

Market Data

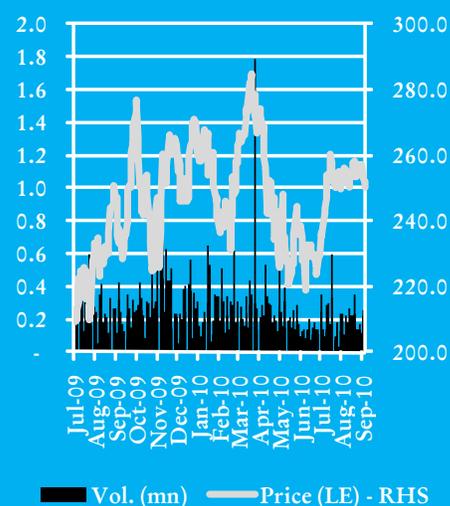
Bloomberg Code:	OCIC EY
Reuters Code:	OCIC.CA
CMP (3 rd Oct 2010):	LE 250.7
O/S (mn):	206.9
Mkt Cap (LE bn):	51.9
Mkt Cap (US\$bn):	9.1
P/E 2010e (x):	15.9
P/Bv 2010e (x):	2.7

Price Performance 1-Yr

High /Low (LE):	285.0 / 219.1
Average Volume :	231,845

	1m	3m	12m
Absolute (%)	1.1	15.9	12.1
Relative (%)	-2.4	0.7	8.7

OCI Price Volume Performance



Source: Zawya

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Orascom Construction Industries (OCI)

- Fertilizer acquisitions to consolidate the business
- Construction segment to benefit from govt. spending
- Margins to remain under pressure
- Strong balance sheet and cash rich company

BUY

**Target Price
LE321.3**

Worldwide presence of fertilizer activities

OCI has fully and partially owned fertilizer subsidiaries in America, Europe, Middle-East and North Africa. These subsidiaries acquired over a period of years provide OCI with an advantage to cater to worldwide clients through various distribution channels.

Construction sector poised to grow

As we expect current economic condition to be under recovery stage worldwide, we expect new contracts to grow at a CAGR of 11.6% during 2010-13 at OCI. Reasons for such a growth is because of sector's high barriers to entry ensuring OCI strong competitive edge in their core geographical markets along with the proposed spending plans worth trillions of dollars announced in the markets where OCI operates.

Strong balance sheets and cash rich company

OCI has a strong balance sheet with gross cash and investment position at LE5.3bn and LE2.9bn respectively in 1H-2010. Going forward, it is expected that as the expansions would come online and income would flow in, OCI debt would decline from the current levels to as low as LE9.7bn by the end of 2013. On the other hand in 2013, we expect OCI's cash level to surpass the debt by LE0.8bn. Cash balance of the Company is expected to register a CAGR growth of 15.4% during 2009-13.

Valuations – BUY with an upside potential of 28.2%

Based on future earnings projections, the DCF based SOTP value of OCI comes out to be LE321.3/share. At their current price, OCI's shares are trading at a P/E multiple of 15.9x and 14.0x for 2010 and 2011 respectively. We therefore recommend a 'BUY' on the Orascom Construction Industries' stock at its prevailing price levels.

Investment Indicators

Year	2007	2008	2009	2010 F	2011 F	2012 F	2013 F
Revenue (LE mn)	13,147.9	20,763.6	21,819.0	25,325.1	28,652.9	32,114.3	34,637.3
Net Profit (LE mn)	66,129.7	5,443.6	2,550.1	3,272.6	3,713.4	4,662.8	4,844.1
Diluted EPS (LE)	319.59	26.31	12.32	15.82	17.95	22.53	23.41
Diluted BVPS (LE)	357.12	84.97	82.85	92.50	102.54	116.10	128.24
EV/EBITDA (x)	8.69	20.58	12.6	10.8	9.6	7.7	7.2
P/E (x)	1.80	5.28	20.0	15.9	14.0	11.1	10.7
P/BV (x)	1.61	1.64	3.0	2.7	2.4	2.2	2.0

Source : Company Annual Reports & Global Research.

Historical P/E & P/BV multiples based on respective year-end prices, while those for future years are based on current market price in the CASE as on October 03, 2010

Valuation & Recommendation

SOTP Discounted Cash Flow

In order to compute the cost of equity for the DCF method, we have used the Capital Asset Pricing Model (CAPM). The following assumptions have been taken in order to arrive at the DCF value of Fertilizer and Construction Segments.

- A risk-free rate of 9% has been assumed which is the yield on 1-yr treasury bills.
- A market risk premium of 6% has been assumed.
- Beta taken from Bloomberg comes out to be 1.1.
- The cost of equity derived from the above assumptions using the Capital Asset Pricing Model is 15.6%.
- The cost of debt has been assumed at 7.0%.
- Tax rate of 15%.
- The proportion for debt and equity of both the segment varied hence the WACC for Fertilizer segment comes out to be 9.8% whereas the same for Construction segment comes out to be 12.2%.
- Terminal growth rate of 4.0% has been assumed.
- Based on our future earnings projections and the above assumptions for DCF computations, the SOTP DCF value of OCI comes out to be **LE321.3/share**.

Orascom Construction Industries - Sum of The Parts

<i>(LE mn)</i>	Enterprise Value	Outstanding Shares (mn)	Value/Share (LE)
Fertilizer Segment	31,703.8	206.9	153.2
Gavilon (Acquisition Cost)	1,904.0	206.9	9.2
Notore (Acquisition Cost)	164.5	206.9	0.8
Construction Segment	41,551.2	206.9	200.8
Minorities Interest in Subsidiaries	(938.8)	206.9	(4.5)
Investments Value (1H-10)	2,885.4		
Cash & Bank Balances (1H-10)	5,318.1		
Debt (1H-10)	16,100.0		
Net Debt	(7,896.5)	206.9	(38.2)
Equity Value per Share	66,488.3	206.9	321.3

Source: Global Research

Construction Segment Value

Net income of the construction segment amounted to LE1.68bn in 2009 which is expected to rise marginally in 2010 to around LE1.7bn. With other assumptions of capital expenditure given by the OCI in their analyst pack and the information available through OCI annual reports and Global Research we have come out with the following estimates for the Company during their financial period from 2010-13.

Construction Segment DCF Estimates						
(LE mn)	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Depreciation	486.4	702.4	823.4	866.0	888.8	909.9
Net Income	2,666.6	1,685.6	1,701.8	1,968.1	2,517.9	2,664.3
Capex	1,910.2	1,695.9	437.9	327.8	272.7	217.8
Assets	38,657.6	38,079.5	40,204.6	41,535.0	43,385.6	45,335.8
Liabilities	23,180.1	23,641.7	24,892.4	24,561.1	24,167.0	24,107.0
Equity	15,477.5	14,437.8	15,312.2	16,973.8	19,218.7	21,228.8

Source: OCI & Global Research

Based on the above numbers we have reached the following DCF estimates of the construction segment with COE, WACC and other assumptions already addressed in the report:

DCF Construction					
(LE mn)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	
Free Cash Flow	2,823	3,709	4,916	4,891	
Discounted Cash Flow	2,732	3,198	3,777	3,349	
Primary Value	13,056				
Terminal Value	41,618				
Discounted Terminal Value	28,495				
Enterprise Value	41,551				
Shares Outstanding (mn)	207				
Per Share Value (LE)	200.8				

Source: Global Research

Global Research estimates for the enterprise value of the construction segment comes out to be **LE200.8/share**.

Fertilizer Segment Value

Net income of the fertilizer segment amounted to LE0.86bn in 2009 which is expected to rise by 82% in 2010 to around LE1.6bn. With other assumptions of capital expenditure given by the OCI in their analyst pack and the information available through OCI annual reports and Global Research we have come out with the following estimates for the Company during their financial period from 2010-13.

Fertilizer Segment DCF Estimates						
(LE mn)	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Depreciation	244.1	314.7	352.9	371.1	380.9	389.9
Net Income	2,777.0	864.5	1,570.9	1,745.3	2,144.9	2,179.8
Capex	1,050.9	4,731.1	2,206.1	1,267.7	987.2	1,028.9
Assets	4,367.9	8,778.0	10,051.2	10,383.7	10,846.4	11,334.0
Liabilities	2,264.0	6,072.8	6,223.1	6,140.3	6,041.7	6,026.8
Equity	2,103.9	2,705.2	3,828.0	4,243.5	4,804.7	5,307.2

Source: OCI & Global Research

Based on the above numbers we have reached the following DCF estimates of the fertilizer segment with COE, WACC and other assumptions already addressed in the report:

DCF Fertilizer

<i>(LE mn)</i>	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Free Cash Flow	2,626	2,335	2,903	2,899
Discounted Cash Flow	2,557	2,070	2,344	2,132
Primary Value	9,104			
Terminal Value	30,734			
Discounted Terminal Value	22,600			
Enterprise Value	31,704			
Shares Outstanding (mn)	206.9			
Per Share Value (LE)	153.2			

Source: Global Research

Global Research estimates for the enterprise value of the fertilizer segment comes out to be **LE153.2/share**.

Key Risks to Valuations

- **Algerian anti liberalization policy.**

Recently there were talks about disputes between Algerian and Egyptian government which affected the operations of many Egyptian companies including: Orascom Telecom's Algerian operations Djazzy and freezing of the deal worth US\$750mn between Egypt's Ezz Steel and Algeria. However, OCI situation is different as compared to that of other Egyptian companies mainly because it's a non-recourse project financing and is cent percent funded by Algerian banks. Along with that, OCI has remained expert in handling such situation as it has operated in various tougher areas such as North Korea and Nigeria.

Sorfert Effect on OCI				
<i>(LE mn)</i>	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Revenue	25,325.1	28,652.9	32,114.3	34,637.3
Fertilizer Revenue	5,872.6	8,585.7	10,959.5	11,982.7
Sorfert Revenue	-	376.3	1,387.7	1,609.2
<i>Sorfert Revenue as % of Fertilizer Seg. Revenue</i>	-	4.4%	12.7%	13.4%
<i>Sorfert Revenue as % of OCI Revenue</i>	-	1.3%	4.3%	4.6%

Source: Global Research

In case of any unanticipated event, Sorfert which will commence commercial operations with a full throttle by 2012 will lead to a drop in the contribution of fertilizer segment revenue and OCI revenue by 12.7% and 4.3% in 2012 while the same would reach around 13.4% and 4.6% respectively in 2013.

- **Negotiating power of developers, prompting price wars.**

Earlier majority of the construction companies enjoyed handsome margins due to the construction boom and availability of lesser experienced construction companies. But over the period of time many of the local and international players have made a strong foot hold in their area of expertise along with the current slowdown in the developers scope. We expect OCI margins to remain range bound as well until economic recovery sets in.

- **Unfavorable commodity price cycles**

The broad-based surge in commodity prices in recent years was a major source of global inflationary pressures. A striking feature of the commodity price boom was that prices of different commodities rose jointly. Indeed, between the first quarter of 2003 and the third quarter of 2008, the prices of all major global commodities increased. After completion of this cycle the prices touched their 2004-05 levels which gives a very clear indication of presence of commodity cycles and its effects on the profitability levels.

OCI was negatively impacted in 2009 when global fertilizer prices went down significantly. Going forward within our forecast period we do not expect them to go down. Nevertheless any downturns cannot be completely ruled out either.

Orascom Construction Industries

Orascom Construction Industries is the leading contractor in MENA and is on its way to be ranked among the top three nitrogen fertilizer producers by 2012. Formally founded in 1976, the company was listed locally in 1999 at both Cairo and Alexandria stock exchange and was listed in the form of GDR's in 2002 at London Stock Exchange.

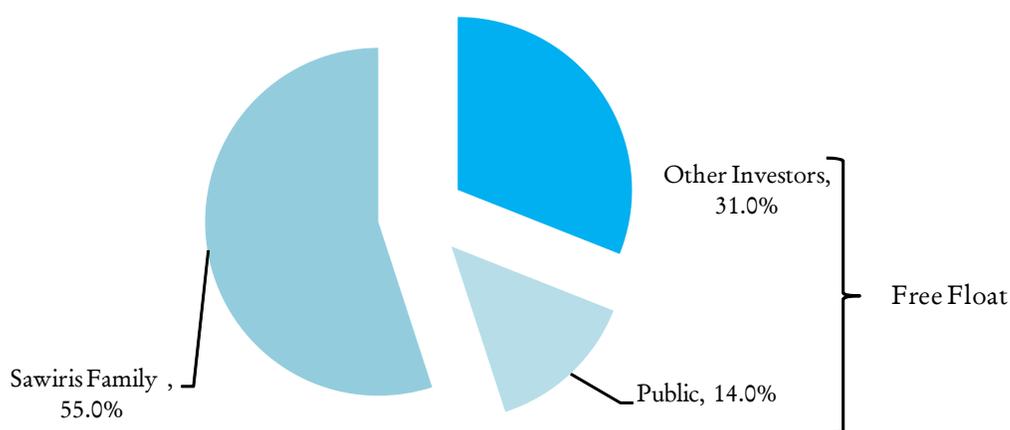
The Company has a history of serving their shareholders with adequate and exceptional returns. In 2007, when its cement segment was amongst the top ten producer, OCI divested its cement portfolio and served the shareholders with one time huge dividend of LE305/share. This cement business was built over years and years of local, regional and international expansions and acquisitions.

In 2005, OCI ventured into the fertilizer business by acquiring Middle East Petrochemical Company (MEPCO) which already held a 30% stake in Egypt Basic Industries Corporation (EBIC). Later on in 2009, OCI increased its stake to 60% in EBIC. The Company is again following the same strategy like that of Cement of making its fertilizer business big enough to be counted amongst the top three nitrogen producers by 2012.

