

USAID Privatization Implementation Project

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**USAID/PRICEWATERHOUSECOOPERS
EGYPT PRIVATIZATION IMPLEMENTATION PROJECT (“PIP”)**

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**QUARTERLY REPORT TO USAID FOR THE SECOND QUARTER OF 2001
31 JULY 2001**

QUARTERLY REPORT TO USAID FOR THE SECOND QUARTER OF 2001

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1. EXECUTIVE SUMMARY

Recent government actions have had a positive effect on the outlook for the privatization program in Egypt. The most important of these events happened just a few days ago, with the August 5 decision to allow the Egyptian pound to devalue further. The positive reception to Egypt's Eurobond offering in June of this year (and the subsequent healthy secondary market for that security) reflects the market's guardedly optimistic view of Egypt as an investment destination.

While these events are positive, challenges remain. The current economic condition continues to limit local investor interest. From an international perspective, our periodic market soundings indicate that the on-going Palestinian-Israeli conflict continue to create significant concerns for international investors in the region. And, in the current political and economic environment, Gulf investors continue to strongly prefer more conservative options (e.g. US Treasuries or other AAA-rated securities) to Egyptian privatization.

One of our most critical challenges in this quarter has been that GOE valuations have not taken into account the current adverse market conditions. Thus many of the indicative investor bids for the tendered companies listed below have been discouraged as being too low.

The PIP Team has approached the CAA to discuss market-based valuation international best practices. PIP has discussed with USAID the formation of a "Blue Ribbon" advisory council to provide a view on valuation methodologies and facilitate a dialogue on the need for flexibility in pricing to bridge the gap between ask and bid prices for public enterprises. The panel would be formed by a group of influential Egyptian experts. The panel's scope of work will be developed with PIP assistance in the coming quarter.

Serious restructuring and liquidation concerns continue to plague many of the Law 203 and Law 159 companies. The GOE needs to find internal agreement on what are politically acceptable solutions for these companies. PIP's ability to address these concerns in the short- and even medium-term time frame for this project is limited. Our focus must be on activities that will have an impact. This means focusing on those transactions that are likely to be concluded in the next 3 to 6 months. In this context, we believe our focus moving forward needs to be on building consensus around an effective approach to privatizing JV companies. This would include developing and building consensus around a clear and standard set of procedures for privatizing JVs. PIP would propose that as these are developed, USAID DSP resources be leveraged to encourage adoption of these standardized processes and procedures for JVs.

SUMMARY OF ACTIONS ON MPE AND MOEFT RELATED ACTIVITIES

The following account summarizes the status of the Law 203 and Joint Venture companies assigned to the PIP Team:

- ⇒ **13 companies are currently being tendered for sale to strategic investors, employees, or private sector shareholders:**

Misr Hotels, Abu Zabaal Fertilizer, Red Sea Contracting, NEEASAE, Helwan Cement, Al Nasr Steel Pipes, Al Nasr Glass & Crystal, Omar Effendi, Alexandria Cooling, Misr Import & Export, Gharbeya Rice Mills, National Company for Hotels and Tourism, and Arab Company for Tourism & Hotel Investment. It is unlikely however that more than a handful of these deals will be closed before the end of the year.

- ⇒ **If the GOE should choose, approximately 30 companies could be offered for sale by the end of 2001.** Among the potential candidates for tender are:

Shepherd's Hotel, Nile Consumer Outlets, Al Ahram Consumer Outlets, Misr America International Bank, Cairo Far East Bank, Egyptian Glass Company, National Company for Housing for Professional Syndicates, Misr Aswan Co. for Fishing, Misr Clay Brick Company, 6 floating hotels, Delta Fertilizers, Al Nasr Fertilizers, Mokhtar Ibrahim Construction, EDFINA, General Warehouses, Misr Amerya Spinning & Weaving Co., Miratex, Kuwaiti Egyptian Investment Co., Misr Sinai Travel.

- ⇒ In addition, minority interests in three major hotels (Semiramis, Conrad and Cairo Sheraton) could be sold to the majority shareholders in this time frame.

MAJOR ACCOMPLISHMENTS DURING THE SECOND QUARTER OF 2001:

- PIP Team prepared 30 companies (Law 203 and JVs) for tender to strategic investors.
- PIP Team completed 66 Deliverables (Info Memos, Company Profiles, Diagnostic Reports, Valuations, Training Workshops, Marketing and Investor Outreach Initiatives, Policy Memoranda).
- PIP Team organized and successfully conducted a "Cairo Road Show" which attracted more than 150 participants including many investment banks and several dozen potential strategic investors from the Gulf.
- PIP Team participated in two London "road shows" with MPE officials and one Paris "road show".
- PIP Team presented final recommendations to the Minister of Economy for the first tranche of 35 JVs assigned to the PIP (10 "Tier 1", 10 "Tier 2", 5 restructure, 6 liquidate, 4 N/A).
- The PIP Team is acting as a facilitator in the Red Sea Construction transaction. Through PIP efforts, the dialogue between the investor and the Construction Holding Company continues, and progress is being made to decrease the gulf between the offer price and the CAA approved asking price. This represents a good precedent. In

- our opinion, the PIP Team can add value in the final stage negotiating process, providing technical assistance to the Holding Companies, helping them develop a strategy to adequately address serious potential investor concerns, and helping them structure sales terms to better meet market requirements.
- PIP prepared and submitted a market study on the hotel sector in Aswan and Cairo, as part of the information memorandum prepared for the Shepherd Hotel.

ISSUES THIS QUARTER:

Among the Law 203 and JV companies currently being tendered for sale to strategic investors:

- Out of 11 initial serious investors (who purchased the bid documents) for Omar Effendi, only one serious investor remains.
- Out of 14 serious investors for Misr Hotels, not one has submitted a public share purchase offer since the tender was announced on 29 April 2001.
- Only one bidder for Abu Zabaal Fertilizers.
- Only one bidder for Red Sea Construction.
- Only one potential bidder for NEEASE (but only with tax holiday and other incentives).
- Only one serious investor to date for Helwan Cement.
- Only one bidder for Al Nasr Steel Pipe.
- Only one bidder for Alex Cooling.

The limited investor interest is a function of (a) the economic conditions, as highlighted earlier in this document (considerably improved with the devaluation of August 5), and (b) the wide gulf between what investors are willing to offer and what the CAA valuations indicate.

VALUATIONS

In the case of Misr Hotels, serious investors have indicated they are willing to offer between 59% and 69% of what the CAA valuations indicate. In other cases investors' bids have been anywhere from 6% to 60% of the value audited by the CAA.

DECISION-MAKING PROCESSES FOR JV PRIVATIZATION

The lack of a centralized decision-making processes in the case of the JVs in particular, are also slowing down progress on these companies. This has lengthened the time needed to develop company diagnostics, financial information or create consensus on sales strategy. Over time, the PIP Team has developed a more effective relationship with the principal shareholders and the MOEFT. This has helped shorten the time required to prepare companies for sale. Nevertheless the need for agreeing on standard procedures for decision-making on sales strategy and clearing basic information hurdles continues to be real.

SEVERAL OF THE COMPANIES ASSIGNED TO PIP ARE NOT PRIVATIZABLE WITHIN THE PROJECT'S AGGRESSIVE TIMEFRAME

Our analysis indicates that several of the companies assigned to the project by the MPE or the MOEFT need to be either liquidated, or require significant restructuring, involving major investment write-offs by the GOE, and/or cannot be sold based on the shareholders' minimum acceptable price (valuation).

Examples of these companies are: NEEASAE, Al Nasr Steel Pipes, the Floating Hotels, Red Sea Construction, the Spinning & Weaving Companies, El Togarioun Bank, Cairo Aswan Poultry, Port Said Company for Food Security, El Fayoum for Food Security, Egyptian Salt and Minerals, Fontana Tourism Development, Sharkeya Garment Company, and Egyptian Car Services & Maintenance.

Addressing these issues requires time and a great deal of effort. More importantly, as noted earlier, liquidation and restructuring remain politically charged and difficult tasks, which cannot be addressed without the highest level of GOE support. PIP resources would be better spent on those transactions most likely to lead directly to divestiture of one sort or another within our limited time horizon. We recommend that these companies be removed from our scope, so that the Team can focus on those cases that are likely to lead to transactions within the next 6 months.

OTHER ISSUES DELAYING THE PRIVATIZATION OF SPECIFIC PROPERTIES

For example:

- Misr Hotels: Is a listed company that owns two hotel properties (Nile Hilton and Hilton Dahab) and numerous extraneous tourism investments (travel agencies, development properties). Investors are mainly interested in the Nile Hilton.
- Omar Effendi: The chain includes 83 stores including numerous outlets outside major urban centers *versus* few if any local and international investors are interested in taking the huge risk of investing in a nationwide chain of depreciating assets.
- Shepherd's Hotel: This property is of great interest to a number of international hotel owner/operators. But Shepherd's long-term management contract with Helnan negatively affects investor interest. The PIP Team has prepared a strategy for restructuring this asset, and is working with the Holding Company to craft creative solutions to overcome this obstacle.
- Egyptian Glass Co: This company is of great interest to a number of international glass manufacturing companies. But Pilkington of the UK has a licensing/technology agreement with EGC which could limit the ability of potential bidders to conduct due diligence and thus to submit realistic bids. The PIP Team is working with its legal subcontractors to evaluate this agreement and determine the extent to which this is a serious obstacle.

