	Pharos Holding (54%)	Egypt	EGP 900mn in AUMs 5% brokerage market share in Egypt, 2010.	Currently subdued volumes in Egypt. Medium-term plans to expand regionally.
	Cron dall	Sudanese Egyptian Bank (48%)	Sudan	Sharia complaint commercial bank, established in 2004	Increasing penetration in the Sudanese market
	Tanmeyah	Tanmeyah Micro Enterprise Services (51%)	Egypt	93 branches with 65,000 loans issued	Currently loss making. To expand branch size to 420 in 2013.

Figure 6 | Valuing Nile Logistics and Finance Unlimited



Source: Beltone Financial estimates and CCAP

### Affected by the domestic macro environment, we value Gozour marginally above cost

Drawing on the latest implications from peers, we estimate the group's agriculture and food conglomerate to have experienced fair value deterioration, post the onset of the Egyptian revolution. Applying an EV/Sales multiple on forward sales expectations for 2012 yields us a NAV of EGP251 million, which compares to the initial equity participation of EGP247 million by CCAP. Proximity of Gozour's NAV to the initially invested equity, could be indicative of the fact that the bulk of the investments were made during the last three years (inclusive of pre-2008 crisis multiples). Although expecting a stable top-line for 2011, we however foresee a decline in profitability primarily on account of unfavorable supply developments at Enjoy (milk and juice) and El-Misriyeen (cheese producer). Both businesses, until 1H2011, have been hit hard by delays in raw material supplies (mainly milk), as a result of supplier issues and labor strikes. Gozour's agricultural arm, Dina Farms, and confectionery Rashidi El-Mizan, continue to perform well both on the top-line and bottom-line.

*Gozour is the group's platform asset with a vertically integrated dairy and confectionary production chain.*

Platform Company	Investments	Assets owned/ business	Country	Current status	Growth Potential
Gozour (20%)	Gozour Agri	Dina Farms El Aguizy	Egypt	6,200 feddans planted 65,000 tons of milk production, 3,484 tons of meat	Evaluating acquisition of 2 farms in Egypt which will increase the number of crops planted by 5,000 feddans in 2011 and 20,000 feddans by 2015. Focus on exports. Focus on increasing milk and meat production to 108,000 and 8,000 tons by 2014.
		Egyptian Company for Milk Powder	Egypt	2,618 tons of milk powder capacity 1,217 tons of butter	
	Gozour Dry Foods	Rashidi El-Mizan Mom's Food Musharraf	Egypt Sudan	Halawa and Tahina capacity of 29,000 and 6,000 tons 550,000 cartons of jam in 2010	Hala and Tahina capacity to be 33,700 and 9,700 tons in 2014 Targeted increase in jam production to 1.4m cartons in 2014
	Gozour Dairy	Elmisrieen	Egypt	White cheese production of 9,328 tons	2014 cheese production target of 100,000 tons
		Enjoy	Egypt	Milk production of 30,000 tons Yogurt production of 10,000 tons Juice production of 56,000 tons	2014 milk production target of 50,000 tons 2014 juice production target of 56,000 tons Planned 2014 yogurt production of 19,000 tons
	Gozour Retail	Retail Outlets	Egypt	Six retail outlets	Plans to reach 20 outlets by 2013