Company's construction segment was ranked 88th worldwide in 2010 as compared to 41st in 2009 by Engineering News Records. Other regional company topping above OCI was Arabian Construction Company, Lebanon at 66.

In terms of its ownership structure, the founding shareholders i.e. Sawiris family owns about 55% of the Company. The remaining could be named as the free float of which around 16.5% are held in the form of GDR's at London Stock Exchange.

OCI Ownership Structure



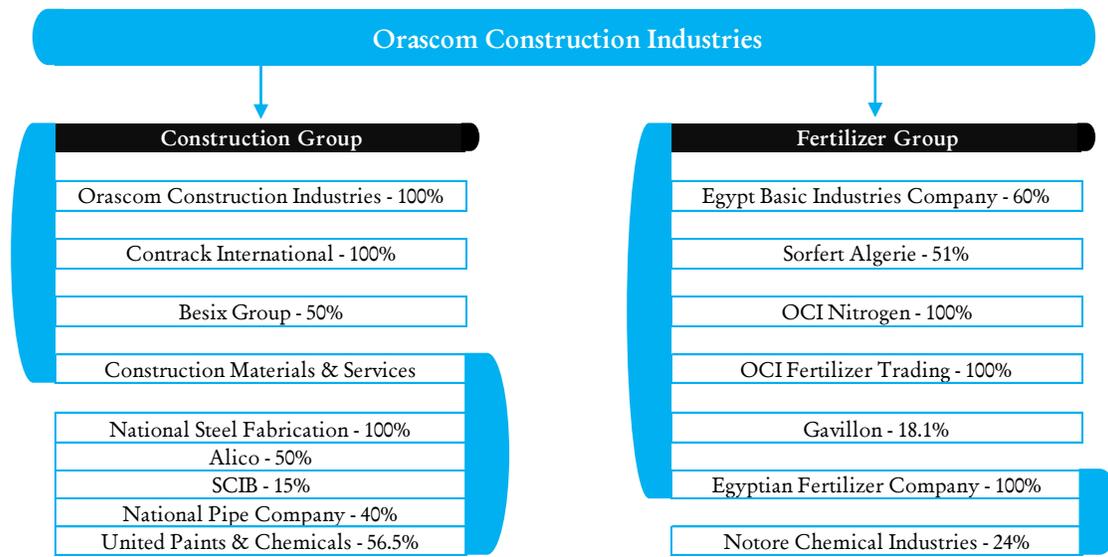
Source: OCI Annual Report 2009

Abraaj Capital and Lazard also have significant ownership in the Company at 6% and 5% respectively.

OCI Business Segments

OCI operates two distinct business segments. Construction segment has always remained the core ever since OCI was founded. Other business lines have remained in and out. The other segment in which OCI currently operates is the nitrogen fertilizer segment. Under these two business segments, OCI has 20 subsidiaries in which its ownership ranges between 49-100%.

Orascom Construction Industries - Line of Business



Source: OCI

Construction Segment

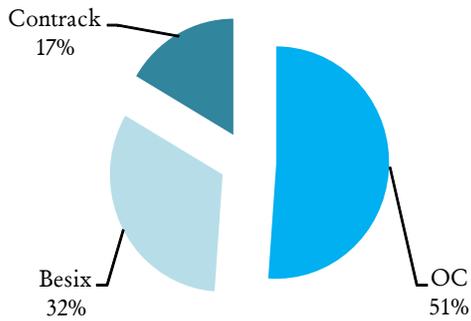
The Construction group ranks among the top global contractors and operates under three distinct brands. The three groups provide a range of construction services in key regional markets in the Middle East and North Africa in addition to Europe, Africa and Central Asia. The Group primarily focuses on infrastructure (energy and related infrastructure including oil & gas, power and petrochemicals/social infrastructure including large-scale educational campuses and healthcare facilities/water including wastewater and desalination), transportation (including roads, airports, ports and railway), industrial and high-end commercial projects. The construction segment operates under three brands, namely: Orascom Construction, Contrack International & Besix Group. Besix is proportionally consolidated while the other two are wholly owned subsidiaries of OCI.

Orascom Construction

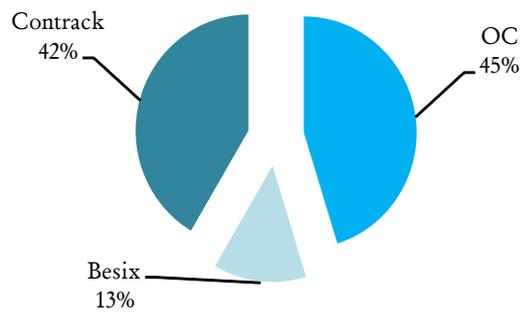
Orascom Construction is a leading engineering, procurement and construction contractor active in emerging markets across the Middle East and North Africa. The Company targets large, complex and demanding industrial, commercial and infrastructure projects. Such projects by their nature have fewer competitors and higher margins. The company was awarded around US\$2.1bn worth of projects in 2009 as compared to US\$1.4bn in 2008. The Company has around 60,000 employees as of 2009.

OCI Construction Segment - 2009

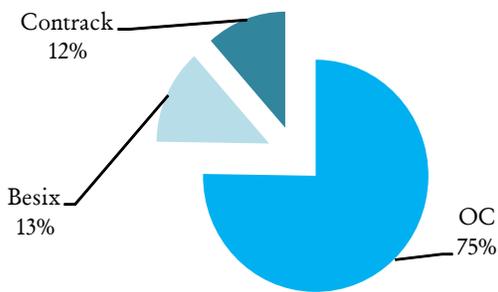
Backlog by Company



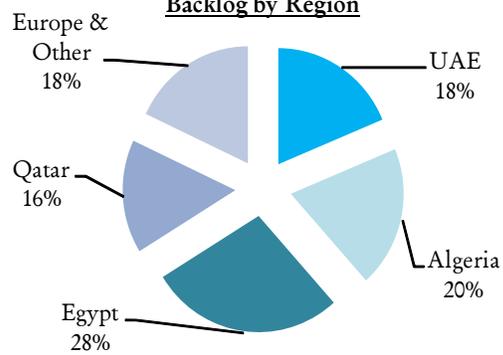
Revenue by Company



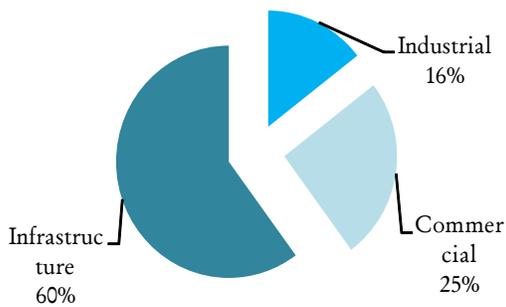
Employees Breakup



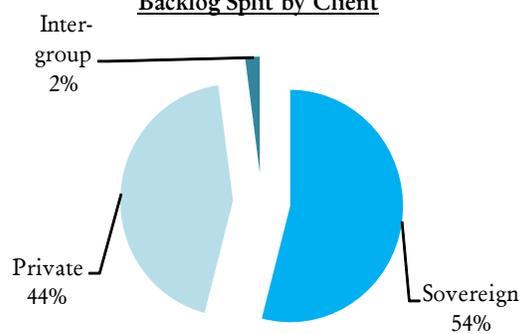
Backlog by Region



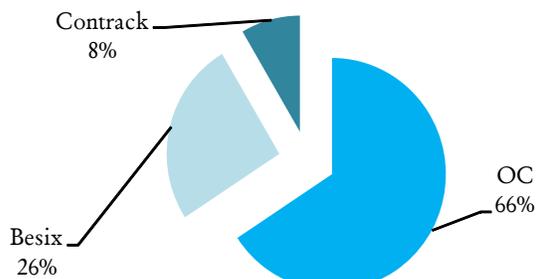
Backlog by Sector



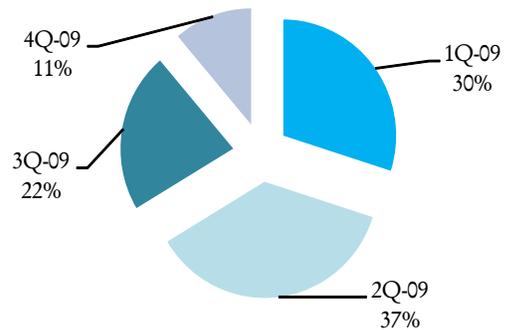
Backlog Split by Client



New Awards Split



Quarterly Backlog Split



Source: OCI & Global Research

Orascom Construction's backlog at the end of 2009 is significantly into infrastructure projects at 67.1% followed by 21.6% in industrial and the rest in commercial segment. While in terms of regional breakdown, 53.7% of the projects are in Egypt, 38.7% are in Algeria and the rest are distributed among the other countries in MENA.

Orascom Construction's contribution to the total turnover of OCI construction segment was 45.2% at LE8.25bn in 2009.

Contrack International

Contrack is a leading international construction company. It is located in US and has around 8,000 employees of which around 3,000 are full time employees. It provides engineering, procurement and construction services as well as facilities operation and maintenance primarily on institutional and infrastructure projects throughout the Middle East and Central Asia.

Contrack International delivered outstanding performance in 2009. New awards of LE1.48bn sustained Contrack's backlog at LE6.0bn for the year. Revenue increased by 19.7% to LE2.42bn from LE2.0bn last year. Contrack's contribution to the total revenue of the construction segment of OCI was around 13.3% (LE2.42bn) in 2009.

Of the total backlog of Contrack at the end of 2009, 81.9% is related to infrastructure and the rest is institutional while in terms of region, majority is being held up in Qatar at 78.3% followed by 16.9% in Afghanistan.

Besix Group

BESIX Group is the largest Belgian construction group, a conglomerate of companies active in the construction, engineering, environmental, real estate and concession sectors. The Group was founded in 1909 and since then has known impressive and regular growth.

BESIX and its subsidiaries cover practically all fields of the construction industry and are operating in Western Europe, in Central and Eastern Europe, North and Central Africa, in the Middle East, in Central Asia and in the Caribbean. BESIX Group has about 19,000 employees in 15 countries on 4 continents. Besix Group was rated 48th in Engineering News Records rating worldwide for 2010 as compared to 49th in 2009.

Besix Group backlog as of 2009 is 61.6% commercial, 27.4% infrastructure and 11.0% industrial. While in terms of region its 68.9% backlog is focused in Middle-east and 28.4% in Europe. BESIX won LE10.2bn (US\$1.8bn) in new awards during 2009, replenishing the backlog to remain at LE23.6bn (US\$4.2bn) as at 31 December 2009. Besix Group's contribution to the total revenue of the construction segment of OCI was around 41.5% (LE7.56bn) in 2009 as compared to 48.3% in 2008.

Construction Segment – Sub Group

To support and garner its main core construction segment, Orascom Construction Industries has invested in various companies which are into glass, steel, pipes, chemicals and aluminium businesses. This way OCI has secured most of its raw material requirements internally along with keeping their margins intact and on check.

National Steel Fabrication

National Steel Fabrication is a wholly owned subsidiary of OCI. NSF was established in 1995, with a single production facility in Egypt and a total annual production capacity of 36,000 tons. As of today NSF has operates four major facilities in Egypt and Algeria with a total combined production capacity of 120,000 tons annually.

Alico Egypt

Alico Egypt was established in 2000. The Company is engaged in fabrication and installation of aluminium and glass curtain walls, doors, and windows as well as architectural aluminium works primarily for building projects. Alico has a capacity of 240,000sq.m. Company operates through its single plant in Egypt and serves its client in the MENA region. OCI owns 50% of the Company.

Construction Sub-segment

Company	Year Estab.	Employees	OCI Stake	Capacity	No. of Plant	Product
National Steel Fabrication	1995	3650	100.0%	120 ktpa	4	Steel
Alico Egypt	2000	607	50.0%	240 k sq.m	1	Aluminium / Glass
SCIB Chemicals	1981	345	15.0%	240 ktpa	1	Paints
National Pipe Company	N/A	500	40.0%	124 km pa	1	Pipes
United Paints & Chemicals	1997	200	56.5%	70 kl pa	1	Ready mix Mortars

Source: OCI

SCIB Chemicals

SCIB Chemicals was found in 1981. The Company is primarily engaged in manufacturers of decorative paints and industrial coatings primarily for the construction industry. OCI has 15% stake in the Company. Company has a production capacity of 240ktpa and has 345 employees under their payroll.

National Pipes Company

National Pipe Company is Egypt's leading manufacturer of precast concrete pipes and pre-stressed concrete cylinder pipes. The company operates from a plant in Egypt and produces 124km pa of concrete pipes ranging in diameter from 700-3,000mm. Company operates with a employee strength of 500 and OCI owns 40% of the Company.

United Paints & Chemicals

United Paint & Chemicals was established in 1997. The Company is primarily engaged in the manufacturers of cement based ready mixed mortars in powdered form used by the construction industry. OCI owns 56.5% of the Company and its has a workforce of 200 employees. The company has a production capacity of 240ktpa.

Fertilizer Segment

While OCI was banking on divesting its cement business, it wrapped its hands around the fertilizer segment. In 2005, OCI ventured into the fertilizer business by acquiring Middle East Petrochemical Company (MEPCO) which already held a 30% stake in Egypt Basic Industries Corporation (EBIC).

Egypt Basic Industries Company

Egypt Basic Industries Corporation was acquired indirectly by OCI when it bought 50% stake in MEPCO in 2005. Later on in 2009, OCI increased its stake to 60% in EBIC. The Company at that time was under developmental stage and actual commissioning happened in May 2009. Since then it is the largest plant of its kind in Egypt. The Company has begun its first full year of production in 2010 with a production of approximately 0.31mn tons of ammonia by 1H-2010.