- Consumer Outlets: The HC is only interested in offering closed outlets, although many of the open outlets are of interest to foreign investors. To ensure the legality of sub-lease terms, bidders must review the lease contracts for each outlet.
- Container Handling Terminals: There is no GOE agreed policy amongst Maritime HC, Port Authorities, and Transport Ministry as to how to privatize. Therefore, the PIP team has removed Alex, Damietta, and Port Said CHTs from its list of assigned companies.
- Ismailia Cooling Co.: Management not eager to privatize. Condition of company deteriorated.
- National Company for Corn Production: Attractive plant and equipment, monopoly producer of corn syrup. But company is heavily indebted and current financial condition is not viable. State banks are financing company's new production subsidiary instead of restructuring/writing off debt for sale of company.
- Misr Cooling & Storage: Legal issue unresolved re land ownership.
- National Company for Housing for Professional Syndicates. This company has diverse assets that need to be separated into saleable entities.
- Islamic Bank for Investment and Development. Bank management is not willing to release FY2000 financials to PIP staff, perhaps due to the poor financial condition these statements will reveal.
- Port Said National Co. for Food Security: Company's revenues are mainly from leasing of facilities to third parties. Not viable going-concern.
- Egyptian Salt and Minerals Co.: Company management uncooperative, unwilling to initiate privatization process.
- Kuwaiti Egyptian Investment Co.: Kuwaiti shareholder interested in buying out Egyptian stake. But Egyptian management not cooperative and not interested in working with PIP to prepare company for sale.

2. CURRENT TRANSACTIONS

This Quarter PIP conducted investor outreach, prepared marketing brochures and investment memoranda, and undertook tender preparatory tasks for the following Law 203 and Joint Venture companies:

Law 203 Companies (MPE)

1. **Misr Hotels.** PIP assisted the Holding Company for Housing, Tourism and Cinema to market an investor for this landmark hotel company comprising the Nile Hilton and Hilton Dahab. The tender attracted interest from a number of hotel owners and operators but no formal bids were

- made by the deadline of July 11. The Holding Company extended the tender to give bidders more time for due diligence. PIP offered to initiate discussions with bidders, but no names have yet been received from the PEO. PIP has also encouraged one investor interested only in Nile Hilton to make an indicative offer to the HC to generate consideration for breaking up Misr Hotels for sale purposes.
2. **Shepherds Hotel.** PIP completed the information memorandum and continues to deliver more transactions advice to the Holding Company for Housing, Tourism and Cinema and EGOH on the marketing, promotion and sale of this prominent hotel asset. The hotel has attracted international interest from hotel owners and operators.
 3. **Abu Zabaal Fertilizers.** PIP prepared marketing brochures, a sector study and an information memorandum to assist the Chemicals Holding Company market and promote one of Egypt's largest fertilizer producers. The tender closed on June 30, 2001. The Holding Company received inquiries from several anchor investors and is currently in negotiations with the sole bidder.
 4. **Red Sea Contracting.** PIP prepared a company profile and information memorandum for this Company, which was offered for sale this Quarter by the Construction Holding Company. PIP is assisting in and facilitating discussions between the Holding Company and a potential bidder/investor, with the view to narrowing the gulf between the ask and the bid price.
 5. **NEEASAE.** PIP prepared a detailed diagnostic and company profile for this light bulb manufacturer and this Quarter the Engineering Holding Company received an expression of interest from a potential anchor investor. The Holding Company is currently in negotiations to sell up to 90 percent of the shares of the Company.
 6. **Helwan Cement.** PIP has assisted the Metallurgy Holding Company with valuation assistance, investor outreach and promotion for this cement company, one of Egypt's only producers of white cement. The Holding Company has announced an open tender for the sale of its 47% stake in the Company. International anchor investors have investigated the Company and at least two are currently conducting due diligence. The terms of the tender require that the bidder offer to purchase all outstanding shares, which would give the new owner a majority stake in the Company (up to 100%). The HC has retained CIIC to assist in this sale.
 7. **Al Nasr Steel Pipes.** PIP has assisted the Metallurgy Holding Company prepare an information memorandum for the Company, which was offered for tender this Quarter. The Holding Company received a bid from an anchor investor and is currently in negotiation.
 8. **Al Nasr Glass and Crystal.** PIP assisted the Metallurgy Holding Company prepare a valuation, profile, and prospectus for this glass and ampoule manufacturer, which was offered for sale as separate production units to anchor investors during this Quarter. The Holding Company extended the deadline for the submission of bids until September 2 to accommodate the requests of several interested investors.
 9. **Omar Effendi.** PIP prepared the information memorandum and assisted the Trade Holding Company with marketing and investor outreach activities to promote the sale of this national retail chain. The Holding Company extended the tender until September 2 at the request of potential anchor investors who wish to complete due diligence. The HC has retained CIIC to assist in this sale.

10. **Alexandria Cooling.** The Trade Holding Company announced a tender for this cold storage company this Quarter and received at least one serious expression of interest. The Holding Company is currently in negotiations for the sale of the Company.
11. **Misr Import and Export.** The Trade Holding Company negotiated the sale of this trading company to the Employee Shareholder's Association (ESA) and will present the transaction to the Holding Company's General Assembly for approval in early August.
12. **Gharbeya Rice Mills.** This Quarter the Food Holding Company neared completion of negotiations for the sale of this rice mill to the Company's Employee Shareholder's Association (ESA).
13. **Nile and Al Ahram Consumer Outlets.** PIP completed site visits and diagnostics for several closed outlet shops that are currently being offered for sale by the Food Holding Company. Retail chains have met with the Holding Company to discuss a possible investment in these real estate assets.

PIP also completed diagnostics for more than ten other Law 203 enterprises that have not yet been offered for sale, including companies in the maritime, construction, food processing, and spinning & weaving sectors.

JV Companies (MOEFT)

PIP is assisting the GOE's designated representatives (mainly the public sector banks and insurance companies) prepare the following JV companies and banks for the sales transaction phase of privatization:

14. **Egyptian Glass Company.** This Quarter, PIP assisted by completing the valuation, preparing marketing materials, assembling a data room, and conducting investor outreach activities for the promotion and sale of Egypt's only float glass manufacturer. At least two global glass manufacturers have expressed interest in the Company. PIP is working to address the potential licensing constraints preventing investors from undertaking full due diligence.
15. **National Company for Hotels and Tourism ("Kawmaya").** At the request of EGOH, PIP prepared a market study and a valuation for this hotel and tourism company, which owns a minority stake in both the Cairo Sheraton and Conrad hotels. An investor has approached the GOE and expressed a serious interest in acquiring the Government's outstanding shares.
16. **Arab Company for Tourism and Hotel Investment.** PIP prepared a market study and a valuation for this company, which owns a minority stake in the Semiramis Intercontinental Hotel. An investor has approached the GOE and expressed a serious interest in acquiring the Government's outstanding shares.
17. **Misr America International Bank.** PIP has provided valuation, information memorandum, marketing, and investor outreach assistance to the Banque du Caire for the sale of this bank. Next steps include drafting a share purchase agreement in preparation for a tender.
18. **Cairo Far East Bank.** PIP has provided marketing and investor outreach assistance to the Banque du Caire for the sale of this bank. At the PIP investors' conference on June 25, a number of investors expressed an interest in acquiring the bank. Next steps include valuation analysis and the preparation of the information memorandum as well as facilitating an arrangement between the major government shareholder, Banque du Caire, and the major foreign shareholder, Korea Exchange Bank.

19. **National Housing Company for Professional Syndicates.** PIP completed the valuation and presented Banque Misr with transaction recommendations, a company profile and marketing materials to promote the sale of this hotel and related real estate assets.
20. **Misr Aswan Company for Fishing.** PIP assisted the Bank of Alexandria by completing a valuation and company profile and marketing this fish production company. Investor interest has been expressed in the Company.
21. **Misr Brick Company.** PIP assisted the Ministry of Housing complete a valuation and marketing materials for this Company, the largest brick manufacturer in the Middle East.

This Quarter the PIP team strengthened its relationship with the Ministry of Economy and Foreign Trade and held a number of meetings with the MOEFT's Privatization Unit as well as with Dr. Moheildin, senior advisor to the Minister.

PIP senior management met with Dr. Moheildin on July 4 to provide him with an update on the PIP team's progress on preparing the JV portfolio for privatization. Dr Moheildin wanted our update on progress and issues before briefing the Minister. He and the Minister are hopeful that with the passage of the mortgage law, the signing of the EU partnership agreement, and the launch of Egypt's Eurobond issue, strategic investor interest in privatization and portfolio investor interest in the equity market will be stimulated.

We reviewed the list of JVs assigned to PIP one by one. In response, Dr. Moheildin expressed his thanks for the assistance of the PIP team in helping to initiate the JV privatization program. He promised to assist in resolving any issues going forward and asked that we call him when his assistance is needed.

Dr Moheildin also asked that we begin our review of the entire JV universe - via the MOEFT's database on 500+/- JVs - and categorize/prioritize the JVs as we have done numerous reports. This was a very positive meeting. Although his time is limited, Dr. Moheildin is willing to support as much as possible PIP's efforts to get the JV privatization moving - and to privatize a number of JVs over the next six months.

3. JOINT VENTURE INITIATIVES

NOTE: "PIP" = PRICEWATERHOUSECOOPERS' PRIVATIZATION IMPLEMENTATION PROJECT TEAM.
 "TIER 1" = ATTRACTIVE TO INTERNATIONAL AND LOCAL STRATEGIC INVESTORS.
 "TIER 2" = MARGINALLY PROFITABLE. POTENTIAL LOCAL STRATEGIC INVESTOR INTEREST.
 "RESTRUCTURE" = FINANCIAL, LEGAL, OTHER OBSTACLES. REQUIRES RESTRUCTURING PRIOR TO PRIVATIZATION.
 "LIQUIDATE" = NOT VIABLE. SALE OF ASSETS AND OTHER STEPS TO DISSOLVE COMPANY.
 "N/A" = SHAREHOLDER UNCOOPERATIVE OR OTHER OBSTACLES TO PREPARING COMPANY FOR PRIVATIZATION.

