

Stock Market Annual Report 2006

www.egyptse.com

1. The Egyptian Stock Market

The Egyptian stock market has shown resilient ability, as a shock-absorber, in maintaining its solid performance during 2006. Despite the three major shocks that have hit stock markets in the Middle East, the Egyptian market was still able to conclude the year with a YOY growth rate of around 10%. The Egyptian market has realized 45% gains during the second half of the year, whereas other regional leading markets incurred severe losses, exceeding 53% over the same period.

This performance was primarily driven by the strong momentum of the Egyptian economy during the past couple of years, reaching its 20-year highest growth rates of 7% in FY 2005/2006, with World Bank expectations to approach 8% during the coming years, backed by the continuous commitment to the economic reform as well as the flexible fiscal policies.

This growth was complemented with the increasing openness of the Egyptian economy, together with the active implementation of the privatization program. This in turn has added to the strength of the Egyptian capital market and its attractiveness especially to international investors, pushing FDI to skyrocket during the fiscal year 2005/2006 to culminate at around \$6.1 billion. Meanwhile the net foreign inflows in the stock market, after excluding the big deals, reached almost US\$ 1 billion (L.E 5.1 billion), with 30% participation in value traded, during the same year. These flows have indeed helped in pushing Egypt's foreign reserves to \$26 billion at the end of December 2006, securing the exchange rate of the Egyptian pound against the dollar at around L.E 5.71, to further enhance investors' confidence in the Egyptian market.

From another perspective, the increasing openness of the Egyptian stock market, together with the ongoing marketing efforts and structural development have shown their impacts on attracting several international financial institutions to issue structured products on the Exchange in-house designed index, CASE 30, to be listed and traded on international stock exchanges.

Deutsche Bank has issued open end certificates on CASE 30 index, to be listed and traded on Frankfurt and Stuttgart Stock Exchanges, followed by Goldman Sachs International, which also has issued open end certificates on CASE 30 index during the month of May, to be listed and traded on Frankfurt, Stuttgart as well as SWX Exchanges. ABN-Amro, on the other hand, has issued certificates on CASE 30 index to be traded in Euronext Stock Exchange in Amsterdam, together with closed certificates to be traded on

Borsa Italiana. The value of these issuances surpassed the threshold of Euro 100 million and were fully subscribed. It is worth mentioning that CASE is the first Arab Exchange whereby derivative products are issued on its in-house designed index.

The Egyptian market was able to attract private companies offerings this year. Both El Sewedy for Cables and Al Arafa for Investments have successfully floated their shares through public and private placements in May and December 2006, respectively.

Recognizing the importance of the index industry in attracting foreign investments, CASE together with Dow Jones Indexes, a leading global index provider, have launched the Dow Jones CASE Egypt Titans 20 index in April 2006, including the 20 leading Egyptian stocks that reflect the performance of the Egyptian market. This blue-chip index follows the transparent and objective methodology of the Dow Jones Global Titans 50 index.

In addition, CASE has initiated the establishment of the first SME's Exchange in the region, on one hand, to provide the small and medium enterprises with financing sources and on the other hand to open new investment opportunities for investors interested in fast growing companies.

On the regulatory front, CASE has refurbished its membership rules to ensure integrity, professionalism and solvency of the members. CASE has also introduced Internet trading at the end of 2006 to provide an easy access to the market. Moreover, new listing rules, which further enhance corporate governance practices of listed companies, are currently in the pipeline. Furthermore, the rules and the regulations of the Omnibus accounts are finalized and will be implemented in the first week of 2007.

On the technological front, the Exchange has upgraded the capacity of both, its trading and surveillance systems to match up with the increasing trading volumes executed on board. CASE will also adopt the "Next Generation Trading System", provided by OMX group, which offers a reliable, robust, flexible, highly proven cost-to-operate system.

In line with the regional leading role played by CASE, the exchange has signed a letter of Intent with OMX- a leading expert in the exchange industry- to establish a Joint Venture offering IT services and solutions to the Egyptian as well markets in the MENA region.

Year 2007 is also expected to witness the introduction of more products and market mechanisms, whereby price discovery session, margin trading as well as short selling are expected to be introduced on board, parallel with the issuance of Exchange Traded Funds (ETFs).