The geographic location of the plant and its logistics infrastructure give EBIC a unique advantage in the market place as it is a cost effective exporter to the east and west of the Suez Canal having a competitive reach from the US Gulf Coast to Japan. This advantage is evident in EBIC's varied sales destinations, which include the United States, China, Jordan, Taiwan, Belgium and South Korea, among others.

Being a recently commissioned plant, no further expansions are currently thought of by the Company. However, OCI is studying the availability of strategically dedicating storage tanks to EBIC in chronic deficit markets, facilitating speedy delivery and increasing the plant's profit margins.

In the spirit of cost effectiveness and extracting synergies, EBIC & EFC actively maintain several storage and raw materials tie-ins, including water, ammonia, nitrogen, wastewater and CO2 tie-ins currently in service. Several other tie-in initiatives are currently being engineered.

Egyptian Fertilizers Company

Acquired from Abraaj Capital in February 2008, Egyptian Fertilizers Company (EFC) is now the flagship and principal operating business of OCI's growing fertilizer group.

Company currently has only urea facility of 1.3mtpa which is expected to increase to 1.6mtpa along with addition of Ammonium Sulphate (AS) – 0.3mtpa and Urea Ammonium Nitrate (UAN) – 0.33mtpa blending facility. The de-bottlenecking of urea and the commercial production of AS and blended UAN would be achieved by 2012.

Sorfert Algeria

OCI has a majority stake in Sorfert Algeria at 51%, the rest is being held by Sonatrach. Sonatrach is the largest oil and gas company in Algeria and Africa. The company operates in exploration, production, pipeline transportation and marketing of hydrocarbons and by products.

OCI Fertilizer Segment							
	OCI Stake (%)	Employees	Oth. Equity Holders	Gas Cost (\$/mmbtu)	Product	Capacity (mtpa)	
						2009	2012
Egyptian Fertilizer Company	100.0%	847	None	1.5 (2010 -12) 2.0 (2014 +)	Urea	1.30	1.60
					AS	-	0.30
					UAN	-	0.33
Egypt Basic Industries Co.	60.0%	331	KBR	1.25	Ammonia	0.70	0.70
Sorfert Algerie	51.0%	N/A	Sonatrach	0.57 (5% Inc pa)	Ammonia	-	0.80
					Urea	-	1.20
OCI Nitrogen	100.0%	N/A	None	6.35	Melamine	0.24	0.24
					CAN	1.20	1.45
					UAN	0.20	0.20
					Ammonia	0.43	0.43
Notore Chemical Industries	24.0%	400	Emerging Capital Partners	0.5	Urea	0.50	0.75
					NPK	0.55	0.55
					Ammonia	0.40	0.40
Gavilon	18.1%	930	Ospraie Mgt		Trading Business		
Egypt Fertilizer Trading	100.0%	N/A	None		Trading Business		

Source: OCI, Gavilon, Notore Website

Sorfert Algerie is to commence its commercial production of ammonia and urea by 2011, however it will operate at a full capacity in 2012 with an annual production of 0.8mn tons and 1.2mn tons of ammonia and urea, respectively. The Company has signed an agreement with Sonatrach for 20 year feed stock gas supply at an estimated rate of US\$0.57/mmbtu with an annual escalation of 5%.

The cost of funding for the venture is through 30% cash infusion (€ 0.45bn) and a 15 year loan (€1.06bn) totaling (€1.52bn) with a maturity in 2023. The mark up for the project is fixed at 5.95% prior to the completion of construction of complex and then at floating rate of Central Bank of Algeria's benchmark + 1.95%.

OCI Nitrogen (DSM Agro and Melamine)

OCI recently purchased DSM Agro and Melamine and completed its deal in May 2010. After the purchase OCI has named these divisions as OCI Nitrogen. Company's financials would be fully consolidated post 1Q-2010.

OCI Nitrogen which will have five different products by 2012. Urea capacity would be all captive most of which will be used in the production of melamine, ammonia at 0.43mtpa (2009- 0.43mtpa), swappable UAN and CAN production capacity at 0.2mtpa (2009- 0.2mtpa) and 1.45mtpa (2009- 1.2mtpa).

Along with that it inherits 0.24mtpa melamine production capacity of which 0.15mtpa is located in Netherlands and 0.06mtpa (60% stake) which is located in Indonesia and 0.045mtpa (49% stake) in China.

OCI's Acquisitions and Divestments

Acquisitions

Notore Chemical Industries

Notore Chemical Industries was indirectly acquired when OCI acquired EFC through Abraaj Capital. The Company is undergoing rehabilitation and once fully operational it will have a production capacity of 0.5mtpa of Urea and NPK capacity of 0.55mtpa (2009- 0.50mtpa). According to the management, the Company would be able to add to the investment income portion of OCI starting 2012.

Acquisition & Divestment by OCI			
Acquisition		Divestment	
2004	50% Stake in Besix		
2005	60% Stake in EBIC		
2007	60% Stake in Samba SPA		
2007	51% Stake in Sorfert Algeria		
2007	50% Stake in National Steel Fabrication		
2008	18% Stake in Gavilion	Egypt Container Holding Company - LE2.0bn	2008
2008	24% Stake in Notore		
2010	100% Stake in OCI Nitrogen		
2010	100% Stake in Micro Chemie B.V	Lafarge (Cement Operations) - LE71.1bn	2008

Source: OCI

Gavilon

In 2008, OCI announced its investment in ConAgra Trade Group, subsequently renamed the Gavilon LLC - the largest independent importer of fertilizer into the US. OCI invested US\$340.0mn for an effective 18.1% equity stake.

The Company provides physical distribution, merchandizing and trading across basic inputs and outputs, including grains, feed ingredients, fertilizer and energy products. They also provide comprehensive logistical and risk-management services to customers in the agriculture and energy markets including commodity infrastructure for agricultural activities.

In 2009, Gavilon completed several expansion initiatives and acquisitions, including the acquisition of a sugar terminal in Brisbane, Australia and nine grain facilities across Texas.

Divestments

Egypt Container Holding Company (EHC)

The Company's Board of Directors initially decided on 1 November 2007 to sell the entire investment in the Egyptian Container Handling Company (ECHCO) to an international company operating in the field of port management, subject to approval by local governing bodies.

The sale value was LE2.0bn which was made on 18 February 2008 and the sale price collected on 19 February 2008. DP World was the buyer from OCI and raised its stake in ECHC to 90%.

The net profits realized from the sale of the Egyptian Container Handling Company amounted to LE1.4bn after deductions of cost of investments and expense of sale amounting to LE434.3mn and retained earnings, goodwill and others amounting to LE176.4mn.

Orascom Building Materials Holding Company SAE (“OBMH”)

On 9 December 2007, the company signed an agreement with Lafarge SA (“Lafarge”) for the divestment of the OBMH. The sale price was €8.8bn (LE71.1bn). The agreement included the assumption by Lafarge of OBMH total debt to a maximum of US\$2.0bn (LE11.2bn) due to OCI and lending banks to OBMH and its subsidiaries. Post the sale of OBMH, in March and June 2008, the company paid dividends totaling LE61.6bn (US\$11.1bn), LE305.0/share (US\$55.0/share).

Until 2008, OCI owned and operated cement plants in Egypt, Algeria, Turkey, Pakistan, Northern Iraq, and Spain which had a combined annual production capacity approaching 21mtpa. The cement group also made new investments in northern Iraq, Turkey, Nigeria, Algeria, the UAE, Saudi Arabia, Syria, DPRK and South Africa in order to increase its annual production capacity to 44mtpa.

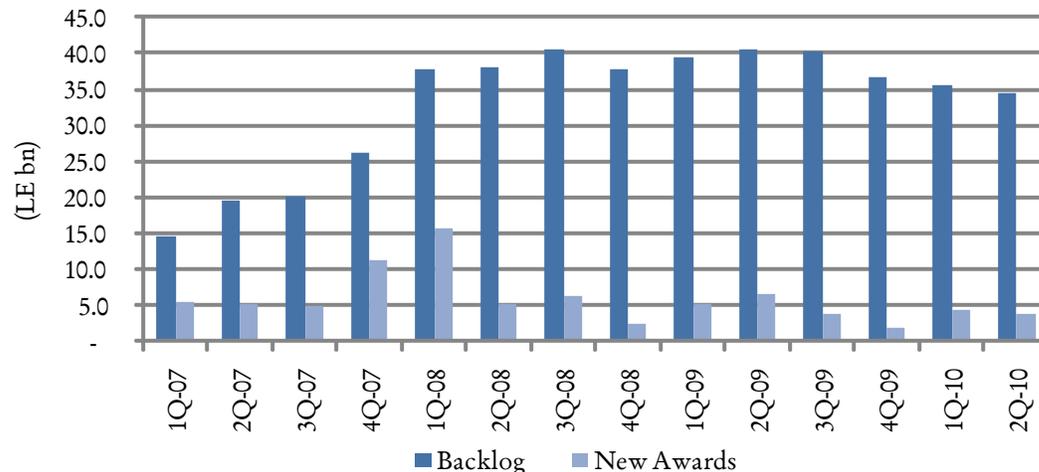
As part of the divestment transaction, Lafarge and OCI have agreed upon a cooperation agreement whereby both groups can continue to benefit from mutual synergies in connection with the construction and expansion of new and existing cement plants in geographic areas where OCI has a competitive advantage by virtue of its existing operational infrastructure. In addition, OCI will continue to procure its supply of basic materials at competitive prices.

Construction Segment – Overview & Forecast

Performance in the boom and bust (post 2008) periods

With economic uncertainties increasing post 2008, Orascom's construction segment remained immune due to geographical diversification along with a significant backlog of contracts which continued the revenue flow post the boom period as well.

OCI Quarterly Backlog & New Awards



Source: OCI

During 2009, OCI was awarded new orders worth LE17.3bn, dropping by 39.7% y-o-y. However, the same did not translate into a fall in revenue recorded during the period because of significant backlog orders which were already secured and amounted to LE38.2bn at the end of 2008.

In 2009, OCI recorded revenue of LE18.2bn, higher by 10% when compared with the LE16.6bn recorded during 2008. Project completion rate grew from 30% in 2008 to 32% in 2009. Because of lesser newer contracts the backlog at the end of 2009 remained lower by 2.4% at LE38.3bn.

Construction Segment Revenue Assumptions							
(LE mn)	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Opening backlog	12,600	26,100	39,299	38,345	35,584	34,768	34,857
New contract awarded	26,648	29,800	17,300	15,570	17,906	19,696	21,666
Monthly run-rate	2,221	2,483	1,442	1,298	1,492	1,641	1,805
Project Completion	33%	30%	32%	34%	35%	36%	37%
Value of work completed (Revenue)	13,148	16,601	18,255	18,331	18,721	19,607	20,913
Closing backlog	26,100	39,299	38,345	35,584	34,768	34,857	35,609

* Amounts in EGP might not match with the actuals of Company as the OCI has only given the \$ amounts

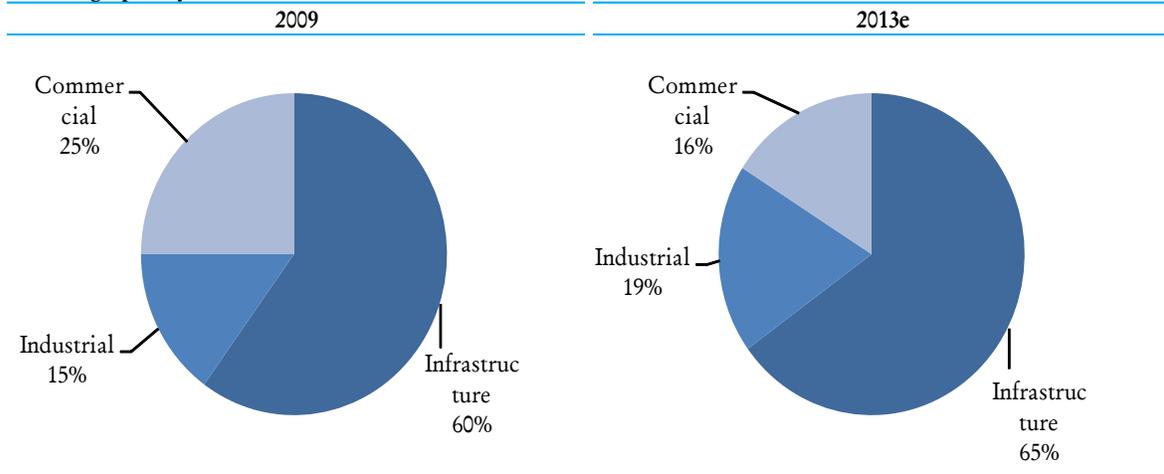
At the end of 1H-2010, new contracts awarded to the Company have reached LE8.2bn whereas the backlog stands at LE34.6bn. We estimates 2010, new contracts awards to reach LE15.6bn whereas the closing backlog is expected at LE35.6bn.

Going forward, since we expect it to be recovery stage worldwide, we expect new contracts awards to grow at a CAGR of 11.6% during 2010-13. Reasons for such a growth are sector's high barriers to entry ensuring OCI strong competitive edge in its core geographical markets and competencies along with the proposed spending plans worth trillions of dollars announced in the markets where OCI operates.