No.	JOINT VENTURE	SHARE-HOLDER REP	STATUS (TASKS COMPLETED BY PIP & PIP'S ASSESSMENT)	NEXT STEPS (PIP RECOMMENDATIONS)
1.	National Housing for Professional Syndicates (Meridian Heliopolis)	Banque Misr	Tier 1. Diagnostic and valuation completed.	Banque Misr accepts valuation. PIP prepares info memo and data room. Market to potential investors. Conduct

No.	JOINT VENTURE	SHARE-HOLDER REP	STATUS (TASKS COMPLETED BY PIP & PIP'S ASSESSMENT)	NEXT STEPS (PIP RECOMMENDATIONS)
				tender.
2.	Misr America International Bank	Banque du Caire	Tier 1. Diagnostic, valuation, marketing brochure, and info memo completed. Gulf Bank among potential bidders. Met with Banque du Caire to discuss sales strategy and timing.	Prepare shareholder's agreement, data room. Market to potential investors. Conduct tender.
3.	Cairo Far East Bank	Banque du Caire	Tier 1. Met with Banque du Caire to discuss sales strategy and timing. Kuwait Finance House and Joint Arab Investment Co among serious potential bidders.	Draft Memorandum of Understanding for shareholders defining the terms of their participation in the tender. Complete valuation, info memo and data room. Market to potential investors. Conduct tender.
4.	Egyptian Glass Company	Nat'l Bank of Egypt	Tier 1. Diagnostic, valuation, marketing brochure, legal review, and data room preparation completed. Valuation accepted by Nat'l Bank of Egypt. Pilkington and Guardian Industries will likely bid.	JV valuation committee approves valuation. Contact other potential investors Asahi Glass?). Can other bidders (ex-Pilkington) see plant? MOEFT approve initiation of tender.
5.	Arab Company for Pharmaceuticals	Ministry of Health	Tier 1. Diagnostics completed. Company is profitable semi-monopoly. Only 19% being offered. Ministry of Health and Pharmaceutical Holding Co not willing to sell stakes.	MOEFT must decide whether or not to proceed with privatization.
6.	Arab Co. for Tourism & Hotel Investment (Cairo Sheraton, Conrad)	Housing, Tourism & Cinema Holding Co.	Tier 1. Valuations in progress to be completed shortly. Long delay in obtaining information and meeting with managements.	PIP completes valuation. Shareholders accept valuation. Tender conducted for sale to majority shareholders (and other possible bidders).
7.	National Co. for Tourism & Hotel Investment (Semiramis Intercontinental)	Housing, Tourism & Cinema Holding Co.	Tier 1. Valuation in progress to be completed shortly. Long delay in obtaining information and meeting with management.	PIP completes valuation. Shareholders accept valuation. Tender conducted for sale to majority shareholder (and other possible bidders).
8.	Misr Clay Brick Production Co.	Ministry of Housing	Tier 1. Diagnostics, valuation, marketing materials completed. Company has 75% market share for large construction projects. Potential strategic investor interest when construction market revives.	Shareholders agree to valuation and sales strategy. Conduct investor promotion campaign. Conduct tender.
9.	Kuwaiti Egyptian Investment Co.	Nat'l Investment Bank	Tier 1. Shareholder and senior management delayed access to company/uncooperative. Kuwaiti shareholder wants to buyout GOE's 50% stake	Conduct valuation. Tender for Kuwaiti shareholder (pre-emptive rights) to purchase GOE's stake.

No.	JOINT VENTURE	SHARE-HOLDER REP	STATUS (TASKS COMPLETED BY PIP & PIP'S ASSESSMENT)	NEXT STEPS (PIP RECOMMENDATIONS)
			(despite recent severe decline in profitability/investment losses).	
10.	Misr Iran Spinning & Weaving Co.	Nat'l Investment Bank	Tier 1/ N/A. Preliminary diagnostics completed.	Visit company, review financials, make preliminary sales strategy recommendation.
11.	Ismailia Cooling Co.	Banque Misr	Tier 2. Diagnostics and valuation completed. Company management uncooperative and not supporting preparation for privatization. PIP unable to obtain information.	MOEFT must decide whether or not to proceed with privatization.
12.	El Fayoum for Nat'l Food Security	Banque du Caire	Tier 2. Added to PIP portfolio on 1 June 2001. Diagnostics and valuation completed. One strategic investor identified.	Banque du Caire accepts valuation and conduct tender.
13.	Misr Aswan Co. for Fishing & Fish Production	Bank of Alexandria	Tier 2. Diagnostics and valuation completed. One interested investor. Distribute large cash balance of company to shareholders. Without cash current asset, company of limited interest to investors.	Distribute cash to shareholders. Auction fixed assets
14.	Egyptian Int'l Co. for Gas Technology	Misr Insurance	Tier 2. Diagnostics in progress. This is a start-up company with only a two-year history.	PIP has learned that there may be investor interest in the company. We will complete the diagnostic and follow up with Misr Insurance.
15.	Misr Real Estate Investment & Tourism Co.	Misr Insurance	Tier 2. Diagnostics, valuation and marketing materials completed.	Present package to Misr Insurance for approval. Conduct marketing/promotion. Then tender.
16.	Rowad Tourism	Al Chark Insurance	Tier 2. Diagnostics, valuation and marketing materials completed.	Present package to Al Chark Insurance for approval. Conduct marketing/promotion. Then tender.
17.	October Development & Real Estate Investment Co	Nat'l Insurance Co.	Tier 2. Diagnostics completed and valuation in progress.	Present to Nat'l Insurance Co for approval. Prepare marketing materials. Conduct promotion/identify investors. Conduct tender.
18.	Misr Aswan Travel	Egypt Air	Tier 2. Diagnostics, valuation and marketing materials completed. Abu Simbel hotel property has very low occupancy (6%). Only used by Egypt Air. But potential for overnight tourists with opening of Aswan – Abu Simbel highway.	Discuss and agree on strategy with Egypt Air. Market and offer via asset sale.
19.	Misr Amerya Spinning & Weaving	Banque Misr	Tier 2/Restructure. Diagnostics completed. Shareholder has hired an	MOEFT should decide whether to proceed with identified potential investor's proposal.

No.	JOINT VENTURE	SHARE-HOLDER REP	STATUS (TASKS COMPLETED BY PIP & PIP'S ASSESSMENT)	NEXT STEPS (PIP RECOMMENDATIONS)
			investment bank to identify potential investors. Potential investor prepared to lease and restructure company with option to buy.	
20.	Egyptian Salt & Minerals Co.	Nat'l Bank of Egypt	Tier 2/ N/A. Diagnostics and valuation in progress. Management and major shareholder (Al Nasr) not interested in privatizing. Declining profitability.	MOEFT decide whether or not to proceed with privatization.
21.	El Togarioun Bank	Banque Misr	Restructure. Diagnostics in progress.	Banque Misr and other lenders write-off loans/takeover bank's non-viable investment portfolio, then tender cleaned-up bank, allow merger with Banque Misr, or conduct asset sale.
22.	Islamic Bank for Investment & Development	Banque du Caire	Restructure. Diagnostics and company profile completed. Management unwilling to disclose FY2000 financials.	Obtain FY2000 financials, determine need to restructure real estate portfolio, conduct valuation analysis, prepare info memo, and conduct tender.
23.	National Co. for Corn Production	Banque Misr	Restructure. Diagnostics completed. Liquidation candidate. The company is carrying LE 100M in long-term debt and is currently undergoing restructuring.	Banque Misr and other lenders write-off/restructure long-term loans. Discontinue funding for new subsidiary. Sell assets.
24.	Al Shams Housing & Development Co.	Construction Holding Co.	Tier 2. Diagnostics and valuation completed. Will meet with Sales Committee and JV Valuation Committee to review and discuss valuation methods.	Agree on sale of assets strategy. Prepare marketing/promotion plan. Identify investors. Conduct tender for sale of assets.
25.	Misr Cooling & Storage	Banque Misr	Restructure. Diagnostics completed. Legal disputes prevent sale of 2 of 3 facilities.	Agree on sale of assets strategy. Prepare asset valuation for one facility. Conduct asset sale.
26.	Cairo Aswan Poultry & Egg Production	Banque du Caire	Liquidate. Diagnostics completed. Company not viable. The company's long-term debts are double its paid-in capital.	Auction assets.
27.	Port Said National Co. for Food Security	Banque du Caire	Liquidate. Diagnostics completed. The company failed to make interest payments on nearly LE 5M in long-term debt, but the GOE has begun to restructure this debt. The company is not attractive to investors or an ESA as a going concern but may have some assets that could be sold separately.	Auction assets.

No.	JOINT VENTURE	SHARE-HOLDER REP	STATUS (TASKS COMPLETED BY PIP & PIP'S ASSESSMENT)	NEXT STEPS (PIP RECOMMENDATIONS)
28.	Fontana Tourist Development Co.	Nat'l Bank of Egypt	Liquidate. Diagnostics completed. One of the founding partners has backed out of the company b/c it is not a promising investment. The NBE says the company's land (its only real asset) is likely to be confiscated/repossessed because the company has not made debt interest payments. The company itself is not moving forward with its development plans.	Auction unencumbered assets.
29.	Misir Sinai Travel	Misir Insurance	Liquidate. Diagnostics and valuation completed. Company not viable as operated but owns two potentially attractive hotel assets.	Auction two hotel assets.
30.	Sharkeya Nat'l Co. for Ready Made Garments	Al Sharkeya Govern.	N/A. PIP is attempting to arrange a meeting with the Sharkeya Governate to begin diagnostic."	Auction assets.
31.	Misir Yat	Engineering Holding Co (Al Nasr Car Production Co.)	Liquidate. Diagnostics completed. The company is losing LE 500,000 per year and has short-term debt of LE 9M. It also owes its parent company, Al Nasr Car Production, L.E. 2 million and has accounts/payable of L.E. 10 million.	Auction assets.
32.	Saudi Egyptian Co. for Industrial Investments	Nat'l Investment Bank	N/A. Shareholder not cooperative. PIP unable to conduct preparation for sale.	MOEFT must intervene and decide whether or not to proceed with privatization.
33.	Sidi Krir Petrochemicals Co.	Egyptian General Petroleum Co.	N/A. MOEFT removed company from list of JVs assigned to the PIP.	Removed from privatization program.
34.	Egyptian French Co for Renewal & Maintenance of Railroads – EGYFRAY	Egyptian Nat'l Railway Authority	N/A. MOEFT removed company from list of JVs assigned to the PIP.	Removed from privatization program.
35.	Egyptian German Co for Renewal & Maintenance of Railroads	Egyptian Nat'l Railway Authority	N/A. MOEFT removed company from list of JVs assigned to the PIP.	Removed from privatization program.