2. Market Indices

a. CASE 30 Index Performance

Unlike the majority of Arab markets, which suffered from a severe retraction in 2006, the Egyptian market was able to maintain a good performance and surmounted three major shocks to conclude the year in a positive territory with a 10.3% YOY gains.

The market started the year with a fresh rally, buoyed by the outstanding performance in 2005, outperforming both emerging and developed markets. This upward trend was further maintained thanks to the expansionary plans announced by some of the blue chip companies, the announcement of the Bank of Alexandria privatization, which will include an IPO of 20%, with more privatization candidates on the auction block, together with the CBE decision to cut the discount as well as the deposit/lending rates. This in turn has pushed CASE 30 index from the 6000 points level to the 8000-point range for the first time since inception, with daily trading value exceeding L.E 2 billion and realizing a spectacular 25% monthly gains.

The current banking restructure program undergone by the government had in its turn a positive impact on the market activity. Year 2006 witnessed a series of merges and acquisition deals from regional and international financial institutions, executed via the stock exchange, with a cumulative value of L.E 13 billion. The most prominent ones included the L.E 9.2 billion sale of Bank of Alexandria to the Italian Banca IMI as well as the sales of the Egyptian American Bank to Credit Agricole in a deal worth L.E 2.1 billion.

Despite this positive wave at the beginning of 2006, the Egyptian market started losing ground, triggered by a massive slump in the overheated GCC markets, which resulted in a wave of portfolio liquidation made by Gulf investors to cover their losses in their markets. This has coincided with some domestic investors offloading part of their portfolios to subscribe in some of the leading companies' secondary offerings, driving CASE 30 index to bottom levels on the 14th of March. This was translated into a wave of investors panic and CASE 30 index retreated by 12% in the first half of that day's trading session, when the stock exchange took its decision to suspend the session for half an hour for the market to regain its stability. Strong inflows of foreign investments were immediately injected into the market, benefiting from the relatively attractive prices, pushing the market upwards to regain part of the losses to conclude the session with a decline of only 6%. The next day, the market gained 7%, followed by a gradual pick up till mid April, with CASE 30 index recording 17% gains, affected by the strong corporate quarter results together with the CBE announcing its second cut in deposit and lending rates to reach 8% and 10%, respectively.

Unfortunately, the last week of April witnessed the terrorist attack in Dahab, however CASE 30 index rose by 1.6% during the 3 consecutive days, reflecting the resilience of the Egyptian Market in absorbing such shocks and highlighting the investors' confidence in both, the Egyptian economy and its stock market.

The month of May came next to witness a number of important events, starting with the World Economic Forum that was held for the first time in Sharm El Sheikh, with positive feedbacks from international institutions on the strong Egyptian economic performance. In addition, Fitch Rating has affirmed Egypt's debt ratings with a stable outlook, together with Moody's credit rating agency raising Egypt's rating for private sector's foreign financing.

Nevertheless, the market continued its mixed performance, with a general declining trend, which was aggravated by the US Federal Reserves decision to raise the interest rate to 5.25%, to conclude the first half of 2006 with a 24.5% loss in CASE 30 index.

Despite the political tension in the region, the second half of the year started with a wave of optimism in the market, driven by the award of Egypt's third mobile license to a consortium of Emirates and Egyptian companies, namely Etisalat, Egypt Post, National Bank of Egypt and Commercial International Bank (CIB), with an outstanding L.E 16.7 billion worth of proceeds, that have been earmarked to finance development projects and to cover budget deficit. This in addition to the direct and indirect investments that are expected to be made by the company. As a result, CASE 30 index leapt by a robust 12.5%; the highest weekly increase in the last two years.