Some of those proposed plans outlined by countries are given below:

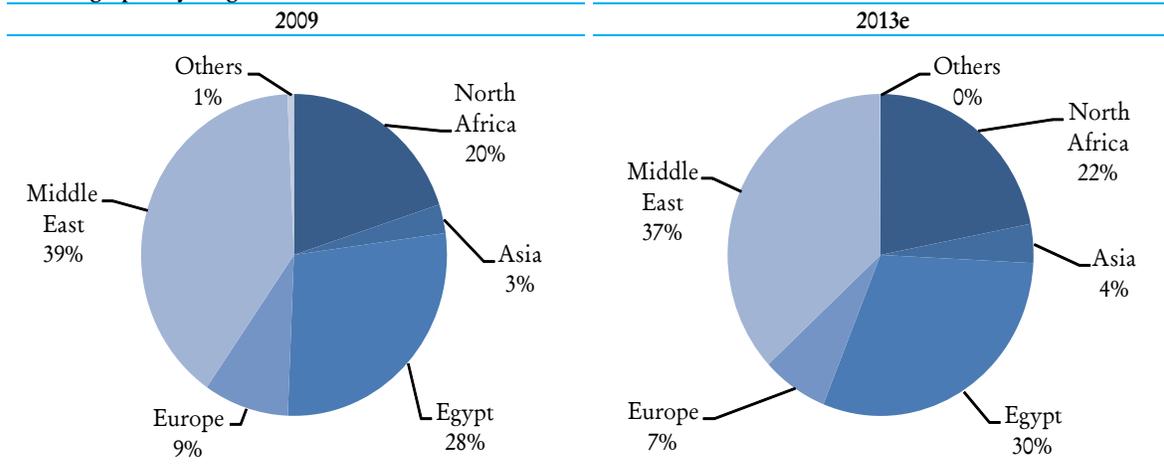
Egypt	Egypt's Ministry of Investment currently supervises various projects of infrastructure and public utilities for a total cost of US\$24bn. Projects include roads, railways, sanitation and water stations, integrated development projects along Upper Egypt-Red Sea Road, specialized economic zones in North West Suez Gulf and the introduction of medical tourism cities.
Qatar	Major developments and a plan to host the 2022 World Cup are at the heart of Qatar's ambition to become a 21st century country. Mixed-use developments such as Lusail City, The Pearl, Al Waab City and Musherib will combine to make Qatar a robust market for construction activity. In addition, there is significant investment planned in major infrastructure, transportation schemes and in the energy sector. Qatar metro, high speed rail link, New Doha Port and the New International Airport are amongst some of these development plans.
UAE	UAE can be separated into two markets: Abu Dhabi and the remaining emirates. Workload in Dubai has slowed noticeably and continues to be subdued; whereas the market in Abu Dhabi remains promising. In Abu Dhabi construction and infrastructure work of over US\$300bn is currently underway. Post the recent agreement over the Dubai World debt restructuring we expect the Dubai activities to prop up as well.
Saudi Arabia	Saudi Arabia's proposed budget spending for 2010 is US\$144bn. Government plans to invest in major projects in the railway, infrastructure and aviation sectors. On the back of a rapidly growing, young and increasingly urban population, housing is also expected to be a major contributor to construction workload. This government investment in transport and social infrastructure, as well as industrial projects, aims to secure the long-term economic development of the country.
Algeria	Algerian government has allocated US\$150bn to be spent on infrastructure by 2013 on various projects. The government also plans to implement US\$120bn worth of energy projects by 2020.

Backlog Split by Sector



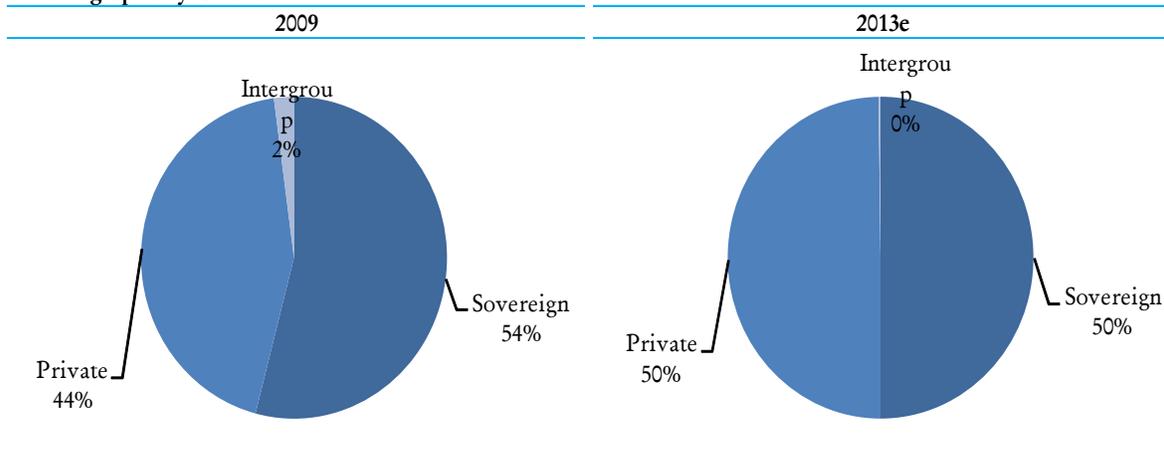
Source: OCI & Global Research

Backlog Split by Region



Source: OCI & Global Research

Backlog Split by Client



Source: OCI & Global Research

Fertilizer Segment – Overview & Forecast

OCI has an impeccable track record of growing business and creating values for their stake holders. The way OCI nurtured the cement business and sold off at a time when the cement business was at its peak is an example quoted by various private equity players.

Venturing into the fertilizer business in 2005, OCI has garnered the segment exceptionally well. With their shrewd business insight, they have already made footings which will rank their nitrogen fertilizer segments amongst the top three by 2012.

Steps taken by OCI Fertilizer Segment to move to top three worldwide

1. Capacity expansions at all its subsidiaries.

OCI which started with the purchase of EBIC and a capacity of 0.70mtpa of ammonia adopted series of different measures ranging from de-bottlenecking, expansions and organic and inorganic growth strategies to move to a level which will lead them to an overall nitrogen fertilizer annual production capacity of 7.7mtpa by 2012. Urea production at 3.3mtpa would be 43% of the overall production capacity followed by Ammonia at 1.93mtpa, 25% of the overall production capacity.

2. Business Synergies.

During the period 2005-09, OCI embarked on several synergy-building and cost-saving activities leveraging the proximity and location of EFC and EBIC. These initiatives have resulted in an additional 56ktpa of annual urea production capacity at EFC, through the construction of both an ammonia pipeline and a CO₂ pipeline between the plants. As per OCI product portfolio, we expect the continuation of such new debottlenecking opportunities at all its plants specially in EBIC and EFC.

3. Acquiring low cost gas to be used as feed stock.

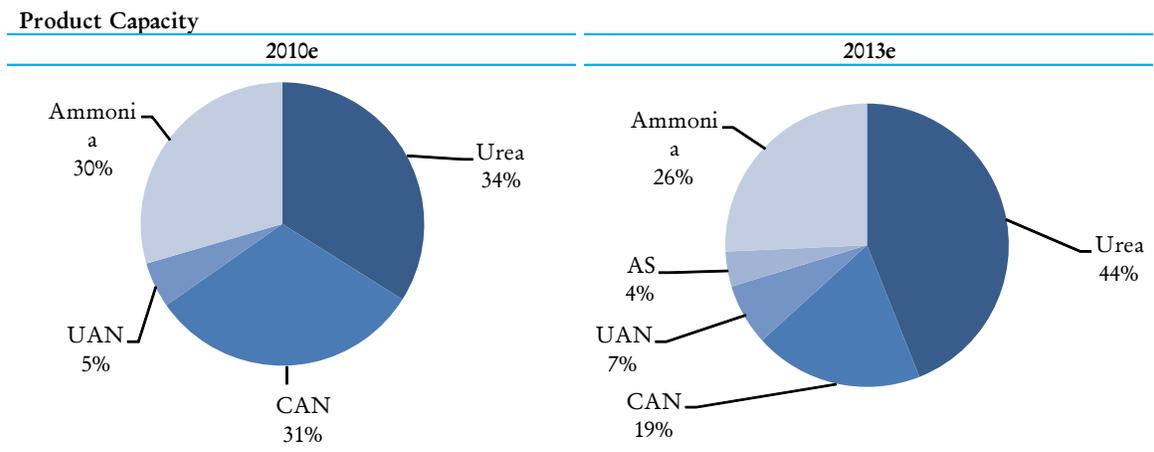
OCI has arranged low cost gas to be used as a feed stock at most of its plants excluding the OCI Nitrogen, which is very necessary for the smooth continuation of the business. Feed stock gas prices at EFC and EBIC plants are lowest fertilizer feedstock costs in the world. While on the other hand the selling prices are equivalent to those in the international export markets, meaning a win-win situation for the Company.

4. Quadrilateral presence an added advantage

OCI has fully and partially owned fertilizer subsidiaries in America, Europe, Middle-east and north Africa. These subsidiaries acquired over a period of years provide OCI with an advantage to cater to worldwide clients through various distribution channels. OCI has already started using those channels to market its product. In 2009, EFT, OCI's trading arm based in Dubai, traded external OCI-branded product to create a home in the international market for Sorfert product coming on-stream in 2011. In its first year of operation, EFT traded over 1.1mn tons of nitrogen-based fertilizers, of which 139.1k tons were external OCI-branded product and 930k tons were urea produced at EFC. In 2009, Gavilon traded over 216k tons of OCI granular urea in countries including Mexico, Bangladesh and Mozambique.

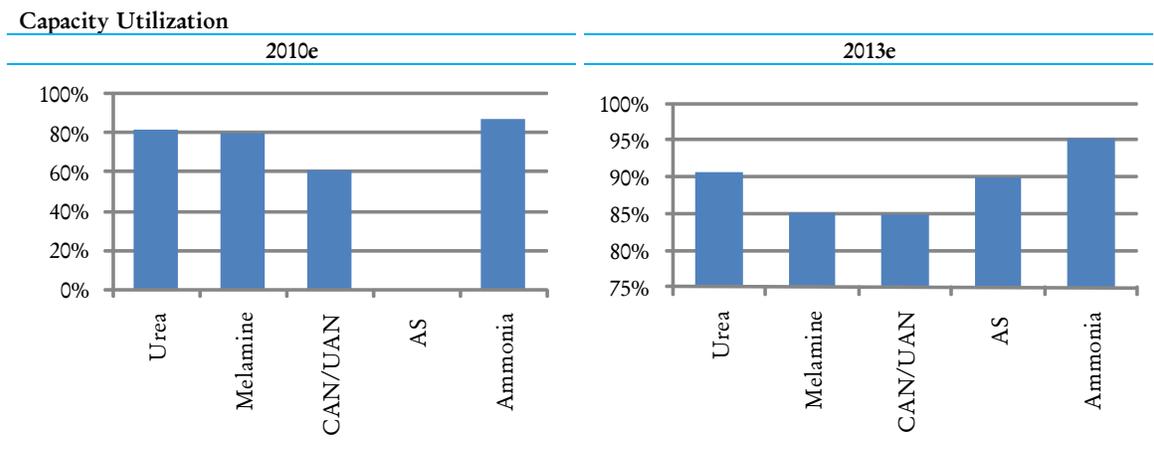
Operational Performance & Pricing Assumptions

With the overall ramp-up in capacities at different OCI subsidiaries, its overall nitrogen fertilizer capacity would reach 4.58mtpa in 2010 which is further expected to rise to 7.7mtpa in 2012. For OCI, 2012 would be the full throttle year capacity wise as Sorfert & OCI Nitrogen plants would commence commercial operations of their lines.



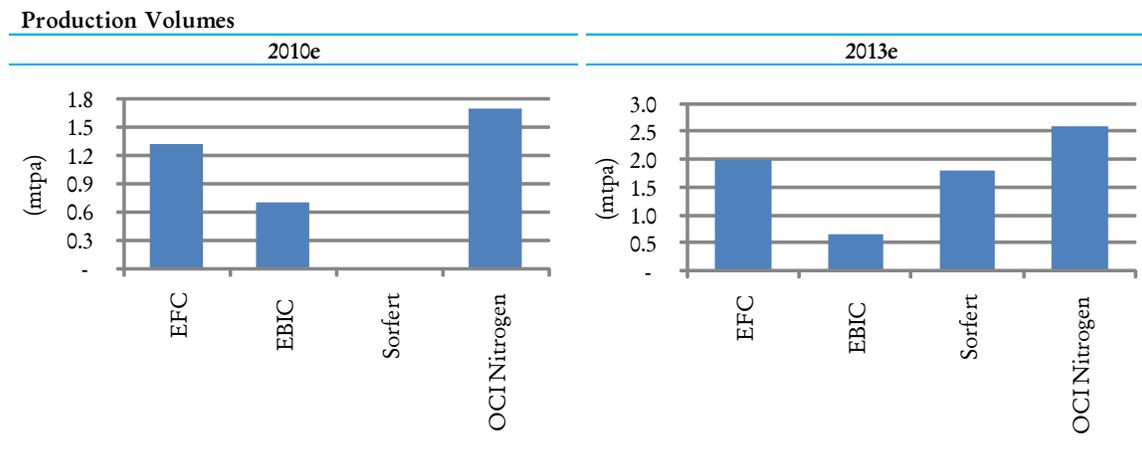
Source: OCI & Global Research

Overall capacity utilization rate of the OCI fertilizer segment is anticipated to touch 82% in 2010 and to much higher levels at 85% and 91% in 2012 and 2013 respectively. Increase in the utilization rates would be because of commissioning of the new lines along with the expected deficits in demand supply situation.