4. ENTERPRISE PREPARATION PIPELINE

PIPELINE STATUS - LAW 203 COMPANIES

No.	Holding Co.	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Tender Announced	Tender Closes	Approval of Winning Bid (expected)
1	Tourism	Misr Hotels	1	1-Dec-00	15-Dec-00		15-Dec-00	11-Jan-01	29-Apr-01	1-Sep-01	September
2		Shepherd Hotel	1	1-Dec-00	19-Feb-01		31-Mar-01	30-Jun-01			September
3		Aswan Oberoi	1	1-Dec-00	19-Feb-01		31-Mar-01				
4		Atoun - floating hotel	2	31-Mar-01	15-Apr-01	HC	31-Mar-01				
5		Tut - floating hotel	2	31-Mar-01	16-Apr-01	HC	31-Mar-01				
6		Anni - floating hotel	2	31-Mar-01	17-Apr-01	HC	31-Mar-01				
7		Hotob - floating hotel	2	31-Mar-01	18-Apr-01	HC	31-Mar-01				
8		Isis - floating hotel	2	31-Mar-01	19-Apr-01	HC	31-Mar-01				
9		Osiris - floating hotel	2	31-Mar-01	20-Apr-01	HC	31-Mar-01				
10		Thomas Cook - Land	2	1-Dec-00	31-Jan-01	HC	31-Mar-01				
11		Soultana - Land	2	1-Dec-00	31-Jan-01	HC	31-Mar-01				
12		Mena House - Land	2	1-Dec-00	31-Jan-01	HC	31-Mar-01				
13		Cleopatra	1	31-Mar-01							
14		Oberoi Arish	1								
15		Mercure Romance	1	1-Apr-01	28-Apr-01						
16		Sheherezad	1								
17		Cosmopolitan	1	15-Apr-01			15-Apr-01				
18		Helnan Dahab	1	15-Apr-01			15-Apr-01				
19		Helnan Port Said	1								
20	Chemicals	Abu Zabaal	1	23-Nov-00	31-Jan-01	HC	15-Mar-01	31-May-01	1-Mar-01	30-Jun-01	August
21		Delta Fertilizers	2	23-Nov-00	31-Jan-01	HC	15-Mar-01	15-Apr-01			September
22		Nasr Fertilizers	2	23-Nov-00	31-Jan-01	HC	15-Mar-01	30-Jun-01			October

No.	Holding Co.	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Tender Announced	Tender Closes	Approval of Winning Bid (expected)
23	Construction	Red Sea Contracting	2	1-Dec-00	15-Dec-00	HC	15-Dec-00	15-Jan-01	15-Jan-01	30-Jun-01	August
24		El Adb Construction	2								
25		Elygect	2								October
26		Hassan Allam	2			HC					October
27		Vibro	2								
28		Misr El Gedida	2								
29		Mokhtar Ibrahim	2	15-May-01	15-Jun-01			2-Aug-01			September
30	Engineering	NEEASA	2	23-Oct-00	15-Feb-01	HC	1-Jan-01				
31	Metallurgy	Al Nasr Glass/Crystal	1	19-Oct-00	15-Dec-00	15-Dec'00 (PIP)	15-Nov-00	31-Jan-01	29-Mar-01	2-Sep-01	September
32		Helwan Cement	1			15-Apr-01 (PIP)			18-Mar-01		September
33		Al Nasr Steel Pipes	1					15-Feb-01	25-Feb-01	22-Jun-01	August
34	Trade	Omar Effendi	1	1-Dec-00	15-Jan-01	HC	15-Dec-00	10-Feb-01	27-Feb-01	2-Sep-01	September
35		Hannaux	1	1-Dec-00	31-Jan-01		15-Dec-00				
36		Sednawi	2								
37		Misr Import Export	3						11-Apr-01	NA (ESA)	July
38		Al Nasr Import Export	2	3-Jul-01		31-Aug-01 (PIP)					
39		Alex Cooling	3						12-Feb-01	1-Jun-01	July
40		Misr Car Trade	3								
41	Food	EDFINA	1	15-Jul-01	31-Jul-01	30-Sep-01 (PIP)	2-Sep-01	1-Oct-01			November
42		Gharbeya Mills	3						NA (ESA)	NA (ESA)	August
43		Misr Dairy Products	2	15-Aug-01							

No.	Holding Co.	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Tender Announced	Tender Closes	Approval of Winning Bid (expected)
44		Egyptian Fish Marketing	3								
45		Alexandria Outlets	2	15-Jul-01	9-Aug-01						
46		Nile Outlets	2	1-Jun-01	9-Aug-01						
47		Al Ahram Outlets	2	1-Jun-01	9-Aug-01						
48	Maritime	Alexandria Shipyards	3	22-Sep-00	21-Feb-01			1-Dec-00			
49		Canal Shipping Agencies	3	30-May-01	15-Aug-01	31-Aug-01 (PIP)	15-Aug-01				
50		Egyptian Navigation	2	23-Apr-01							
51		General Warehouses	2	31-Mar-01		15-Aug-01 (PIP)			NA (ESA)	NA (ESA)	August
52	Spinning & Weaving	Damietta S&W	2	1-Jun-01	1-Jul-01						
53		Delta S&W	2	1-Jun-01	1-Jul-01						
54		STIA	2	15-Jun-01	8-Jul-01						
55		El-Siouf S&W	3	2-Aug-01	15-Aug-01						

PIPELINE STATUS - JV COMPANIES

No.	Official GOE Rep	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Data Room	Tender Announced	Tender Closes	Approval of Winning Bid (exp)
1	Banque Misr	El Togarioun Bank	3	15-Jul-01								

No.	Official GOE Rep	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Data Room	Tender Announced	Tender Closes	Approval of Winning Bid (exp)
2		Ismailia Cooling Company	2	10-Jan-01		15-April-01 (NBE)						
3		National Housing for Professional Syndicates	1	31-Jan-01	31-Mar-01	15-May-01 (MG)	31-Mar-01					September
4		National Company for Corn Production	3	31-Jan-01								
5		Misr Amerya Spinning & Weaving	3									
6		Misr Cooling & Storage Company	3	31-Jan-01								
7	Banque du Caire	Misr America International Bank	1	15-Feb-01	15-Jun-01	31 July 01 (PIP)						August
8		Islamic Bank for Invest. & Dev	2	3-Jul-01	24-Jul-01							
9		Cairo Far East Bank	1	15-Mar-01	25-Jun-01	31 Aug 01 (PIP)						August
10		Cairo Aswan Poultry and Egg	3	25-Jan-01								
11		Port Said Company for Food Security	3	24-Jan-01								
12		El Fayoum for Food Security	1	1-Jun-01		28 June 2001(AN)						
13	NBE	Egyptian Salt and Minerals Company	3	15-Jul-01								
14		Egyptian Glass	1	15-Mar-01	22-May-01	15 April 01				July	Sept	October

No.	Official GOE Rep	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Data Room	Tender Announced	Tender Closes	Approval of Winning Bid (exp)
		Company				(PIP)						
15		Fontana Tourist Development	3	30-Apr-01								
16	Bank of Alexandria	Misr Aswan Company for Fishing	2	16-Jan-01		3 July 01 (AN)						
17	National Investment Bank	Saudi Egyptian Investment Co	1									
18		Misr Iran Spinning & Weaving ("Miratex")	2	31-Jul-01		31-Aug-01 (PIP)						
19		Kuwaiti Egyptian Investment Company	1	31-Jul-01								
20	Misr Insurance	Egyptian International Company for Gas	1									
21		Misr Sinai Travel	1	10-Jan-01		15 March 01 (CAA)						
22		Misr Real Estate Investment/Tourism	2	15-Mar-01	30-Apr-01	7-Jul-01 (MG)						
23	El Shark Insurance	Rowad Tourism	2	15-Mar-01	30-Apr-01	15 April 01 (MG)						
24	National Insurance Company	October Development and Real Estate	2	31-May-01	21-Jul-01	31-Aug-01 (PIP)						
25	Egypt Air	Misr Aswan Travel	2	11-Feb-01	1-Jun-01	31 July 01 (MG)						
26	Sharkeya Governate	Sharkeya Garment Company	3									

No.	Official GOE Rep	Affiliate Company	Tier	Diagnostic	Marketing Brochure	Valuation	Data Gathering	Info Memo	Data Room	Tender Announced	Tender Closes	Approval of Winning Bid (exp)
	Governate	Company										
27	Ministry of Housing	Misr Brick Company	1	15-Feb-01	31-Mar-01	31 July 01 (PIP)	1-Jun-01					
28	Constructi on HC	Al Shams Housing	2	31-May-01	31-Jul-01	31-Jul-01 (PIP)						
29		Egymac	2									
30	Nasr Car Company (PEO)	Egyptian Services & Maintenance	3	15-May-01	NA							
31	EGOTH (PEO)	Arab Co. for Tourism (Semiramis)	1	31-Jul-01		31-July-01 (PIP)						
32		Nat'l Co. for Hotels & Tourism (Cairo Sheraton, Conrad)	1	31-Jul-01		31-July-01 (PIP)						

No.	Affiliate Company	Law 203 Company Remarks
1	Misr Hotels	14 investors purchased info memo and 4 conducted due diligence. HC meetings with investors are on-going. Will attempt to get names of bidders from PEO.
2	Shepherd Hotel	Serious investors are interested and are preparing bids; HC wants to sell in 2001. PIP is advising on promotion, negotiations.
3	Aswan Oberoi	
4	Atoun – floating hotel	Tender for 6 floating hotels was announced in December 2000 but was unsuccessful. They will be re-offered in 2001. Must edit and distribute company profiles.
5	Tut – floating hotel	
6	Anni – floating hotel	
7	Hotob – floating hotel	

No.	Affiliate Company	Law 203 Company Remarks
8	Isis – floating hotel	
9	Osiris – floating hotel	
10	Thomas Cook - Land	
11	Soultana Malak - Land	
12	Mena House - Land	
13	Cleopatra	
14	Oberoi Arish	
15	Mercure Romance Alex	
16	Sheherezad	
17	Cosmopolitan	
18	Helnan Dahab	
19	Helnan Port Said	
20	Abu Zabaal Fertilizers	HC has received 3 expressions of interest from serious investors and the HC is currently in negotiations with one of the investors.
21	Delta Fertilizers	Of interest to investors; HC will offer for sale in 2001. Info memo is drafted, working on ratio analysis for IM. We received the financials of March 31, 2001 from the HC. To be delivered during the week of 29/07 and 03/08.
22	Nasr Fertilizers	Info memo drafted, being edited
23	Red Sea Contracting	No bids received before original deadline. Tender was extended at request of Gulf investor who submitted a bid (below CAA reserve price) on 7/3/01.
24	El Adb Construction	10% owned by ESA. There is a problem with the valuation that the HC is attempting to resolve. HC did not want our assistance.
25	Elygect	Valuation complete. Large co with majority of work outside Egypt. HC plans to announce tender by end of September.
26	Hassan Allam Construction	Investor has approached the HC, which will offer the company for sale in 2001. Valuation is done and is awaiting CAA approval. HC plans to announce tender by October 1.
27	Vibro	Good ESA candidate according to HC. Larger than RSC but smaller than Mokhtar Ibr. 1000 employees.
28	Misr El Gedida Housing	ESA owns 10%.
29	Mokhtar Ibrahim	Info memo in progress. No deadline for tender, but HC will offer in 2001. 10% owned by ESA which hasn't paid off its debts to HC.