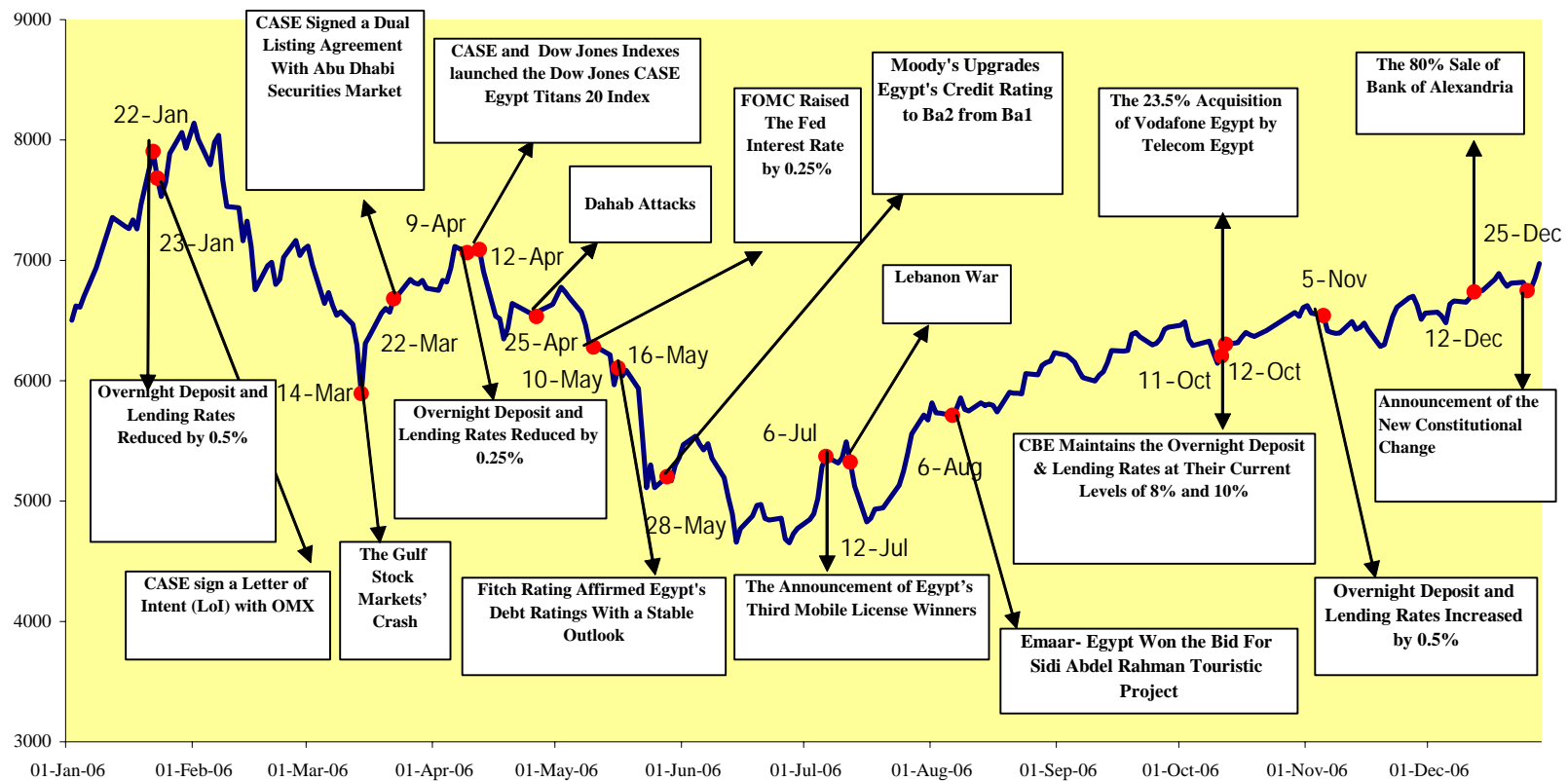
Moreover, the Lebanon war, which aggravated the political tension in the region, hitting hard most of the Arab countries, had a marginal effect on the Egyptian market, which rebounded on the back of the strong half-year corporate earnings, to break once again the threshold of 6000 points.

From another perspective, the sale of the government owned land in Sidi Abdel Rahman, within the framework of privatization program, to an international company for huge touristic projects with around L.E 10 billion worth of investments, had its positive impact on the trading activity in August, in particular the Housing and the Building Materials & Construction sectors.

Furthermore, and within the framework of the current banking restructuring, 80% of the state-owned Bank of Alexandria was sold to the Italian SanPaolo IMI, the fourth largest bank in Europe, in a deal worth US\$ 1.6 billion, which is the largest ever deal in the Banking sector history. This was followed by the IPO and private placement of the Alarafa Investment and Consultant company- the only IPO of a private company during 2006-, with the private placement oversubscribed by 7 times, pushing CASE 30 index to approach the 7000 level.