Source: OCI & Global Research

Based on the given capacity utilization rates, OCI would manage to produce 3.7mtpa of fertilizer products in 2010 which would rise to 6.5mtpa in 2012 and 7.0mtpa in 2013. In terms of contribution by the subsidiaries, EFC’s production is expected to jump from 1.3mtpa in 2010 to 2.0mtpa in 2013, an increase of 51.7%. OCI Nitrogen is expected to increase its production from the current level to 2.6mtpa by 2013. While Sorfert which is still in the expansion phase would come out with production volumes of over 1.8mtpa by 2013.



Source: OCI & Global Research

Pricing

There are various factors which affect the fertilizer prices namely: oil and gas, freight rates, exchange rates and demand supply situation.

Factors Affecting Fertilizer Prices

	2005	2006	2007	2008	2009	2010 *
Crude Oil - (US\$/bbl)	53.4	64.3	71.1	97.0	61.8	77.0
Natural Gas - (US\$/mmbtu)	8.9	6.7	7.0	8.9	3.9	4.7
Raw Material Index - (x)	114.1	137.4	174.9	195.7	168.3	223.6
Grains Index - (x)	103.2	120.9	189.0	281.7	214.9	197.3
Baltic Dry Index - (x)	3,118.0	3,450.3	7,570.8	5,415.3	2,649.3	2,702.0

Source: World Bank Pink Sheets

* Average (Jan-August)

High oil prices contributed to price increases for most agricultural crops by raising input costs on the one hand, and by boosting demand for agricultural crops used as feedstock in the production of alternative energy sources (bio-fuels) on the other. The combination of high oil prices and the desire to deal with environmental issues is driving the rapid expansion of the bio-fuels sector and the fertilizer prices as well. After dropping for around 36.3% in 2009, oil prices have recovered by 24.7% in 2010. Going forward, with the international organizations forecasting an increase in oil prices, we expect it translate into a higher fertilizer product prices.

Along with oil prices, the Baltic Dry Index which is referred as an indicator for the freight rates has perched up by 2% in 2010, after witnessing a fall by 51% in 2009. Shipping sector worldwide expects that after the prices bottoming out in 2009 and expected recovery in world trade, the freight rates will go higher which will raise the prices of the fertilizer products.

Fertilizer Product Prices

(US\$/Ton)	2005	2006	2007	2008	2009	2010 *
DAP	247.0	260.3	432.5	967.2	323.1	465.8
Phosphate Rock	42.0	44.2	70.9	345.6	121.7	135.0
TSP	201.5	204.9	339.1	879.4	257.4	345.4
Urea	219.0	222.9	309.4	492.7	249.6	259.7

Source: World Bank Pink Sheets

* Average (Jan-August)

These features have already affected the prices of fertilizer products. Average fertilizer prices which fell by over 60% in 2009 recovered by 23.3% YTD in 2010. Prices of DAP which fell by 66.6% in 2009 to US\$323.1/ton has gone up by 44.2% to US\$465.8/ton. Urea prices have also followed suit and after dropping by 49.3% in 2009 and have perched upto US\$259.7/ton, resurgence of 4.0%.

Apart from this in the past few months, fertilizer markets' developments such as USDA grain outlook and Ukraine gas price hike were incrementally positive for fertilizers. USDA significantly decreased its 2011 global grain inventories' estimates in their recently published edition of the World Agricultural Supply and Demand Estimates (WASDE) report. The revised estimate of 444mn ton imply a stock-to-use (STU) ratio of 19.8%, compared to a 20-year average level of 25.3% and a previous month estimate of 20.7%. The revision was primarily driven by a 13.4mn ton reduction in FSU-12 wheat production estimates.

While on the Ukrainian front, Ukraine's Naftogaz will pay Russia's Gazprom US\$248/1000 cm³ for imported gas during 3Q10, compared to US\$230/1000 cm³ paid during May/June 2010. We understand from Fertilizer Market Bulletin (FMB) that the local urea producers were allocated gas at a subsidized price of US\$205-206 per 1000cm during 2Q10, and were facing an increase of US\$50/1000 cm³ from July 2010. Although there is not much clarity on the urea producers' settled gas prices during 3Q10, we believe that the recent price hike by Gazprom to Naftogaz, and IMF's pressure on the Ukraine government for removal of gas price subsidies, are likely to increase urea producers' gas price.

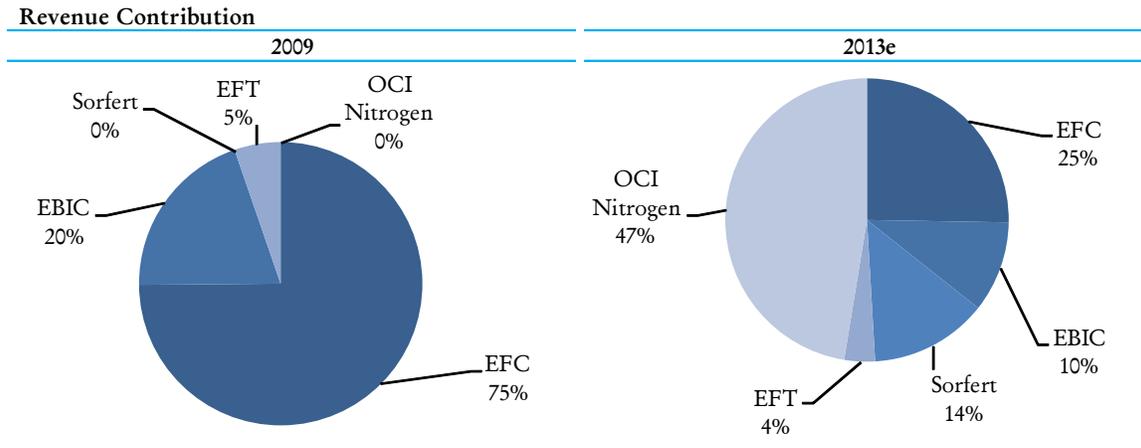
OCI Product Price Assumptions				
<i>(LE/ton)</i>	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Urea	1,517.3	1,570.8	1,623.7	1,673.6
Melamine	8,276.8	8,525.1	8,780.9	9,044.3
CAN	1,233.3	1,270.3	1,308.4	1,347.7
UAN	1,111.2	1,222.4	1,344.6	1,479.1
AS	695.9	720.4	744.7	767.6
Ammonia	1,697.0	1,756.8	1,816.0	1,871.8

Source: Global Research

Due to the above unfavorable international events we have taken the above product price assumptions for OCI subsidiaries.

Fertilizer Segment Financial Performance

In 2009, the fertilizer segment reported revenue of LE2.6bn, a drop of 24% mainly because of significant drop in prices. However, as the price have recovered by over 23% in 2010, we expect the combined effect of increase in prices and rising volumes to result in a 120% improvement in the revenue of the fertilizer segment in 2010 to LE5.8bn.

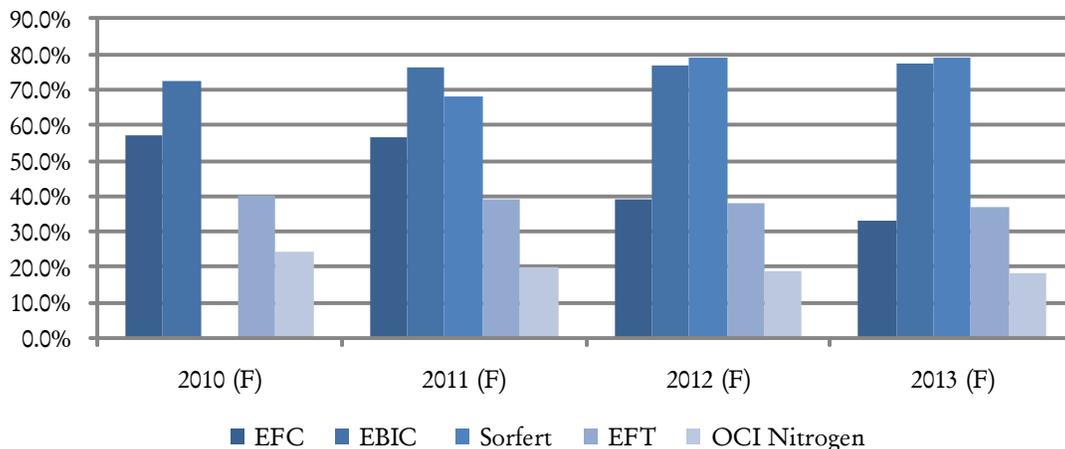


Source: OCI & Global Research

Such a huge improvement would be initiated by the addition of OCI Nitrogen business. OCI nitrogen business is expected to add around LE2.6bn to the top line figure of the segment. Despite growing revenues, EFC’s contribution to the top line would decline from 34.6% (LE2.0bn) in 2010 to 25.3% (LE3.0bn) in 2013. EBIC’s contribution would also decline from 17.2% (LE1.0bn) in 2010 to 10.4% (LE1.2bn) in 2013.

Meaningful addition would be witnessed by the contribution of OCI Nitrogen and Sorfert. OCI Nitrogen is expected to add around LE2.6bn (44.5%) in 2010 which will rise to LE5.6bn (47.4%) in 2013. Sorfert which is currently under the capacity building stage would add around 13.4% to the top line at LE1.6bn in 2013.

Gross Margins at OCI Subsidiaries



Source: Global Research

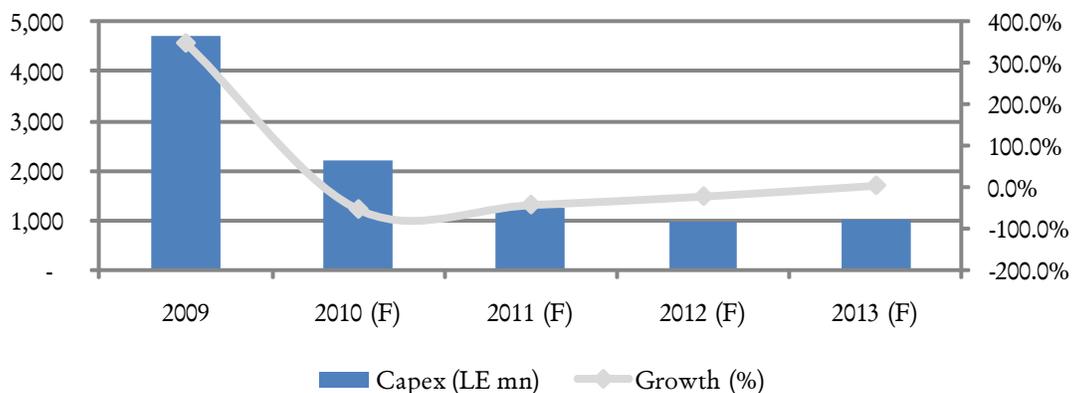
Overall gross margins of the OCI fertilizer segment are expected to drop from 60.1% in 2009 to 45.1% in 2010 and 42.2% by 2013. Drop in the gross margins would be because of higher cost of feed stock gas at the OCI Nitrogen plants, the major revenue.

Sorfert margins would be quite healthy for the business as it enjoys the cheapest gas available within the OCI fertilizer subsidiaries. Sorfert margins are expected to touch 68% in the first year of commissioning.

Capital Expenditure at Fertilizer Segment

With the current expansionary wave running at most of OCI's subsidiaries, we expect capital expenditure of OCI fertilizer segment to be LE2.2bn in 2010.

Fertilizer Capital Expenditure



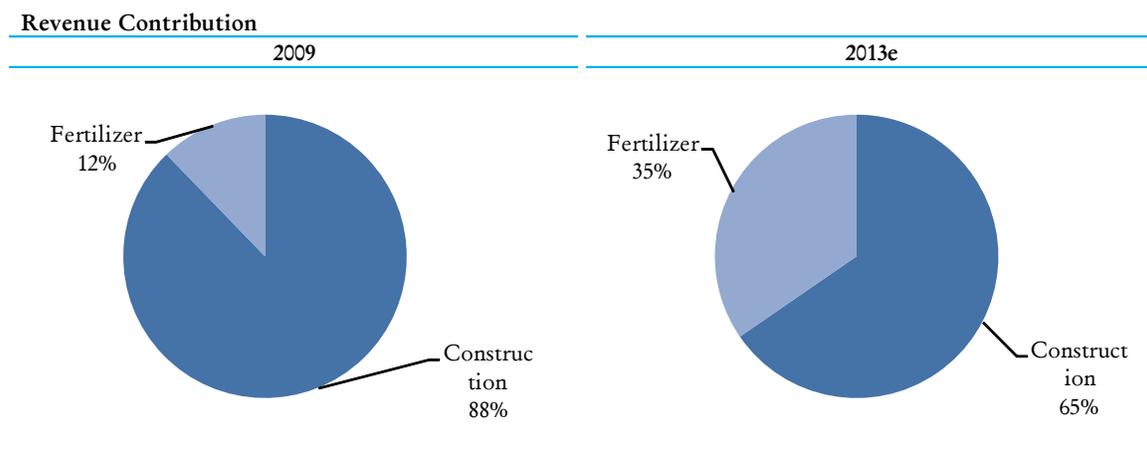
Source: OCI & Global Research

This capital expenditure requirement would fall in the coming years as the plants and line would start their commercial productions. By 2013, most of the LE1bn capital expenditure would relate to general recurring capex and maintenance.

OCI Group – Overview & Forecast

Revenue to record CAGR of 12.2% during 2009-13

OCI revenue rose from LE20.7bn in 2008 to LE21.8bn in 2009, an increase of 5.1%. This increase was due to continuation of the backlog of contracts available with OCI which resulted in a construction segment revenue of LE19.1bn in 2009 as compared to LE17.2bn in 2008, rise of 11.0%. On the other hand, overall fertilizer segment revenue dropped by 24%, a direct result of drop in prices. In terms of contribution in 2009, construction segment contributed the most at 88% while the remaining was covered by fertilizer.