No.	Affiliate Company	Law 203 Company Remarks
30	NEEASA	PIP met with HC on 7/1/01 to offer assistance with Info Memo & review PIP company profile. The Engineering HC insists that the company be sold as a going concern, not as assets or separate lines. The HC is willing to reschedule the debt of the company with the Nat'l Investment Bank. PIP is editing and translating the info memo and the investor is conducting his due diligence.
31	Al Nasr Glass & Crystal	11 Egyptian investors are interested, but only in separate production lines/assets. Three investors requested extension to September to complete due diligence.
32	Helwan Cement	Several major international investors investigated but none have bid yet. A Portuguese company is expected to make an offer by 8/15/01. They visited the company in July and submitted a follow up request for information. PIP will assist HC gather data. Citibank also has an interested buyer. HC signed EFG/CIIC as investment promoter, PIP to assist in promotion strategy and implementation.
33	Al Nasr Steel Pipes	One Egyptian investor submitted a bid at less than the reserve price, currently in negotiations with HC
34	Omar Effendi	11 investors bought Info Memo. Tender postponed twice to enable 2 serious investors (Saudi, French) to finish due diligence. HC signed EFG/CIIC as investment promoter, PIP to assist in promotion strategy and implementation.
35	Hannaux	Will be offered only after Omar Effendi; HC will not grant PIP access or information until then
36	Sednawi	Will be offered only after Omar Effendi; HC will not grant PIP access or information until then
37	Misr Import Export	ESA sale in the final stages. Abdel Ghany Hassan, Chairman of ADALA, asked for post-privatization training assistance.
38	Al Nasr Import Export	Met with AC chairwoman Nagwee Fakhry on 7/3; should receive financials by 7/31.
39	Alex Cooling	One serious bidder has completed negotiations with the HC; the contract will be submitted to the GA for approval in July, but chairman is pushing for sale to ESA
40	Misr Car Trade	ESA in final stages. Need to follow up. Abdel Ghany Hassan, Chairman of ADALA and VP of HC, asked for PIP assistance in post-privatization training for ESAs.
41	EDFINA	Major investors interested but HC will not sell until October because they are waiting for the 2001 financial statements to be audited and approved. PIP visited company & received financial statements but will wait until 2000 FS are available before doing valuation
42	Gharbeya Mills	90% ESA transaction approved; 20-year terms
43	Misr Dairy Products	
44	Egyptian Fish Marketing	
45	Alexandria Consumer Outlets	Some investor interest, but HC will sell only closed outlets as fixed assets (buildings, land, etc). HC delivered preliminary data on the outlets and PIP is compiling a database and presentation for investors. PIP will translate the data into English and sort it in a database and present to HC and interested investors.

No.	Affiliate Company	Law 203 Company Remarks
46	Nile Consumer Outlets	Some investor interest, but HC will sell only closed outlets as fixed assets (buildings, land, etc). HC delivered preliminary data on the outlets and PIP is compiling a database and presentation for investors. PIP will translate the data into English and sort it in a database and present to HC and interested investors.
47	Al Ahram Consumer Outlets	Some investor interest, but HC will sell only closed outlets as fixed assets (buildings, land, etc). HC delivered preliminary data on the outlets and PIP is compiling a database and presentation for investors. PIP will translate the data into English and sort it in a database and present to HC and interested investors.
48	Alexandria Shipyards	Conducted several site visits; identified interest among investors willing to sign management contract. Need to print and distribute company profile
49	Canal Shipping Agencies	ESA candidate, although AC chairman not in favor. Company is losing market share and revenue rapidly to private sector competitors. 1,000 excess labor. Needs valuation, but PIP has been waiting for the financials for 3 months. HC promised to assist.
50	Egyptian Navigation	ESA candidate and one anchor investor interested. Met HC chairman on 7/18. HC considering strategy of splitting into 2 IBUs (one for AI, one for liquid).
51	General Warehouses	Potential ESA candidate, although HC and AC insist that no transaction will occur until a contract/license is signed with the Port Authority. PA not cooperative, ordered AC to evacuate premises. Completing Financial Spreading and Discounted Cash Flow Valuation. Need to arrange a meeting with the Company Management to review the basic assumption, review the Valuation with Ghada El Feki, and get the Holding Company Approval on the Valuation. Need to arrange a meeting with the Holding Company and the Company ESA.
52	Damietta S&W	Diagnostic efforts are on-going.
53	Delta S&W	Diagnostic efforts are on-going.
54	STIA	Have '00 financials and are reviewing them. Mohamed Rabia has completed company Profile. 80 percent of the spreading completed, expecting additional info. Profile will be completed in August.
55	El-Siouf S&W	Diagnostic efforts will start in August.

Comments on the Status of JV Companies

No.	Affiliate Company	JV Company Remarks
1	El Togarioun Bank	PIP recommendations for restructuring/merger submitted to MOEFT in May 2001
2	Ismailia Cooling Company	Preparing company profile. Company management not eager to privatize; PIP is having some trouble obtaining information necessary to promote company; Plan 2nd visit in late July.

No.	Affiliate Company	JV Company Remarks
3	National Housing for Professional Syndicates	Attractive to investors (Meridien Heliopolis, etc).
4	National Company for Corn Production	Major long-term debt, company is insolvent and should be liquidated. Recommendation sent to MOEFT in June.
5	Misr Amerya Spinning and Weaving	Banque Misr has hired a private investment firm (IDC) to value and promote
6	Misr Cooling & Storage	Best option would be restructuring/asset sale of one or more cooling sites. Recommendation sent to Banque Misr
7	Misr America International Bank	Attractive to investors and there is interest; previously offered twice (failed due to price and procedural issues).
8	Islamic Bank for Investment and Development	Initial meeting held with Chairman & GM to discuss PIP scope of work. Meeting held with GM to obtain Bank's financial statements. Company Profile prepared, but only current through FY99. Information request sent to bank for the purpose of preparing information memorandum and valuation.
9	Cairo Far East Bank	The "Kuwait Finance House" and a bank from UAE are interested in transforming CFEB into an Islamic bank. We consulted CBE and they were encouraging. Will meet with CIB also to discuss interest.
10	Cairo Aswan Poultry and Egg	Company has negative net worth; should be liquidated according to Law 159; PIP recommends liquidation based on diagnostic of FS
11	Port Said National Company for Food Security	Total assets are LE 3M; asset sale candidate. Completing diagnostic and recommendations. No investors have expressed interest.
12	El Fayoum for National Food Security	Added to PIP portfolio 6/1/01. Potential investor has already made an expression of interest. PIP finished valuation and sent to MOEFT. Need to meet with MOEFT and JV Val Committee to review and approve the valuation.
13	Egyptian Salt and Minerals Company ("Amisad")	Diagnostics and valuation in progress. Company is uncooperative (the Head of Investment dept. of National Bank of Egypt stated that they are not willing to privatize). Declining profitability. PIP needs to communicate this to the MOEFT in writing, and to review the financials.
14	Egyptian Glass Company	At least two international strategic investors are interested and will bid. NBE expected to announce tender in July. Must resolve the legal issue related to the technical due diligence. Need to follow up with new investor from UK and with US investor.
15	Fontana Tourist Development Company	PIP informed MOEFT in June that this is not a viable company; legal & land issues too severe
16	Misr Aswan Company for Fishing and Fish Production	Valuation was submitted to Banque du Caire 7/8/01. Need to follow up with JV Valuation Committee.

No.	Affiliate Company	JV Company Remarks
	Fishing and Fish Production	
17	Saudi Egyptian Company for Industrial Investments	Discussed with NIB rep; by-laws prevent sale of more than 50% to Saudis; being debated at Cabinet level
18	Misr Iran Spinning & Weaving ("Miratex")	Preparing the diagnostic and valuation report. Company chairman has established a committee of upper-level management to assist PIP in preparing the company for sale.
19	Kuwaiti Egyptian Investment Company	Kuwaitis reportedly interested in buying; NIB wants valuation of investment company, PIP must decide whether or not to do valuation.
20	Egyptian International Company for Gas Technol.	
21	Misr Sinai Travel	PIP did co pro, needs editing. MG is completing valuation
22	Misr Real Estate Investment and Tourism	
23	Rowad Tourism	PwC Cairo reviewed and approved valuation. PIP is preparing the company description section in the info memo. The Company Profile and the valuation report were prepared and sent to Rowad, Ministry of Economy, and Chark Insurance for review and comments. The promotional process will begin after approving the valuation and profile.
24	October Development and Real Estate Investment Co.	Company profile is in draft
25	Misr Aswan Travel	The Company Profile was prepared in English and Arabic and sent to Egypt Air for comments and review. A site visit is being prepared and it is planned to be within the first week of August. After the site visit, project management must decide to continue working on this company or not. The Company may need fixed asset valuation.
26	Sharkeya National Company for Ready-made Garments	
27	Misr Brick Company	Visited company on 7/3; valuation complete and approved by AC; potential investor interest from Australia
28	Al Shams Housing & Development	Need to meet with JV Valuation Committee to specify valuation methods. Need to meet HC Chairman to review PIP valuation. Held six meetings with financial manager to clarify important points in the company's financial statements and to obtain additional information for accurate valuation. Only 44.5% owned by HC, 10% owned by ESA which hasn't paid off its debts to HC.
29	Egymac	ESA candidate, will discuss with HC on 7/25

No.	Affiliate Company	JV Company Remarks
30	Egyptian Services & Maintenance Company	Not a viable going concern; recommendation to sell assets made to MOEFT in June 2001
31	Arab Co. for Tourism & Hotel Invest (Semiramis)	Finalizing the first valuation draft for the company. Planned output: Data Gathering was completed, inserted in the PwC financial model
32	Nat'l Co. for Hotels & Tourism (Cairo Sheraton, Conrad)	Preparing financial model and valuation for the Cairo Sheraton Hotel. Collecting missing data for the subject property. Meeting this week with the General Manger and the Financial Officer for Kawmaya and meeting with the Financial Officer for the Sheraton.