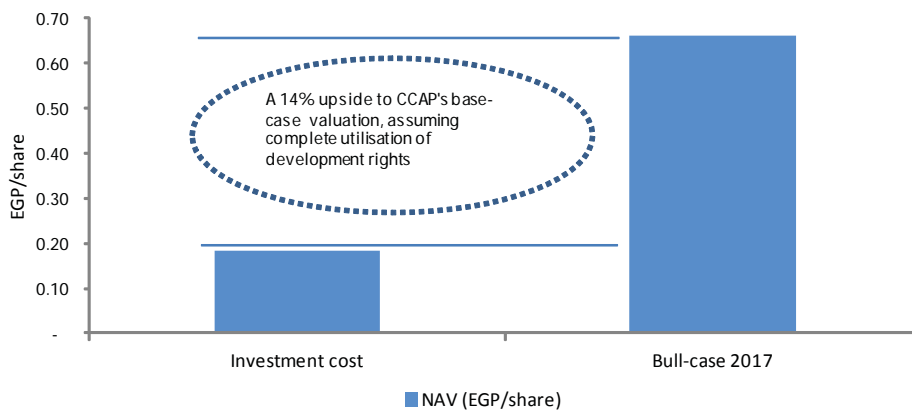
Source: CCAP

### WAFRA could prove to be CCAP's trump card in the longer run

Although currently making up just 5% of the NAV, the group's platform company for Agricultural farming in Sudan's WAFRA, shows maximum value investment potential in the long term. WAFRA, which in total, owns the rights to cultivate 500,000 feddans of land in the South (Concord – 250,000 feddans) and North Sudan (Sabina - 254,000 feddans), could ultimately prove to reap large returns for CCAP. While our base-case values the platform at cost, given the embryonic stage of the asset, a bull-case scenario tries to assess the likely upside to CCAP on account of WAFRA's success in the long term. While the total developed land currently stands at an estimated 13,500 feddans, assuming complete utilisation of the rights by the end of 2017, with a single harvest per year (for both Concord and Sabina), results in a NAV of EGP0.66 for WAFRA alone. This optimistic scenario of a successful development of Concord and Sabina (500,000 feddans) for CCAP individually reflects a 14% upside to our base-case valuation. In addition to the total invested capital of USD53 million (inclusive of USD9million of debt), the group during 2011 has managed to generate an additional USD50 million (USD25mn from rights issue+ USD25mn OPIC loan) in cash that is planned to be allocated for WAFRA.

*WAFRA owns rights to cultivate 500,000 feddans in the North and South Sudan*

Figure 7 | WAFRA could offer huge returns in the long-run



Source: Beltone Financial estimates and CCAP

## CCAP's smaller platform assets summarised

Platform Company	Investments	Assets owned/business	Country	Current status	Growth Potential
WAFRA (37.5%)	SABINA	Farm land	North Sudan	Developed farm land of 9,500 feddans	Rights to develop 254,000 feddans
	Concord	Farm land	South Sudan	Developed farm land of 3,500 feddans	Rights to develop 250,000 feddans
Glass Works (21%)	Sphinx Glass	Float glass manufacturing	Egypt	Production capacity of 220,000 Mt	Focus on export markets; EU, Africa & Latin America
	Misr. Glass	Container glass manufacturing	Egypt	Production capacity of 115,000 Mt	Plans to expand capacity to 125,000 mt. in 2012 Medium term expansion plans put on hold
Africa Railways (20%)	East Africa Railways	Rift Valley	Kenya	25-year concession to operate 2,350kms of track linking Mombasa with the interiors of Kenya and Uganda, including Kampala	Latest equity participation of USD70m along with USD164m in Senior debt financing. Recently turned EBITDA positive
Bonyan (32.1%)	MENA Malls	Designopolis Bright Living	Egypt	Gross area of 116,824 sqm. developing the design, furniture and home accessories mall	Leased 61% of leasable area for Phase 1 and II. Launch of Phase II has been put on hold due to market conditions
United Company For Foundries (30%)	Amreya Metals Alexandria Automotive Castings	Caters to cement plant consumables business; grinding balls and grinding media	Egypt	Three factories currently produce 47,000 Mt	Loan agreement with Societe Generale to fund a new project (1Q2012), to produce large castings
ASCOM (39.2%)	ASCOM Geology & Mining	Geological and mining services for cement quarries, exploration & production of industrial minerals, gold and copper	Egypt	Loss-making on account of work stoppages, FX and investment write-downs	Expanding regional footprint with mining and service operations spanning from Egypt, to Ethiopia, Sudan, Syria, Algeria and the UAE