Source: OCI & Global Research

In 2010, with the expectation of revival in fertilizer prices along with commissioning of new lines in the fertilizer segment in conjunction with the high backlog of construction segment, we expect OCI to report revenue of LE25.3bn in 2010, an increase of 16.1%. Fertilizer segment contribution to the top line is estimated at 23% in 2010 while the remaining being contributed by the construction segment.

Going forward we expect, OCI's revenue to report a CAGR growth of 12.2% during 2009-13. Fertilizer and construction segment revenue is expected to grow at a CAGR of 45.6% and 4.3% respectively during 2009-13. While in terms of contribution it is expected that by 2013, fertilizer segment would contribute more than 1/3rd of the revenues at 65%.

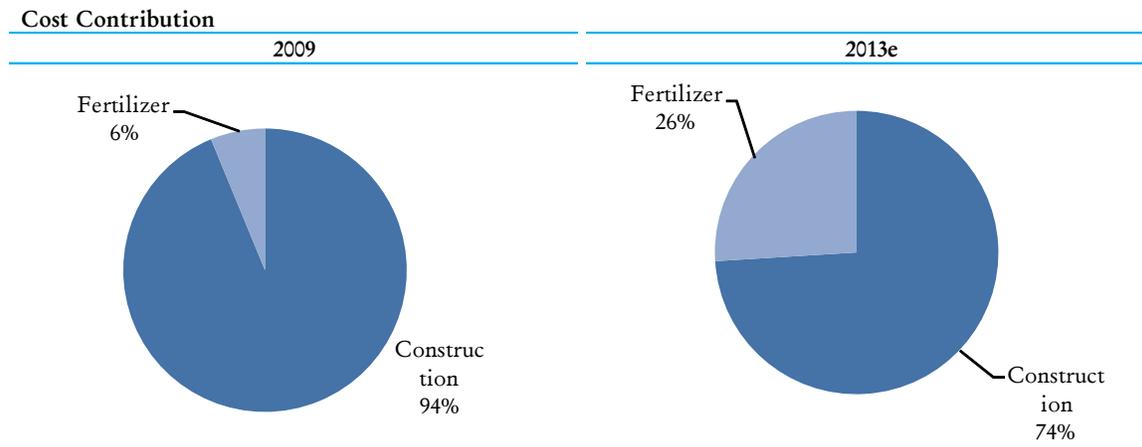
Margins expected to remain range bound

In 2009, OCI cost of sales rose by 10.5% to LE17.0bn as compared to LE15.4bn in 2008. This increase was due to increase in the cost of fertilizer segment by 31.7% to LE1.0bn as compared to LE0.8bn in 2008. On the other hand, construction segment cost went up by 9.3%, a direct result of increasing competition within the construction contractors. In terms of contribution in 2009, construction segment contributed the most at 94% while the remaining was covered by fertilizer.

In 2010, we expect the overall cost to grow by 14.6% to LE19.5bn (Gross Margins: 22.7%) as compared to LE17.0bn (Gross Margins: 21.7%) reported in 2009. Gross margins of the

fertilizer segment are expected to go up and down during the forecasted period. In 2010, fertilizer margins are expected to come down to 45.1% and further down to 39.7% during 2011 from 60.1% reported in 2009. However post 2011, we expect the margins to prop up because of commission of new low cost production lines at fertilizer segment which will increase the margins to 42.9% in 2012.

Construction segment margins are expected to drop as the sector becomes much tougher in terms of getting newer contracts because of increasing competition. We expect the construction segment margins to drop from 16.4% in 2009 to 13.0% in 2013.



Source: OCI & Global Research

Going forward, we expect OCI's cost to increase at a CAGR of 11.8% during 2009-13. Fertilizer and construction segment cost is expected to grow at a CAGR of 59.8% and 5.3% respectively during 2009-13. While in terms of contribution it is expected that by 2013, construction segment contribution to the cost would drop from 94% in 2009 to around 74% in 2013 while the fertilizer segment would witness a 20% improvement during the same period.

Profits from discontinued operations

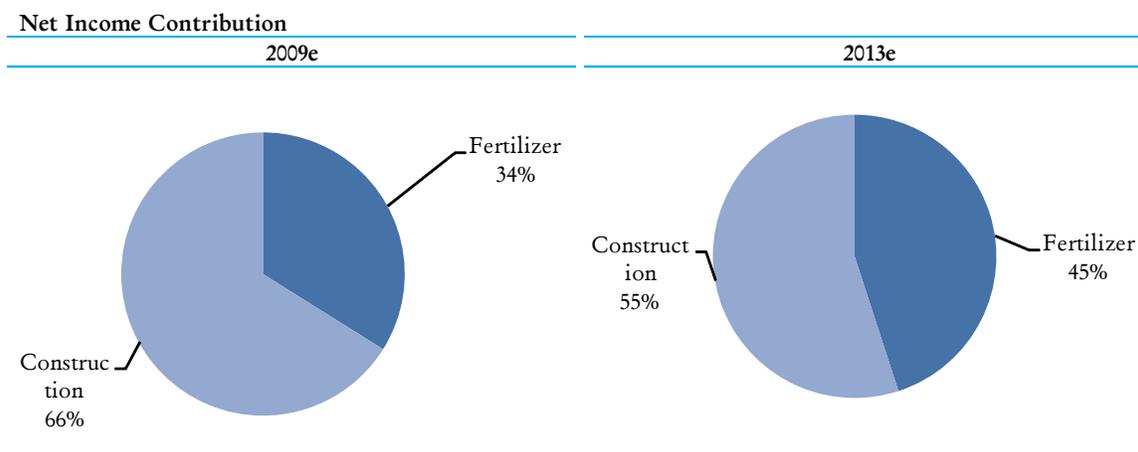
Profits from discontinued operations in the past have contributed handsomely to the bottom line of OCI. In 2007, the company signed an agreement with Lafarge SA ("Lafarge") for the divestment of their cement group named Orascom Building Materials Holding Company SAE ("OBMH"). The sale price was €8.8bn (LE71.1bn).

In 2008, OCI board of directors had initially decided in Nov-07 to sell the entire investment in the Egyptian Container Handling Company (ECHCO) to an international company operating in the field of port management, subject to approval by local governing bodies. The sale value was LE2.0bn. The net profits realized from the sale of the Egyptian Container Handling Company amounted to LE1.4bn after deductions of cost of investments and expense of sale amounting to LE434.3mn and retained earnings, goodwill and others amounting to LE176.4mn.

Currently, the Company is not contemplating sale of any of its segment or subsidiary. However, it might not surprise if some years down the line Company might spin off one of its segments to give a handsome dividend to its shareholders.

Net income

In the past, OCI has witnessed significant jump in its bottom line numbers due to divestment of its various businesses and business segments. In 2010, we expect the net income to improve by 28.3% to LE3.2bn (Net Margins: 12.9%). Fertilizer segment is expected to contribute the most to the change with a net income growth of 81.7% to LE1.6bn (Net Margins: 26.7%) while the construction segment is expected to register a growth of a percent to LE1.7bn (Net Margins: 8.7%). Fertilizer segment contribution to the net income is expected to increase from 34% in 2009 to 45% by 2013 while for the construction sector it is expected to drop from 66% to 55%.



Source: OCI & Global Research

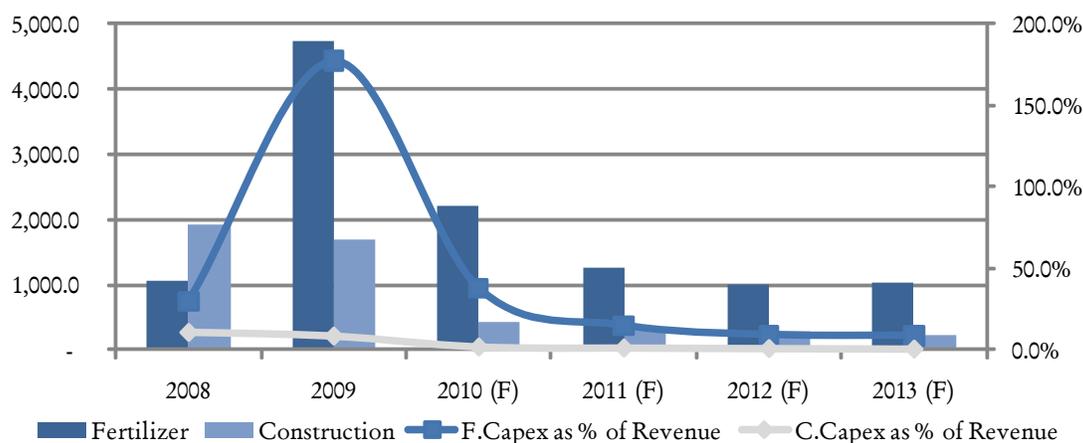
Going forward, we expect the Company to register a CAGR growth of 17.4% in the net income during 2009-13. Fertilizer segment would register a CAGR of 26% whereas the expectation for construction segment is at 12.1%.

Capital expenditure

OCI's capital expenditure for 2009 touched LE6.4bn, an increase of 117% over 2008. Capital expenditure as percentage of revenue rose from 14.3% in 2008 to 29.5% in 2009. In terms of contribution, fertilizer segment which is currently undergoing expansion and overhaul phase at many of its subsidiaries reported capital expenditure of LE4.7bn, an improvement of 350.2% while the construction segment capex dropped by 11.2% to LE1.7bn. Fertilizer capex in 2009 was 177.4% of its revenue while the construction capex was around 8.9% of its revenue.

As per the analyst guidance report released by OCI and our understanding of OCI's business we expect OCI's capex requirement for 2010 to reach LE2.6bn, drop of 58.9%.

OCI Capital Expenditure



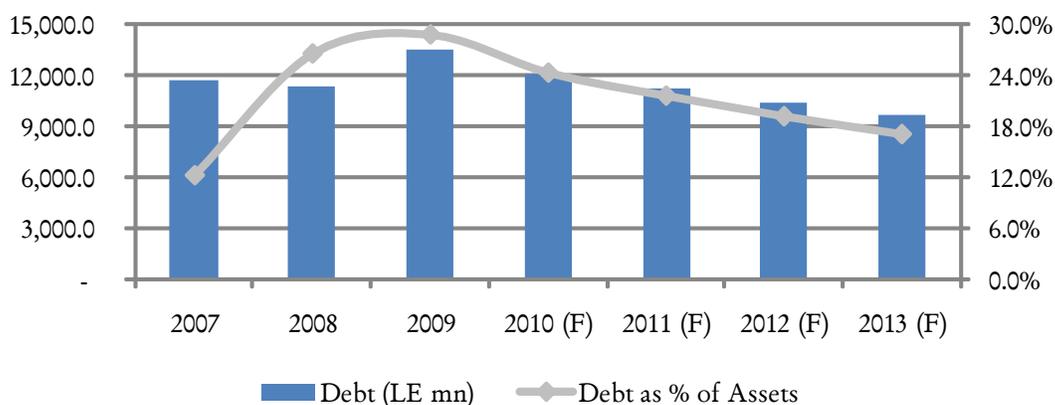
Source: Global Research

In 2011, capital expenditure is expected to drop to LE1.6bn because of the commissioning of some production lines during the period. Sorfert would continue to play a major role in the over capital expenditure requirements till 2012. Post 2012 and assuming that there would be no more expansion going forward, we expect OCI to report capital expenditure of LE1.1bn.

Leverage expected to go down

At the end of 2009, OCI was sitting on debt pile of LE13.5bn as compared to LE11.4bn at the end of 2008. Increase in debt was because of the consolidation of the new subsidiaries during the period where the plants are undergoing expansion and require funding to run those.

OCI Debt



Source: OCI & Global Research

By 1H-2010, the debt of the Company rose further to LE16.1bn. Recently, OCI issued fourth bond, a two-tranche bond in Egyptian pounds valued at LE1.6bn, divided into 16.5mn coupons with a nominal value of LE100 each. OCI's fourth issued bond will have a maturity of five years and a fixed interest rate of 11.75% to be paid semiannually. Ninety percent of the bond will be issued in the first tranche and will be offered in private placement with the same

terms and conditions as the public placement. The remaining 10% will be offered to the public in the second tranche. The proceeds from the approved bond will be used to finance general corporate purposes, including, but not limited to, capital expenditures, potential acquisitions and balance sheet restructuring. MERIS (Middle East Rating and Investor Service) has assigned a National Scale Rating (NSR) of “AA-” grade with a “Stable” outlook for both the newly approved bond and the Company.

Going forward, it is expected that as the expansions would come online and income would increase, OCI debt would decline from the current levels to as low as LE9.7bn by the end of 2013. On the other hand in 2013, we expect OCI’s cash level to surpass the debt by LE0.8bn. Cash balances of the Company are expected to register a CAGR growth of 15.4% during 2009-13.

SWOT Analysis

Strengths

- Strong brand name.
- Cash rich company.
- Quadrilateral presence – America, Europe, GCC & MENA (EX-GCC).
- Client relationship.
- Operating in a large domestic (Egypt) market
- Business synergies & technological innovation.

Weakness

- Increasing bargaining power of the developers.

Opportunities

- Presence in Asia would help boost the business. Acquisition and joint ventures would be very helpful in this regard.
- Establishing a foot hold in war torn countries like Afghanistan and Iraq.

Threats

- Unclear outlook about presence in Algeria.
- Commodity markets are quite volatile , it can hamper the Company's financial performance.
- Integration of new acquired companies.