EMPLOYEE SHAREHOLDER ASSOCIATIONS (“ESAs”)

This Quarter has seen extensive activity by several companies preparing to sell a majority of their shareholdings to their employees through Employee Shareholder Associations (ESAs).

Working with PwC in this area during the Quarter have been Ron Bernstein, David Binns and Paul A. Kouris, all of the Foundation for Enterprise Development, a not for profit company engaged in the promotion of employee ownership throughout the world.

During the Quarter successful action was taken with respect to companies previously identified as ESA candidates. Companies that are now in the final steps of ESA privatization and scheduled to close in August are:

- 1) Misr Import – Export (Trade HC)
- 2) El-Motheda (Trade HC)
- 3) El Arabia Wholesale (Trade HC)
- 4) Alexandria Cooling (Trade HC – General Assembly will vote in August to approve sale either to anchor investor or ESA)
- 5) Gharbeya Rice Mills (Food HC)

Other activities included providing various ESA support services to other targeted companies. These included General Warehouse in the Maritime Holding Company for which a meeting was held with the Chairman of the Maritime Holding Company to obtain his approval to perform the necessary financial analysis to determine the valuation and feasibility of an ESA. This preliminary valuation has been completed and we are now pursuing further financial analyses to determine the terms under which privatization through a majority ESA can occur.

A meeting with the Construction Holding Company resulted in the identification of several additional companies which the holding company viewed as candidates for privatization through majority ESA's. The holding company has agreed to provide financial information on these companies that, again, PwC will be using to perform preliminary valuations and analyses to determine the feasibility of ESAs acquiring a majority of the affiliate companies' stock. The structure of these proposed ESA transactions will be based upon what the financial analysis performed determine that the ESA's can realistically afford.

If the projected income of the AC company is minimal and its operating assets are large, it may be necessary to transfer all assets to the HC, leasing back performing assets to the AC. Non-performing assets would be retained by the HC. By structuring a majority ESA transaction in this manner, the value of the AC and the resulting purchase price/loan to the HC can be kept to the minimum amount that our financial analysis indicates the ESA can realistically pay.

When our analyses are completed, finalized and approved by the holding company, the holding company requested that we present this information to the ESA committee of these companies for their approval of the transaction.

In the interim, meetings are being held with various representatives of other holding companies and government departments in an attempt to locate additional companies, including joint ventures, which are candidates to be privatized through majority ESA buyouts.

Finally, to assist in future ESA privatizations, we are preparing documentation detailing the procedures for establishing an ESA and guidelines for its administration. This is in addition to documents already developed this quarter relating to the identification and resolution of problems in the ESA privatization program.

TEAM CENTER

Team Center is a web-based project management software program purchased by PwC to facilitate tracking of company progress, completion of project deliverables and sharing of information and documentation. It also provides project management and off-site users such as USAID and PwC/Arlington with a quick update and clear overview of individual and team workplans. This Quarter, the Team Center administrator structured, established and launched Team Center for the Privatization Implementation Project.

During this period, we uploaded Team Center with information on the status of the PIP portfolio companies, such as schedules of individual assignments and brief descriptions of company progress (featured under the tab heading *Schedules*). Team Center also now contains detailed information on each company, including electronic bulletin boards and discussion groups in the feature called *Collaboration*. And Team Center serves as a central repository for all company-related documents created since the beginning of the project.

PIP's Team Center web-site contains nine workplaces: Local Tenders, International Tenders, Alternative Methods, Sales Transaction Management, Weekly Action Plans, PIP Management, Calendar, Capacity Building and Investor Promotion and Outreach.

All information placed on Team Center is protected by several security levels and each individual has a specific access profile. All project consultants – long-term and short-term – were individually trained to upload information, maintain workplans and share information and documents. At the moment, all 25 available licenses are used by PIP, USAID (1 license) and PwC/Arlington (1 license). The web address for PIP's Team Center site is <http://194.79.112.2>

5. **MARKETING AND INVESTOR OUTREACH**

The PIP Team continued to be aggressive in its marketing and investor outreach efforts during the 2nd Quarter. We have intensified efforts to promote specific transactions and give investors better information about strategic sectors of interest. We have also strengthened our collaboration with several foreign embassies as a follow-on to the March 27, 2001 Ministry of Foreign Affairs/MPE Event.

We have participated in local and international road shows promoting investment opportunities in Egypt. And we have published advertisements and announcements about specific companies for sale

in local and international media. We have been active in responding to general and specific inquiries from regional and international potential investors, in promoting the program and specific tenders to Egypt's investment banking community, and in attempting to attract investors via the PwC regional and international network of offices.

More specifically, the PIP Team:

- On April 9, 2001, was invited to address a delegation of 25 **Austrian investors** as a direct result of the March 27th PIP-sponsored Ministry of Foreign Affairs/MPE event for foreign embassy commercial attaches. John Johnson, Karen Potter and Akrum Bastawi attended. John Johnson gave a formal presentation about the MPE/MOEFT Privatization Program. Company profiles and general reports were distributed. Some important contacts were made and PIP's collaboration with the Austrian Embassy was strengthened.
- On April 22, 2001, we participated in a business conference hosted by the **Egyptian Businessmen's Association (EBA) and Le Club d'Affaires Franco-Egyptien (CAFÉ)**. A delegation of prominent French businessmen representing various sectors of interest, such as banking, construction, tourism and trade, visited Egypt from Saturday 21 April until Tuesday 24 April. The purpose of the day's event was to introduce the members of the French delegation to the attending Egyptian businessmen, and encourage an open dialogue between the two groups re: business and trade opportunities, and the necessary environment required for facilitating transactions. Karen Potter introduced the PIP, its role/portfolio and privatization opportunities, distributed marketing materials and company profiles, and met with potential investors in the banking, trade and tourism sectors. Out of this event, one serious investor for the retail trade sector was contacted and an ongoing dialogue has been developed regarding specific companies.
- On April 26, 2001, PIP participated in an EBA business conference with a delegation of **Korean business people**. The purpose and results of this event were the same as the aforementioned French event.
- On April 29, 2001 PIP participated in another EBA business conference with a delegation of **Turkish business people**.
- On May 22, 2001 Karen Potter met at the Swiss Embassy with a small **Swiss delegation** representing potential investors and reviewed the privatization program, PIP's role and portfolio. Company profiles and special reports were provided for distribution to commercial liaison based in Switzerland. This meeting was part of PIP's collaboration resulting from the MoFA event in March.
- Several meetings have taken place with the **EU marketing/advertising** representative, Henning Fiedler, to exchange information about the two privatization projects (USAID PIP and the EU) and to discuss various opportunities for cooperation.
- On May 29, 2001 Karen Potter wrote and delivered a presentation on "marketing and investment promotion" as part of a PIP sponsored **workshop** attended by the MPE and MOEFT representatives.
- We posted **tender announcements** on all PIP website linkages and *MEED* magazine for Al Nasr Glass and Crystal, Helwan Cement, and Al Nasr Steel Pipes for the first time. And tender announcement extensions were posted for Omar Effendi, Red Sea Contracting, and Misr Hotels. The Helwan Cement tender posting on the World Bank website generated an inquiry from the IFC.

- We placed the MPE 1/3 page **advertisement** in the June 22nd issue of *MEED* magazine, which carried a special on the Middle East Banking Sector in which Egypt had a featured article.
 - On June 18 and 19, PIP participated in the “**Egyptian Investment and Trade Opportunities Conference**”, **sponsored by the Egyptian-British Chamber of Commerce and the UK Government, in London attended by 200 investment bankers and existing and potential investors**. John Johnson gave a formal presentation at the conference and the PIP Team delegation assisted the Director of the PEO with his presentation and arranged meetings with potential UK investors.
 - We created and placed a 1/3 page **advertisement/tender** announcement for Helwan Cement in the monthly May issue of *International Cement Review*. An advertisement and brief article were also placed by the publication on its website and 600 copies were distributed at an International Cement Conference held in Canada in May.
 - Continued to update and disseminate **fact sheets** on the Law 203 and JV companies assigned to PIP, including relevant financial performance indicators.
 - Participated in the "**EGYPTE 2001: Le Deuxième Souffle**" Conference, **organized by the French Center for International Commerce (CFCE) and the Economic Expansion unit of the French Embassy in Cairo (PEE) in Paris**. The conference was convened to promote investment opportunities for French companies in Egypt. Approximately 120 French businessmen from various sectors attended, including Mr. Aly Maher El Sayed, Egyptian Ambassador to France and Mr. François Dopffer, French Ambassador to Egypt. Presentations were made by French businessmen already present in Egypt to describe their experience to date, as well as by Egyptian government officials and businessmen seeking to attract French partners. Laure Darcy made a presentation giving an overview of Egypt's privatization program and PIP's role in supporting transactions. As a result of the conference, several contacts were made with French investors interested in the retail trade, food, and banking industries. These potential investors were, in turn, contacted by Karen Potter and sent invitations to the Cairo Investor Event on June 25 organized by PIP.
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“CAIRO ROAD SHOW” INVESTOR PROMOTION CONFERENCE

The following is an overview of the June 25, 2001 Cairo event entitled “***New Horizons for Investors in Egypt’s Privatization Program***”, organized and funded by PIP/USAID. A comprehensive report, including all support documentation, will be distributed separately.