Source: Beltone Financial estimates and CCAP

Platform Company	Investments	Assets owned/business	Country	Current status	Growth Potential
National Petroleum Company (15%)	Petzed	Stake in Shukheir Offshore Concession, East Kheir, North El Magharia and South Abou Zenima (Muzhil)	Egypt	Average daily production of 1,923 BOPD (Shukheir bay field)	Production from the Muzhil field is expected to commence in 2Q12 and reach 6,116 barrels of oil per day by 3Q12
	NOPC	Heavy oil asset in Egypt + gas field in Pakistan	Egypt	Impaired	Impaired
Nile Valley Petroleum (15%)	NVPL	Stakes in Blocks 9, 11 and Block A, to explore and develop Oil & Gas	Sudan	Currently at exploration stage	USD10 mn injected by state owned Sudapet for a 30% stake
Egyptian Refining Company (13.1%)	ERC	USD3.7 bn. hydrocracking/coking facility and ancillary units	Egypt	Non-operational	Management notes that ERC has recently gained momentum and is now working towards equity closure. Output would include 1.2mt, 0.85mt and 0.60mt of diesel, gasoline and jetfuel
Bonyan (32.1%)	MENA Malls	Designopolis Bright Living	Egypt	Gross area of 116,824 sqm. developing the design, furniture and home accessories mall	Leased 61% of leasable area for Phase 1 and II. Launch of Phase II has been put on hold due to market conditions
Mashreq (27.3%)	Mashreq Petroleum Co.	210,000 sq.m.. through a usufruct contract with Port Said ports authority for 25 years starting April 2005	Egypt	Project at feasibility stage	N.A.
Tanweer (100%)	Dar-El Shrouk	Owns copyrights to more than 4,500 titles, 10 retail bookstores, License to publish Oxford Educational books	Egypt	Currently loss-making	EGP72 mn set aside from the rights issue proceeds
	Diwan Bookstores	8 branches			
	Al-Kateb	Al-Mal newspaper			
Tawazon (33.3%)	ECARU	Contractor for Agricultural and Municipal waste management	Egypt	Contracts for 526kt and 547kt of agricultural and municipal waste in Egypt	N.A.
	ENTAG	Specialises in clean technology/waste processing	Egypt and regional	Built 75 sorting & composite facilities	
Grandview (13%)	Grandview Investments Holdings Corp.	Investment company focussing on midcaps	Egypt	Has invested approximately 110% of its committed capital (USD 90m) in transactions in key industries	N.A.

Source: Beltone Financial estimates and CCAP

## Income Statement

FY end December   EGP million	2009a	2010a	2011e	2012f	2013f	2014f	2015f
Revenues	91	94	62	62	70	81	89
COGS	0	0	0	0	0	0	0
<b>Gross Profit</b>	<b>91</b>	<b>94</b>	<b>62</b>	<b>62</b>	<b>70</b>	<b>81</b>	<b>89</b>
SG&A	(227)	(338)	(211)	(219)	(233)	(257)	(280)
Depreciation	131	9	4	3	3	3	3
EBITDA	(5)	(235)	(145)	(154)	(160)	(173)	(188)
<b>EBIT</b>	<b>213</b>	<b>(1,348)</b>	<b>(582)</b>	<b>(390)</b>	<b>(105)</b>	<b>55</b>	<b>146</b>
Net Financing Cost	(2)	(8)	(39)	(3)	(7)	(9)	(16)
EBT	211	(1,356)	(620)	(393)	(112)	46	130
Taxes	0	(1)	(1)	0	0	0	0
Net Profit b. Minority	100	(1,360)	(620)	(393)	(112)	46	130
Minority Interest	(60)	(5)	(6)	(3)	(1)	0	1
<b>Net Income</b>	<b>160</b>	<b>(1,355)</b>	<b>(613)</b>	<b>(390)</b>	<b>(111)</b>	<b>46</b>	<b>129</b>