BALANCE SHEET		ORASCOM CONSTRUCTION INDUSTRIES					
(LE mn)	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Cash and Bank Balance	3,917	8,269	5,925	6,142	6,878	8,839	10,495
Trade & Other Receivables	5,410	8,236	9,750	10,408	10,990	11,438	12,337
Due from Clients	766	1,194	1,523	1,745	1,890	1,843	1,971
Inventories	734	1,462	1,402	1,609	1,768	1,877	1,971
Receivables on Sale of Discounted Cement Opt.	77,267	-	-	-	-	-	-
Other Assets	1,646	698	750	871	942	968	854
Current Assets	89,740	19,859	19,350	20,775	22,468	24,965	27,628
Intangible Assets	65	9,910	9,874	10,071	10,273	10,478	10,688
Long Term Receivables	76	255	247	272	294	309	324
Investments AFS	8	133	253	278	301	316	331
Investment in Associates	1,013	136	2,105	2,210	2,320	2,436	2,558
Deffered Tax Assets	22	36	38	43	49	62	64
Payment for Purchase of Investments	555	2,785	-	-	-	-	-
Property, Plant & Equipment	3,473	9,912	14,991	16,274	16,214	15,666	15,076
Non-Current Assets	5,212	23,167	27,508	29,149	29,451	29,267	29,042
Total Assets	94,952	43,026	46,858	49,924	51,919	54,232	56,670
Bank Overdraft & Short Term Loans	10,648	3,671	2,266	2,039	1,632	1,305	1,044
Due to Clients	907	1,600	3,659	4,208	3,366	2,693	2,154
Trade & Other Payables	4,621	8,318	8,494	9,731	11,278	12,200	13,143
Other Current Liabilities	1,174	1,090	1,011	1,158	1,402	1,542	1,825
Current Liabilities	17,350	14,679	15,429	17,137	17,677	17,740	18,167
Long Term Loan	1,035	7,754	11,219	10,097	9,593	9,113	8,657
Provisions	1,982	1,891	1,913	2,296	2,066	1,860	1,674
Other Long Term Liabilities	586	613	571	628	691	760	836
Deffered Tax Liability	103	507	582	625	674	736	800
Long Term Liabilities	3,706	10,766	14,285	13,647	13,024	12,469	11,967
Share Capital	1,010	1,074	1,035	1,035	1,035	1,035	1,035
Retained Earning & Others	72,886	16,508	16,109	18,106	20,183	22,989	25,501
Total Shareholders Equity	73,896	17,582	17,143	19,140	21,217	24,023	26,536
Total Equity & Liability	94,952	43,026	46,858	49,924	51,919	54,232	56,670

Source: Company Reports & Global Research

INCOME STATEMENT		ORASCOM CONSTRUCTION INDUSTRIES					
(LE mn)	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Revenue	13,148	20,764	21,819	25,325	28,653	32,114	34,637
Construction Revenue	13,148	17,252	19,152	19,453	20,067	21,155	22,655
Fertilizer Revenue	-	3,511	2,667	5,873	8,586	10,960	11,983
Cost	(10,975)	(15,463)	(17,087)	(19,578)	(22,250)	(24,467)	(26,651)
Construction Cost	(10,975)	(14,660)	(16,024)	(16,351)	(17,071)	(18,209)	(19,727)
Fertilizer Cost	-	(807)	(1,063)	(3,226)	(5,180)	(6,259)	(6,924)
Gross Profit	2,173	5,300	4,732	5,747	6,402	7,647	7,987
Selling, General and Administrative Expense	(741)	(1,093)	(1,284)	(1,762)	(2,003)	(2,202)	(2,399)
Other Operating Income	119	64	168	126	138	152	167
Operating Profit	1,552	4,271	3,616	4,111	4,538	5,597	5,755
Investment Income	62,404	1,435	99	230	284	313	344
Provision for Claims & Impairment of Debts	(82)	(201)	(212)	(183)	(187)	(196)	(209)
Interest Income	323	677	134	94	103	114	125
Gain / (Loss) on Forex	47	494	35	9	10	11	12
Interest Expense	(577)	(668)	(632)	(410)	(379)	(352)	(328)
Profit Before - Results from Disc. Operations	63,666	6,008	3,041	3,850	4,369	5,486	5,699
Results from Discontinued Operations	2,546	11	-	-	-	-	-
Profit Before Tax	66,212	6,020	3,041	3,850	4,369	5,486	5,699
Income Tax	(82)	(576)	(491)	(578)	(655)	(823)	(855)
Profit After Tax	66,130	5,444	2,550	3,273	3,713	4,663	4,844

Source: Company Reports & Global Research

CASH FLOW STATEMENT	ORASCOM CONSTRUCTION INDUSTRIES						
<i>(LE mn)</i>	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Operating Activities							
Profit for the Year	66,130	5,444	2,550	3,273	3,713	4,663	4,844
Depriciation & Amortization	924	731	1,017	1,176	1,237	1,270	1,300
Income from Investments	(129)	(2)	(99)	(324)	(387)	(426)	(469)
Unexceptional Gain / Losses	(62,237)	(714)	495	-	-	-	-
Interest Expense / Income	282	(9)	497	410	379	352	328
Change in WC	(4,042)	(2,195)	(1,275)	495	(422)	(486)	(583)
Cash Flow From Operations	927	3,255	3,186	5,030	4,521	5,372	5,420
Investing Activities							
Purchase of Property Plant & Equipment	(6,728)	(3,198)	(5,038)	(2,459)	(1,178)	(722)	(710)
Available for Sale Investment	(1,170)	(12,137)	(39)	(25)	(22)	(15)	(16)
Investment in Associates	-	-	-	(105)	(110)	(116)	(122)
Other Income	-	-	152	324	387	426	469
Proceeds from Sales of Investments	-	79,008	-	-	-	-	-
Other Investing Activities	244	166	309	(25)	(22)	(15)	(15)
Cash Flows from Investing Activities	(7,654)	63,840	(4,616)	(2,291)	(945)	(442)	(394)
Financing Activities							
Capital Injection	-	3,934	-	-	-	-	-
Treasury Stock	167	(1,574)	(160)	-	-	-	-
Term Loans	8,576	(2,693)	1,134	(1,122)	(505)	(480)	(456)
Financial Charges	-	-	-	(410)	(379)	(352)	(328)
Dividend Paid	(1,111)	(62,549)	(2,084)	(1,275)	(1,636)	(1,857)	(2,331)
Other Financing Activities	275	139	195	286	(319)	(281)	(255)
Cash Flows from Financing Activities	7,906	(62,743)	(914)	(2,522)	(2,840)	(2,970)	(3,370)
Cash Balance - Beginning	2,738	3,917	8,269	5,925	6,142	6,878	8,839
Increase/Decrease in Cash	1,179	4,352	(2,344)	218	736	1,961	1,655
Cash Balance - Ending	3,917	8,269	5,925	6,142	6,878	8,839	10,495

Source: Company Reports & Global Research

FACT SHEET	ORASCOM CONSTRUCTION INDUSTRIES						
	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Liquidity Ratios							
Current Ratio (x)	5.2	1.4	1.3	1.2	1.3	1.4	1.5
Quick Ratio (x)	5.1	1.3	1.2	1.1	1.2	1.3	1.4
Inventory Stock (Days)	24.4	34.5	29.9	30.0	29.0	28.0	27.0
Receivables Outstanding (Days)	150.2	144.8	163.1	150.0	140.0	130.0	130.0
Length of Operating Cycle (Days)	174.6	179.3	193.0	180.0	169.0	158.0	157.0
Payables Outstanding (Days)	153.7	196.3	181.4	181.4	185.0	182.0	180.0
Profitability Ratios							
Gross Profit Margin (%)	16.5%	25.5%	21.7%	22.7%	22.3%	23.8%	23.1%
Operating Margin (%)	11.8%	20.6%	16.6%	16.2%	15.8%	17.4%	16.6%
Net Profit Margin (%)	503.0%	26.2%	11.7%	12.9%	13.0%	14.5%	14.0%
Return on Assets (%)	69.6%	12.7%	5.4%	6.6%	7.2%	8.6%	8.5%
Return on Equity (%)	89.5%	31.0%	14.9%	17.1%	17.5%	19.4%	18.3%
Leverage Ratios							
Current Liability / Equity (x)	0.2	0.8	0.9	0.9	0.8	0.7	0.7
Debt / Equity (x)	0.2	0.6	0.8	0.6	0.5	0.4	0.4
Ratios Used for Valuation							
Diluted EPS (LE)	319.6	26.3	12.3	15.8	17.9	22.5	23.4
Diluted Book Value Per Share (LE)	357.1	85.0	82.8	92.5	102.5	116.1	128.2
EV/Revenue (LE)	44.8	7.4	2.7	2.3	2.0	1.7	1.5
EV/EBITDA (x)	8.7	20.6	12.6	10.8	9.6	7.7	7.2
Dividend Yield (%)	1.0%	223.4%	4.1%	2.5%	3.2%	3.6%	4.5%
Market Price (LE)	574.0	139.0	246.0	250.7	250.7	250.7	250.7
Market Capitalization (LE mn)	579,729.9	149,261.4	50,904.4	51,874.8	51,874.8	51,874.8	51,874.8
P/E Ratio (x)	1.8	5.3	20.0	15.9	14.0	11.1	10.7
P/BV (x)	1.6	1.6	3.0	2.7	2.4	2.2	2.0

Source: Company Reports & Global Research

** Historical P/E & P/BV multiples pertain to respective year -end prices, while those for future years are based on closing prices on the CASE as of October 03, 2010

*** ROE, ROA, EPS & BVPS have been calculated on outstanding shares of 2009.

APPENDIX

MENA Construction Industry

Economic prospects of MENA are improving, but global weaknesses pose a risk for the region, due to their impact on trade and exports, currency volatility and tighter credit conditions. The recovery in the region will differ among countries depending on prevailing conditions, and the extent of the impact and intensity of the crisis on those countries last year.

Construction, in particular real estate, slowed across the region last year, due to investor risk aversion and tighter lending terms. Banks are still cautious as riskier private projects continue to struggle in raising finance. This trend will continue until the market returns to expansion.

MENA Comparative Analysis								
	Project Size - Mar-10 (US\$m)	Projects on Hold (US\$m)	Population 2009e (mn)	Real GDP 2009e (US\$b)	Projects on Hold as % of Total	Projects / GDP (x)	Projects per Capita	GDP Per Capita (US\$)
Bahrain	67,569.0	14,043.0	1.1	12.1	20.8%	5.6	61,426.4	11,000.0
Kuwait	289,532.0	24,813.0	3.4	68.0	8.6%	4.3	85,156.5	20,000.0
Oman	104,934.0	6,970.0	3.0	30.7	6.6%	3.4	35,212.8	10,302.0
Qatar	221,398.0	25,211.0	1.6	39.8	11.4%	5.6	134,998.8	24,268.3
Saudi Arabia	622,624.0	71,537.0	26.0	225.0	11.5%	2.8	23,993.2	8,670.5
UAE	966,764.0	479,000.0	5.2	140.9	49.5%	6.9	185,916.2	27,096.2
Egypt	98,520.0	1,970.4	80.0	104.7	2.0%	0.9	1,231.5	1,308.8
Algeria	86,423.0	3,024.8	34.8	140.8	3.5%	0.6	2,483.4	4,046.0
Libya	53,952.0	2,266.0	6.5	89.9	4.2%	0.6	8,300.3	13,830.8
Iran	335,442.0	4,800.0	73.0	50.0	1.4%	6.7	4,595.1	684.9
Iraq	229,074.0	21,000.0	30.7	36.1	9.2%	6.3	7,461.7	1,175.9
MENA	3,076,232.0	654,635.2	265.3	938.0	21.3%	3.3	11,596.6	3,536.0

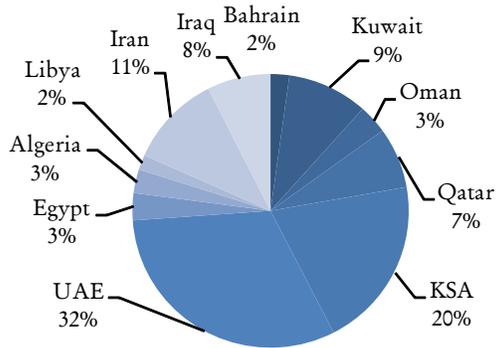
Source: Meed, Central Banks & Global Research

The construction industry is hoping for continued public investments to offset declines in commercial and residential work. Certainly, governments across the region had announced big infrastructure plans for the years ahead.

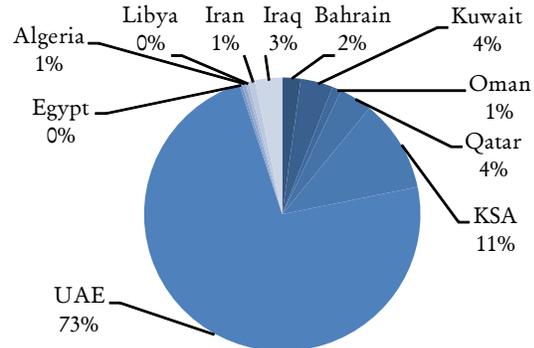
As of March 2010, infrastructure and construction projects worth US\$3.0tn have been announced in the MENA region. However, several major infrastructure projects have been put on hold or are progressing very slowly. In total projects amounting to US\$0.65tn have been put on hold amounting to 21.3% of the total.