- **Description** - The ***New Horizons for Investors in Egypt’s Privatization Program*** was a non-media, by invitation only pre-tender exchange forum for serious potential investors and investment banks interested in the PIP MPE/MOEFT portfolio of enterprises/properties/assets to be privatized in 2001. The event was co-sponsored with 3 Cairo-based investment banks whose responsibilities were to identify, market and bring to the program serious potential investors. The forum was unique vis-à-vis the many other privatization events that have preceded it in that it brought together both the buyer and seller to discuss critical transaction and pre-tender issues face to face.
- **Format** - The June 25th program was comprised of three parts. The first was an official plenary session at which Minister Khattab of the MPE, Mrs. Nadia Abdel Azim of the MOEFT, and Mr. John Johnson of PIP delivered presentations. These were followed by a Q&A discussion moderated by Dr. Taher Helmy. The second session comprised individual and concurrently held HC/JV sector presentations, conducted by their respective representatives and/or PIP, followed by Q&A discussions. The third session comprised individual one-on-one meetings between the HC/JV/PIP and the potential investor/investment bank or financial representative, again held concurrently for each sector. There were some additional individual meetings that took place on June 26th at the HCs’ offices for those investors who couldn’t be accommodated on June 25th.
- **Sectors Promoted** – Within the MPE Law 203 portfolio the promoted sectors included hotels/land, retail trade, fertilizers, construction, metallurgy and food. Representatives from the maritime/transport sector were also present although it was not promoted as part of the event. Among the MOEFT JV companies/assets promoted were the banks, hotels, travel, tourism, real estate, and other specific companies/assets that may be ready or already tendered for sale at the time of the conference.

Highlights

Overall the ***New Horizons for Investors in Egypt’s Privatization Program*** successfully achieved its objectives, primary of which was to bring together the buyer and seller in a dialogue forum that enabled an exchange of views/information on the GOE’s portfolio and transaction-related issues. From a total of 298 individuals and organizations invited, 151 actually attended, excluding the PIP staff. Of the 151 participants, 96 (64%) were investors, investment banks/funds or investment advisors representing a mix of industries and countries (54% were either from or affiliated with foreign countries). Another 20 representatives from foreign embassies and international organizations actively investing in Egypt also attended, bringing the total foreign representation/affiliation to 77% of attendees including Europe, the USA and Gulf countries. The latter three regions each represented 24% of the total foreign presence.

Furthermore and importantly it should be noted that many investment banks and advisors represent an international clientele even though their offices are Cairo-based. These IBs are direct sales channels to the serious investor who relies on them to obtain information and make recommendations regarding investment decisions

A key accomplishment of this event is that at least 13 investors have expressed serious interest in specific companies and requested additional information from the HC or JV to progress to the next stage of the potential transaction process. Additionally at least 3 IBs who were previously disinterested in the MPE/MOEFT PIP portfolio, have contacted PIP for information and to facilitate meetings with the HC/JV. Encouragingly, several sectors are of interest to these potential investors.

RESULTS

- This event successfully achieved its objectives of bringing buyers and sellers together in a forum enabling discussion of both general and specific issues related to the privatization program and transaction process.
- The majority of the attendees were present as much to hear the MPE and MOEFT positions/policies on privatization as they were for the sector sessions or individual meetings. In fact the former two were essential to providing the foundation for “pre-tendering” transaction discussions.
- There is still a need for general information about both the sectors and respective companies/assets being privatized as evidenced by the overall positive attendance at the individual sector presentations.
- The individual one-on-one meetings did in fact attract the serious investors, as intended. A total of 18 individual meetings were held. The sectors of most interest were hotels, food and JV banks.
- Valuation and transparency continue to be key issues to the success of the privatization effort according to potential investors. These two subjects were raised by the audience in each of the three event sessions – plenary, sector presentations and individual meetings. The overwhelming attitude of the investment community is that the valuations are out of sync with the market.
- The event gave the PIP team an opportunity to forge stronger relations with the HCs and JVs and demonstrate to them the PIP’s capabilities and added value as a partner in the privatization process.
- This event should enable the PIP to develop a more concrete relationship with many of the IBs and financial intermediaries.

FOLLOW UP

- The PIP is following up with all investors and investment banks which participated in the event and will continue to build relationships with them.
- The PIP will assess formation of a new Steering Committee or other appropriate forum to engage the GOE upper echelons in critical policy, procedural, legal, etc. issues impacting on the privatization effort as raised during the conference.
- The PIP recommends reviewing with each relevant HC the status of those tenders which are either still alive or in limbo to determine action steps to overcome obstacles to the sales transaction as raised by conference participants.

6. DELIVERABLES COMPLETED DURING 2ND QUARTER 2001¹

No.	Deliverable	Name of Deliverable	Date Completed
1.	Information Memoranda	Al Nasr Fertilizer Company	July 31, 2001
2.		Shepherd's Hotel	June 30, 2001
3.		Abu Zabaal Fertilizers	May 31, 2001
4.	Company Profiles	Islamic Bank for Investment and Development	July 24, 2001
5.		Damietta Container Handling Company	July 17, 2001
6.		STIA Spinning & Weaving	June 30, 2001
7.		Damietta Spinning & Weaving	June 30, 2001
8.		Delta Spinning & Weaving	June 30, 2001
9.		Cairo Far East Bank	June 25, 2001
10.		Misr Brick Company	June 24, 2001
11.		Rowad Tourism	June 18, 2001
12.		Egyptian Navigation Company	June 18, 2001
13.		Mokhtar Ibrahim Construction	June 15, 2001
14.		Misr America International Bank	June 15, 2001
15.		Misr Aswan Travel	June 1, 2001
16.		Helnan Dahab Hotel	May 24, 2001
17.		Oberoi Arish Hotel	May 24, 2001
18.		Egyptian Glass Company	May 22, 2001
19.		Helwan Cement	May 3, 2001
20.		Al Nasr Steel Pipes	April 29, 2001
21.		Mercure Romance Alexandria	April 17, 2001
22.		Misr Sinai Tourism	April 12, 2001
23.	Diagnostic Reports	Team Center monthly status reports	April – July 2001
24.		JV Company Status Report	July 2, 2001
25.		ESA Status Report	June 30, 2001
26.		EDFINA food processing company	June 30, 2001
27.		Minutes from meetings with Food HC	June 28, 2001
28.		Misr Cooling	May 28, 2001
29.		Nile Food Outlets	May 23, 2001
30.		Al Ahram Food Outlets	May 23, 2001
31.		Egyptian General Warehouses	May 23, 2001
32.		October Development and Real Estate	May 20, 2001
33.		National Company for Maize Production	May 17, 2001
34.		JV Banks Work Plan	May 17, 2001
35.		Canal Shipping Agencies	May 15, 2001
36.		Misr Aswan Tourism	May 13, 2001

¹ Soft copies of deliverables are included in the CD-ROM version of this report.

No.	Deliverable	Name of Deliverable	Date Completed
37.		Egyptian Services & Maintenance Co. (revised)	May 6, 2001
38.		Kuwaiti Egyptian Investment Company	April 24, 2001
39.	Valuation Reports	Misr Brick Company	July 31, 2001
40.		Arab Co. for Tourism and Hotel Investment	July 31, 2001
41.		National Company for Hotels and Tourism	July 31, 2001
42.		MOEFT Valuation Status Report	July 11, 2001
43.		Misr Real Estate Investment and Tourism	July 7, 2001
44.		Misr Aswan Co. for Fishing and Fish Production	July 3, 2001
45.		El Fayoum for National Food Security	June 28, 2001
46.		Valuations Scope of Work and Procedures	May 21, 2001
47.		Helwan Cement	April 15, 2001
48.	Capacity Building	How- to Guide: Establishing an ESA	July 31, 2001
49.		ESA Training for ADALA	July 24, 2001
50.		Company Diagnostic Workshop (delivered internally and at IP3 seminar for JVs)	June 21, 2001
51.		Promotion and Investor Outreach Seminar	May 29, 2001
52.		Information Memoranda Seminar	May 23, 2001
53.	Marketing & Investor Outreach	PIP Investors Conference Cairo – Report	July 31, 2001
54.		Why and When to Sell to an ESA	July 24, 2001
55.		PIP Investors Conference, Marriott Hotel, Cairo	June 25, 2001
56.		Egypt Investment Conference London – PIP Presentation	June 24, 2001
57.		PIP Investors Conference Marketing Flyer	May 31, 2001
58.		PIP Portfolio Overview (Slide show)	May 15, 2001
59.		Directory of Cairo Investment Promoters	May 7, 2001
60.		Austrian Trade and Investment Event	May 5, 2001
61.		PIP Tender Announcements (6)	May 3, 2001
62.		PIP Marketing Strategy	April 29, 2001
63.		Egyptian-French Businessman's Event	April 22, 2001
64.	Policy Memoranda	Privatization Project Update to USAID	June 21, 2001
65.		Food Holding Company Issues	June 14, 2001
66.		Minutes from Meeting with Minister Khattab, MPE	May 17, 2001

7. PROGRESS VERSUS BENCHMARKS

Benchmark 1: Successful sales of GOE interest in Law 203 companies.
Original Measure: The PwC consortium to offer for sale at least 90 firms in 2000, 62 firms in 2001, and 44 firms in 2002.
Revised Measure: It was agreed with USAID during the first quarter of project implementation that these targets were too ambitious and unrealistic given the market conditions and programmatic obstacles. Subsequently, in January 2001, USAID agreed to a revised benchmark of 40 Law 203 enterprises and major assets offered by the end of 2001, including 100% of the Tier I Law 203 companies and assets assigned to PIP by the MPE/PEO.
It is now clear that the revised benchmark is unachievable given the need to spend several months to prepare or re-prepared companies for tender, current market conditions, and the failure or postponement of several transactions in recent weeks. Therefore, USAID has this month agreed with a revised benchmark of 10 to 15 Law 203 companies – including some “major”, high-profile companies - offered for sale by the GOE before the end of 2001.