Meanwhile, the market was not negatively affected by the CBE two consecutive raises in deposit and lending rates to reach 8.75% and 10.75%, respectively, in order to face the inflationary pressure resulting from the high domestic demand. The market ended the year with the announcement of the new constitutional change, sending positive signals to the market and pushing CASE 30 index upward to conclude the year at 6973 points, recording 46% gains during the second half of 2006 and more than 10% gains over the whole year, as depicted in Figure (1).

Figure (1)
CASE 30 Index Performance during 2006

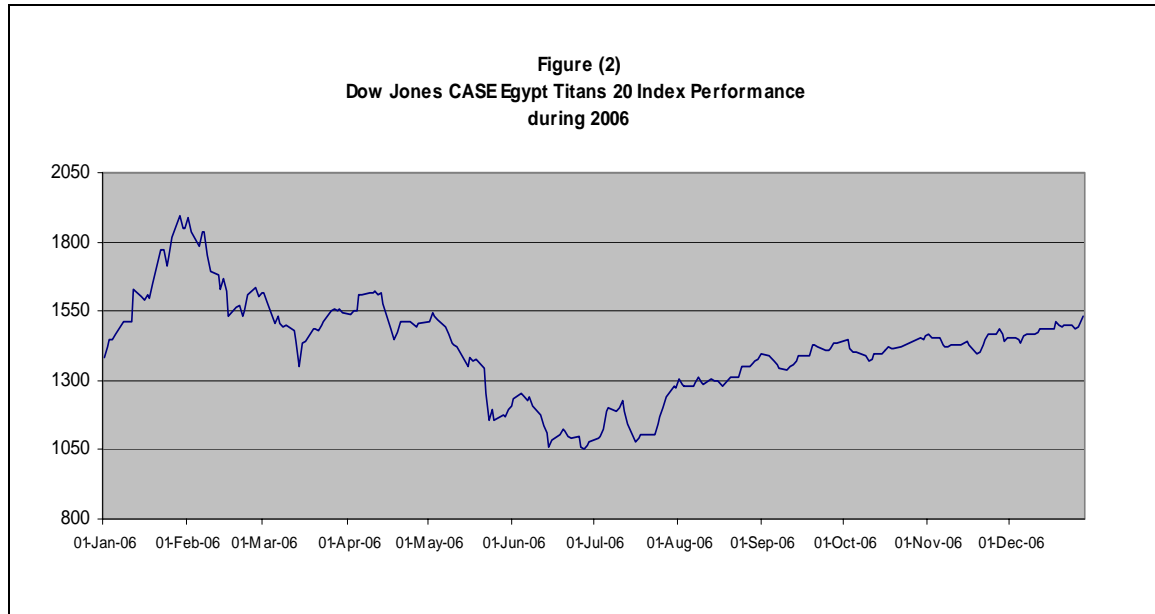


Source: Cairo & Alexandria Stock Exchanges

b. Dow Jones CASE Egypt Titans 20 Index Performance

CASE together with Dow Jones Indexes, a leading global index provider, have launched the Dow Jones CASE Egypt Titans 20 index on 12/04/2006, which tracks the 20 blue chips of the Egyptian stock market in terms of free float adjusted market capitalization, sales and net income.