In MENA, the country with the most active projects market is Saudi Arabia at US\$0.55tn followed by UAE at 0.48tn and Kuwait at US\$0.26tn. Within MENA, GCC witnessed a 14.6% yearly decline in projects activity by 1Q-2010. Total value of projects reached US\$2.27tn in March 2010 as compared to US\$2.66tn in March 2009. This decrease was due to the repercussion of the global financial crisis and the uncertainty of Dubai World debt. UAE which holds the largest share of planned projects in the GCC witnessed the largest decline of 26.2% to reach US\$966.7bn from US\$1.30tn on March 30th 2009, of which US\$479bn or 50% are on hold. Dubai World debt crisis have taken a toll on the projects activity as its currently working on rescheduling of US\$23bn in debts.

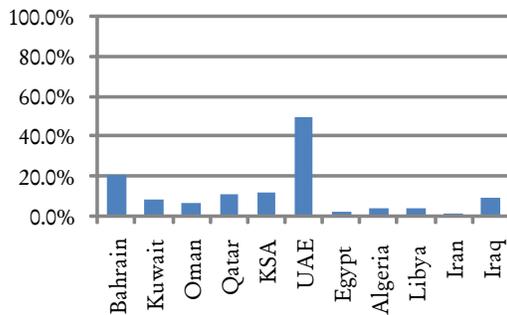
MENA - Project Market Break-up



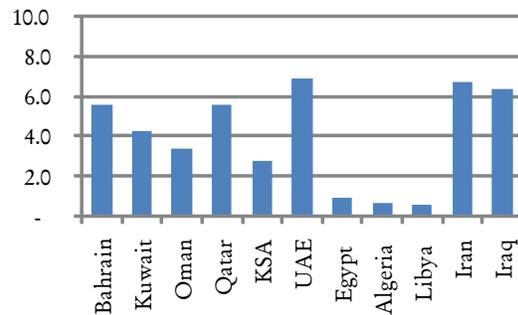
MENA - Projects on Hold Break-up



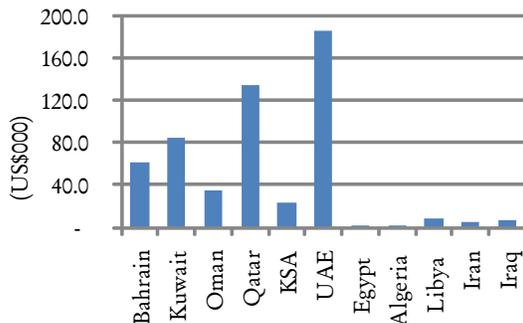
MENA - Projects on Hold as % of Total



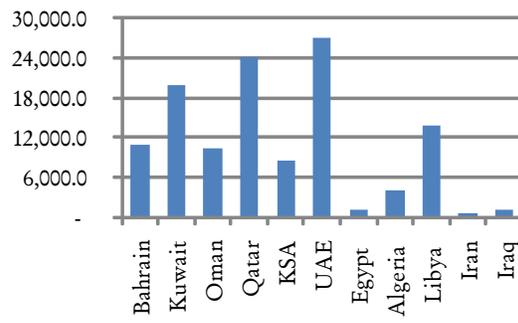
MENA - Projects / GDP (x)



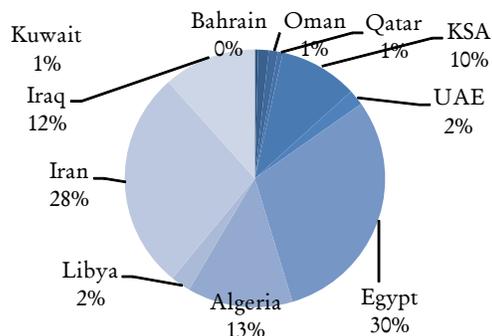
MENA - Projects per Capita



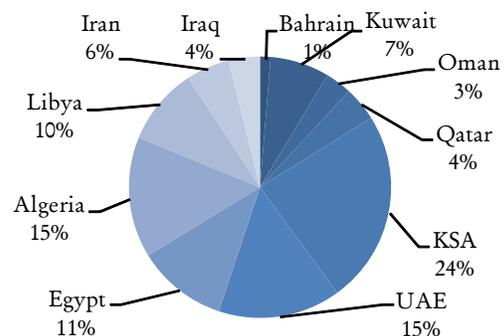
MENA - GDP Per Capita (US\$)



MENA - Population Break-up



MENA Real GDP 2009e Break-up

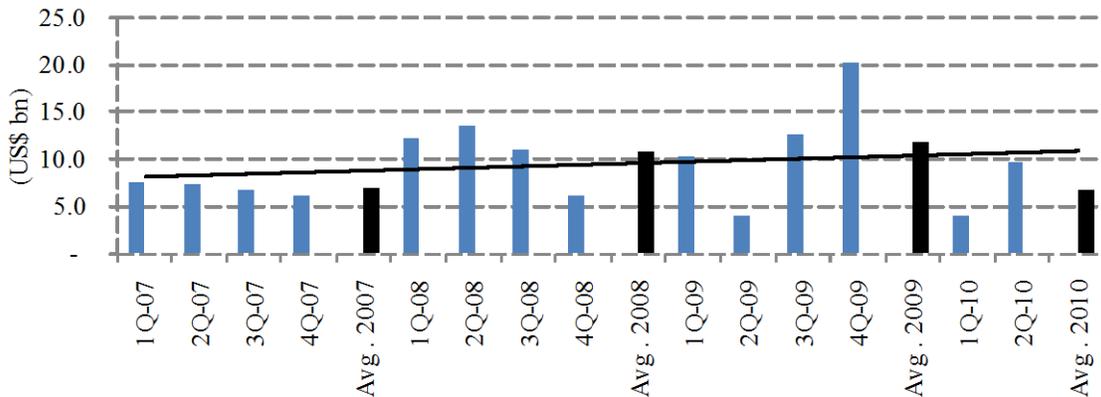


Source: OCI & Global Research

But UAE still benefits from the highest amount of projects per capita at US\$186.9k followed by Qatar, Kuwait, Bahrain, and Oman. Infrastructure spending per capita is much smaller for the other countries, primarily because of the size of the population. Prime example of that is Saudi Arabia with highest number of active projects and with the lowest projects per capita in GCC. We also believe it is a sign of some underinvestment while needs remain high and driven by population growth.

Kuwait, witnessed the second largest decline of 6.1% in projects activity by March 2010. Planned projects in Kuwait reached US\$289.5bn as compared from US\$308.4bn at end of 1Q-2009, of which 8.6% are put on hold. Kuwait officially started to implement its 5-year US\$125bn development plan. Relatively, Oman witnessed a mere 3.4% decrease in projects activity in 1Q-2010. Projects value reached US\$104.9bn as compared to US\$108.9bn at the end of 1Q-2009. KSA, the second largest country of planned projects witnessed a 3.4% decline in planned projects totaling US\$622.6bn, of which 11.5% are on hold.

Contracts Awarded in MENA



Source: MEED

On the other hand, Bahrain and Qatar achieved the lowest decline in planned projects at the end of 1Q-2010. Bahrain recorded a 0.7% decrease in projects to reach US\$67.5bn as compared to US\$68bn at the end of 1Q-2009. Qatar, witnessed 0.6% decline in projects activity in 1Q-2010, with total value of projects reaching US\$221.3bn, of which 11.4% of the projects are on hold. By 1Q-2010, KSA continue to have the heftiest size of active projects in the GCC, totaling US\$551.8bn. KSA and UAE have the largest market share of active projects totaling 33.4% and 29.5% respectively, followed by Kuwait and Qatar with a respective share of 16% and 11.9%.

Global Fertilizer Sector

World fertilizer markets have experienced a period of great volatility, despite the strong positive demand prospects envisioned at the beginning of 2008. Market fundamentals then offered a firm demand foundation for the next five years, supported by a tight balance of grain supply over demand and low grain stocks. Driven by these expectations, fertilizer imports and fertilizer prices reached record levels by mid-year 2008. Inflationary pressures, combined with improved global harvest prospects and declining oil consumption, then started to impact global agriculture commodity markets.

Fertilizer market conditions deteriorated rapidly through the second half of 2008. In late 2008, the fertilizer industry faced a slowdown of sales, amid rising inventories, as farmers delayed purchases in expectation of further price reductions, volatile commodity prices and tightening financial conditions. This combination of factors is dampening the short-term prospects of international fertilizer markets.

World ammonia and urea production in 2008 registered a modest 1.2% and 23% increase, to 156.2mn tons and 146.8mn tons respectively.

Global phosphoric acid capacity in 2008 grew by 3mn tons, to 46mn tons, mostly due to expansions in China, Morocco, Mexico and Viet Nam. In 2009, it is forecasted to reach 47mn tons. In 2008, global MAP-DAP capacity grew by 2.4mn tons. The main addition of capacity was in China, Mexico and Russia.

Global potash capacity is forecast to increase from 40.9mn tons in 2007 to 42.3mn tons in 2009. Two-thirds of the net increase will occur in China. The derived potash supply/demand balance shows a potential surplus rising from 5.8mn tons in 2008 to 6.4mn tons in 2009.

MENA Fertilizer Sector

The MENA region is home to many fertilizer companies and majority of them are state owned or are private companies. There are only few which are listed while the rest operate as affiliates of huge industrial entities (SABIC and Industries Qatar) rather than pure play fertilizer companies. The fertilizer production capacities in MENA (Middle East and North Africa) region during the past 7 years have increased at a CAGR of 3.5%, against the world CAGR of 2.8%, resulting in an increase in the region's share in the world's total capacities to reach 12%.

Fertilizers industry in the MENA region depends on the raw materials possessed by the region, reaching about 70% of the world reserves of phosphate extending from Iraq in the east to Morocco in the west, and about 30% of natural gas world reserve in addition to sulfur and potash. These are the main materials for the production of different fertilizers: phosphate, nitrogenous and NPK.

MENA Fertilizers industry and its returns represent an essential part of fertilizer producing and exporting countries' economies, as 90% of the total MENA production is mainly oriented

to exports. MENA production of fertilizers and its materials exceeded US\$35bn in 2008. This figure is reflected on the economic and social development of producing countries.

MENA Fertilizer Industry

(mn tons)	1980	1990	2000	2008	2016e
Ammonia	2.0	5.3	8.7	13.0	21.0
Urea	2.5	5.6	9.9	16.6	24.0
Ammonium Nitrate	0.8	1.1	2.0	1.5	2.1
Phosphate Rock	31.0	37.7	44.0	45.3	54.0
Phosphoric Acid	1.3	4.0	4.7	4.8	6.9
Triple Super Phosphate	0.9	1.8	1.5	1.8	3.2
Di-Ammonium Phosphate	0.9	3.4	3.4	3.1	6.4
Potash	-	2.0	1.9	2.0	2.5
Total	39.4	60.9	76.1	88.1	120.1

Source: Arab Fertilizer Association

It is clear that Arab fertilizers industry is occupying an important and major part of the international fertilizer industry. This status is attributed to the products high quality, amounts provided to international market and strategic location of the Arab region between continents east and west Suez canal and Europe continents. The matter reflected on rapid deliveries to consumers, low maritime freight rates and high returns of such industry in supporting the economies of producing Arab countries.

MENA Fertilizers Share of Production & Exports on the Global

Products	2007		2008	
	Production (%)	Exports (%)	Production (%)	Exports (%)
Ammonia	7	14	9	17
Urea	11	34	12	42
Phosphate Rock	32	75	27	71
Phosphoric Acid	18	72	15	46
Triple Super Phosphat	25	67	38	42
Di-Ammonium Phosphate	16	21	7	15
Sulphur	8	21	12	20
Potash	4	4	4	4

Source: Arab Fertilizer Association

Summing it up we remain optimistic on the outlook of the MENA fertilizer sector on the back of sound fundamentals and better cost control measures. The region is expected to post capacity utilization rate of over 85% in 2009, which is mainly due to a huge increase in demand of fertilizers in South & East Asia. Focus on innovative farming techniques and the drive to increase agricultural yields would continue to bode well for the fertilizer sector in MENA.

Peer Group Comparison

For peer group comparison we have taken three listed companies present in the MENA region.

- Orascom Construction Industries – Construction segment
- Arabtec Holding
- Drake & Scull International

Revenue

(US\$ mn)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	3,328.7	3,348.7	3,420.0	3,581.8	3,820.4
Drake & Scull	602.6	554.5	636.4	697.5	758.7
ARABTEC	2,088	1,625	1,798	1,886	1,945

Gross Margins

(%)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	16.4%	16.0%	15.0%	14.0%	13.0%
Drake & Scull	19.7%	18.0%	17.0%	16.5%	16.0%
ARABTEC	17.3%	15.4%	14.4%	14.1%	13.6%

Net Income

(US\$ mn)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	307.4	310.9	359.5	460.0	486.7
Drake & Scull	91.7	53.6	56.7	57.6	57.9
ARABTEC	134.9	122.3	106.2	117.0	122.4

Net Margins

(%)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	9.2%	9.3%	10.5%	12.8%	12.7%
Drake & Scull	15.2%	9.7%	8.9%	8.3%	7.6%
ARABTEC	6.5%	7.5%	5.9%	6.2%	6.3%

ROA

(%)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	4.4%	4.3%	4.7%	5.8%	5.9%
Drake & Scull	7.6%	4.1%	4.1%	4.1%	4.0%
ARABTEC	5.3%	4.9%	4.3%	4.9%	5.2%

ROE

(%)	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
OCI Construction Segment	11.7%	11.1%	11.6%	13.1%	12.6%
Drake & Scull	13.4%	7.7%	8.0%	8.0%	7.8%
ARABTEC	23.1%	17.1%	13.5%	14.3%	14.3%

Source: Company Reports & Global Research

* 1 US\$ = 3.67 AED & 1 US\$ = 5.47 LE

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