Progress: Only one company has been privatized to date in 2001 (Egyptian Gypsum, August 2001). However, thirteen companies assigned to PIP have been offered for sale (Misr Hotels, Abu Zabaal Fertilizer, Red Sea Contracting, NEEASAE, Helwan Cement, Al Nasr Steel Pipes, Al Nasr Glass & Crystal, Omar Effendi, Alexandria Cooling, Misr Import & Export, Gharbeya Rice Mills, National Company for Hotels & Tourism, and Arab Company for Tourism & Hotel Investment). PIP has completed information memoranda for these companies and we are advising the relevant Holding Companies on transaction structure, marketing strategy and sales closure.

Benchmark 2: Successful development and utilization of methods for cost-effective sales of less attractive companies.
Measure: Screening guidelines established for all Tiers by the first Quarterly Report. Screening report listing each company to be provided at least once each quarter.

Progress: PIP has screened and categorized all of the 193 Law 203 companies and assets remaining to be privatized and has completed more detailed reviews of the 52 companies and assets assigned to PIP by the MPE/PEO. (See the Enterprise Preparation Pipeline, above). We were informed in June that our staff would be given access to the MOEFT database for the purposes of screening and ranking the more than 500 companies in the portfolio. Until that access is granted, PIP is completing diagnostics for the 30 JV companies assigned to the project, submitting analyses and recommendations to the MOEFT on these companies, and preparing several JVs for tender during the third and fourth quarters of 2001.

In the short-term, the GOE is unlikely to adopt radical, new methods to accelerate the “wholesale” privatization of distressed or unattractive companies. Therefore, we believe that the fastest “alternative” method of sale is the sale to Employee Shareholders Associations (ESAs) of marginal companies.

The Foundation for Enterprise Development (FED), a sub-contractor on the project, sent three ESA experts to Egypt this Quarter and identified more than ten Law 203 ESA candidates. FED is now actively following up with the Holding Companies to accelerate these transactions. In addition, FED is preparing to support ADELA, the ESA umbrella organization, with training and with a guide on how to establish and administer an ESA and with recommendations to USAID for post-privatization training of companies in the post-ESA stage.

BENCHMARK 3: Brokering of turnaround service contracts for Tier III companies.
ORIGINAL MEASURE: "Quick Response Diagnostic" completed for 100% of Tier III companies. Turnaround services to be provided to at least 5 Tier III companies in 2000 and 10 Tier III companies in 2001.
REVISED MEASURE: It was agreed with USAID that a more realistic target for this benchmark would be to provide turnaround services to 10 Tier III companies total through the life of the project (mid-2003).

PROGRESS: The GOE has authorized PIP to work on eight companies classified as Tier III. We submitted recommendations that two of these enterprises be liquidated (El-Nasr Forging and Narubin, manufacturers of metal forged products and industrial pressed rubber products respectively) and the GOE will decide what next steps are necessary. While the GOE does not wish to liquidate these enterprises at this time, it is unlikely that a private firm will take on the responsibility of "turning around" these struggling companies.

Five of the remaining six Tier III enterprises assigned are in the textile sector. Company profiles have been drafted for three of these companies (Damietta Spinning & Weaving Co., Delta Spinning and Weaving Co., and STIA Spinning and Weaving Co.). The prevailing interest of the GOE is to seek leases or sales of these companies – *not management contracts* – to strategic investors.

The last of the eight Tier III candidates is Alexandria Shipyards Company. PIP has completed a company profile for this company and it was approved this Quarter by the Holding Company and the PEO. Promotional activities will be carried out during the Third Quarter 2001.

Benchmark 4: Institutional capability among the GOE, HCs, and the Investment Promoters to support continued privatization transactions, turnarounds and liquidations should be developed.
Measure: The PwC consortium will conduct an annual survey to gauge basic knowledge of key privatization program issues by GOE and HC staff at various levels. More specific surveys should also be conducted at workshops and seminars. The survey results should indicate improved knowledge and competency to support privatization.
Revised Measure: It was agreed with USAID that PIP will not conduct annual surveys. The PwC consortium will however design and deliver at least 5 capacity building sessions before the end of 2001 for representatives from HCs, JVs, and investment promoters. The first two workshops will be held in May.

Progress: This Quarter PIP developed institutional capacity with the Holding Companies and Joint Venture owners through the following workshops:

- Designed and delivered to Law 203 and JV companies two workshops in May 2001. The first session discussed the importance of the "information memoranda." Participants learned how to prepare an info memo, what information investors typically require, and what are the legal implications of providing incomplete or inaccurate data. The second session focused on promoting companies and reaching out to investors using a variety of methods and tools. For example, participants learned when and where to do road shows, what types of promotional/media tools to use for which types of companies, how promotion strategies vary from sector to sector, who speaks to investors and how, etc.
- Prepared and delivered an internal session to PIP financial analysts on best practices in preparing company diagnostics.
- Delivered the company diagnostic presentation to representatives of JV companies and banks during the IP3 valuation training seminar.

Benchmark 5: Successful sale of residual shares and non-corporatized assets.

Measure: The PwC consortium will assess the status of residual shares and non-corporatized assets and the prospects for their sale. Based on that assessment, the contractor will identify by the first Quarterly Report the companies in which residual shares will be offered. The residual shares in these companies will be offered for sale in the first 24 months of the project.

Proposed New Measure: USAID has asked the PwC consortium to concentrate on assisting the GOE implement majority-stake transactions. In addition, PIP has not been granted access to the overall Law 203 or MOEFT databases and does not have a complete picture of the ownership structure of Egypt's public enterprises (including residual shares). The MOEFT and MPE have both requested – with USAID agreement - that PIP focus only on selling majority stakes in public enterprises and JVs to anchor investors. Accordingly it is proposed that this benchmark be eliminated.

Benchmark 6: Conversion rate targets met.

Measure: The PwC consortium will provide continuous and active participation, as needed to complete privatization transactions. The PwC consortium will assist the GOE to sell 100% of Tier I firms and at least 50% of Tier II firms over the life of the project, and identify in their annual workplans more specific targets that promote this benchmark.

Progress: Please see comment under Benchmark No. 1 above.

Benchmark 7: Increased investor interest in privatization offers.

Measure: The PwC consortium will assist the GOE to attract greater interest from buyers each year as measured by requests for bid documents (or their equivalents). Specifically, a) the number of overall requests each year should increase; b) the number of requests per equivalent transaction should increase; c) the number of requests from foreign investors should increase. Greater interest evidenced by inquiries, company visits, and event attendance should also be documented. Increased investor interest will also be measured by the number of bidders in each privatization event and the number of bids placed for each transaction.

Progress: Although the GOE did not conclude any transactions this Quarter, the GOE did offer eleven companies assigned to PIP for sale (Misr Hotels, Floating Hotels, Abu Zabaal Fertilizers, NEEASAE, Red Sea Contracting, Alex Cooling, Al Nasr Glass & Crystal, Al Nasr Steel Pipes, Helwan Cement, Misr Import – Export, Omar Effendi). All of these tenders are still pending (the floating hotels will be re-offered, while Red Sea, Misr Import-Export, and Alex Cooling are likely to be sold to ESAs).

The PIP conducted several international and local “road shows”, participated in several conferences, met with numerous potential foreign investor groups, conducted local, regional and international targeted promotion and advertising/information campaigns, and maintained an aggressive, on-going promotional effort with Egypt's Investment Banking community.

Benchmark 8: Successful divestiture of public shares in Joint Venture and Investment companies.

Measure: The PwC consortium will assist the GOE to divest its shares in at least 50 JV companies in 2000; at least 75 companies in 2001; and at least 75 companies in 2002. The PwC consortium will assist the GOE to divest its shares in at least one insurance company.

Revised Measure: It was agreed with USAID that that the original target is too ambitious. The target for this benchmark has accordingly been changed to 5 to 10 companies offered by the end of 2001, subject to increase should PIP receive additional mandates from the MOEFT.

Progress: PIP has met with all of the GOE representatives for the JV companies assigned to the Project (two of the representatives – the Egyptian General Petroleum Company and the Egyptian National Railway Authority – will not privatize their assets). PIP has completed an overview and analysis of the entire JV portfolio (based on 1998 data – the latest to which we were able to gain access), ranking the various sectors according to total sales, profitability, debt, and percentage of

public ownership. We have also completed detailed diagnostic reviews of 27 of the 31 JV companies assigned to the project.

Although many of the JV companies assigned to PIP are not attractive to investors (in fact, some are liquidation candidates), there are a number of promising companies in the portfolio. For example, PIP has already met with strategic investors to discuss Egyptian Glass Company, Cairo Far East Bank, Misr America International Bank, Misr Amereya Spinning & Weaving, Misr Iran Textile Company, Kuwaiti Egyptian Investment Company, and the Meridien Heliopolis Hotel asset. Furthermore, the GOE has indicated that strategic investors are willing and ready to purchase the (minority) GOE stakes in two five-star hotel properties owned by the Arab Company for Tourism and Hotel Investments (the Semiramis Intercontinental) and the National Company for Hotels and Tourism (the Cairo Sheraton and the Conrad Hotel). PIP has performed a major, comprehensive national hotel market analysis (for the Housing, Tourism and Cinema Holding Company) and asset valuations to facilitate both of these transactions.

Benchmark 9: Value of privatization transactions.
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Measure: The PwC consortium will assist the GOE to receive privatization sales prices (equivalent to cash, present value of investment commitments, and assumed debt) close to the official GOE floor valuation (where it exists). Specifically, the price received should be:

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|---|
| <ul style="list-style-type: none">• At least equivalent to the floor valuation for Tier I companies;• At least equivalent to 50% of the floor valuation for Tier II companies;• At least equivalent to 33% of the floor valuation for Tier III companies. |
|---|

Progress: With the support of USAID, PIP plans to intensify its dialogue with the CAA next Quarter to streamline the valuation process and ensure that the offering price represents fair value for the Government's assets and is close to the market price. No PIP enterprises were sold during the Second Quarter 2001, so it is impossible to measure the value of transactions.