## Balance Sheet

FY end December   EGP million	2009a	2010a	2011e	2012f	2013f	2014f	2015f
Cash	269	163	163	163	163	163	163
Receivables	863	526	554	555	480	443	365
Inventory	1	0	0	0	0	0	0
Other Current Assets	5	20	23	23	23	23	23
<b>Total Current Assets</b>	<b>1,138</b>	<b>709</b>	<b>740</b>	<b>741</b>	<b>666</b>	<b>629</b>	<b>550</b>
Net Fixed Assets	101	146	72	74	77	79	81
Other Long Term Assets	3,682	4,147	3,915	3,682	3,739	3,971	4,308
<b>Total Long Term Assets</b>	<b>3,784</b>	<b>4,294</b>	<b>3,987</b>	<b>3,756</b>	<b>3,816</b>	<b>4,050</b>	<b>4,389</b>
<b>Total Assets</b>	<b>4,921</b>	<b>5,003</b>	<b>4,727</b>	<b>4,497</b>	<b>4,482</b>	<b>4,678</b>	<b>4,939</b>
Short Term Debt	0	0	0	0	0	0	0
Payables	407	900	852	853	864	885	851
Provisions	0	0	0	0	0	0	0
<b>Other Current Liabilities</b>	<b>19</b>	<b>220</b>	<b>204</b>	<b>205</b>	<b>230</b>	<b>199</b>	<b>182</b>
<b>Total Current Liabilities</b>	<b>426</b>	<b>1,120</b>	<b>1,056</b>	<b>1,058</b>	<b>1,094</b>	<b>1,085</b>	<b>1,033</b>
Total Grey Area	32	197	197	197	197	197	197
Long Term Debt	810	1,252	604	762	822	982	1,166
Other LT Liabilities	59	74	74	74	74	74	74
<b>Total LT Liabilities</b>	<b>869</b>	<b>1,326</b>	<b>678</b>	<b>836</b>	<b>896</b>	<b>1,056</b>	<b>1,240</b>
Paid in Capital	3,308	3,308	4,358	4,358	4,358	4,358	4,358
Paid in Excess	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	34	132	132	132	132	132	132
Treasury Stock	0	0	0	0	0	0	0
Retained Earnings	252	(1,081)	(1,695)	(2,085)	(2,195)	(2,150)	(2,021)
Adjustments	0	0	0	0	0	0	0
<b>Net Worth</b>	<b>3,594</b>	<b>2,359</b>	<b>2,796</b>	<b>2,406</b>	<b>2,295</b>	<b>2,341</b>	<b>2,469</b>
<b>Total Liabilities &amp; Equity</b>	<b>4,921</b>	<b>5,003</b>	<b>4,727</b>	<b>4,497</b>	<b>4,482</b>	<b>4,678</b>	<b>4,939</b>

## Financial Ratios

FY end December	2009a	2010a	2011e	2012f	2013f	2014f	2015f
Revenue Growth (%)	NA	3.1	(33.9)	0.2	12.4	15.3	9.8
EBITDA Growth (%)	NA	4,502.9	(38.2)	6.1	4.0	8.3	8.8
Net Profit Growth (%)	NA	(948.9)	(54.7)	(36.4)	(71.6)	(141.1)	182.5
EBITDA Margin (%)	(5.6)	(249.6)	(233.1)	(246.9)	(228.4)	(214.5)	(212.5)
Net Profit Margin (%)	174.9	(1,440.6)	(986.6)	(626.0)	(158.2)	56.4	145.0
EPS (EGP)	0.24	(2.05)	(0.70)	(0.45)	(0.13)	0.05	0.15
ROA	6.5	(27.3)	(12.6)	(8.5)	(2.5)	1.0	2.7
ROE	8.9	(45.5)	(23.8)	(15.0)	(4.7)	2.0	5.3
Current Ratio	2.7	0.6	0.7	0.7	0.6	0.6	0.5
Total Debt/Equity	0.2	0.5	0.2	0.3	0.4	0.4	0.5
Net Debt/EBITDA	(106.3)	(4.6)	(3.0)	(3.9)	(4.1)	(4.7)	(5.3)
DPS (EGP)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Payout (%)	-	-	-	-	-	-	-
P/E	12.1	n/m	n/m	n/m	n/m	54.2	19.2
P/BV	0.5	0.8	0.7	0.8	0.8	0.8	0.8
EV/EBITDA	(466.3)	(10.1)	(16.4)	(15.5)	(14.9)	(13.7)	(12.6)

Source: CCAP and Beltone Financial estimates



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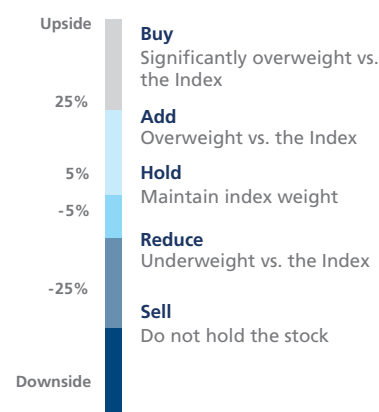
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\* The Rating is flexible and is subject to the analysts' general outlook on the individual companies

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