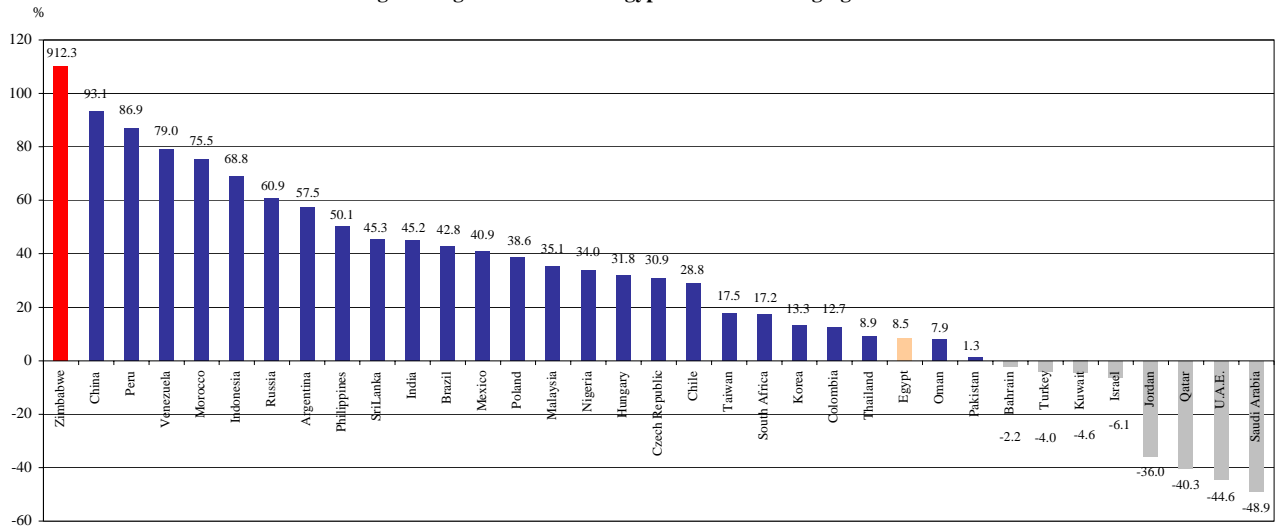
Despite the retreat of Dow Jones CASE Egypt Titans 20 index by 22% during the first half of 2006, it rebounded during the second half of the year, recording a robust increase of 42% to conclude the year at 1532 points, realizing a year-over-year gains of 11%, as depicted in Figure (2).



Source: Cairo & Alexandria Stock Exchanges

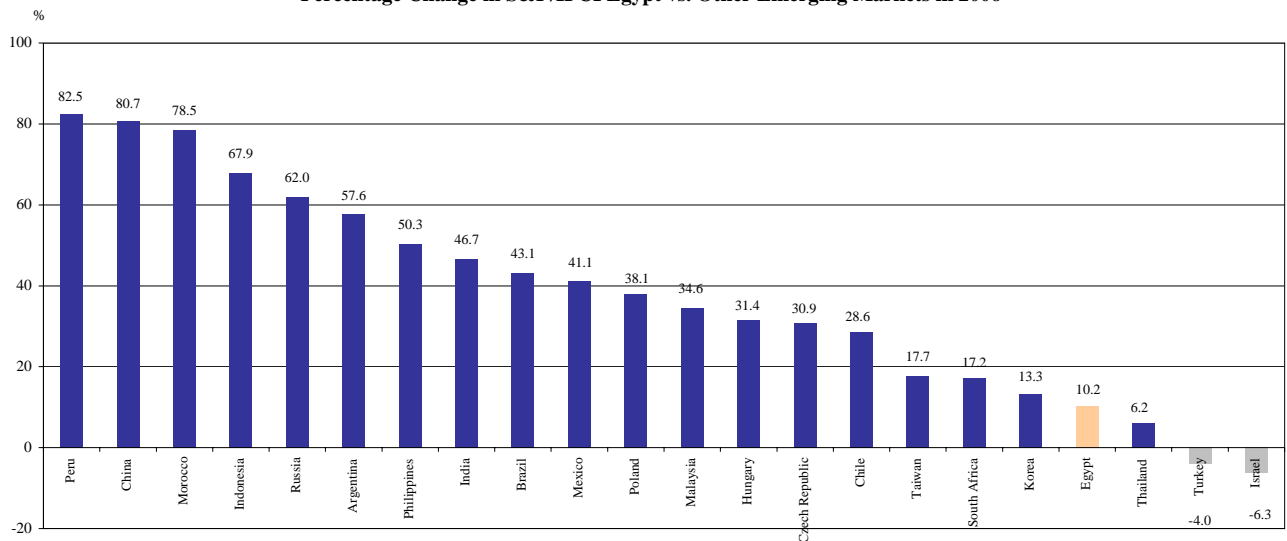
3. Egypt vs. Emerging Markets

Figure (3)
Percentage Change in S&P/IFCG Egypt vs. Other Emerging Markets in 2006



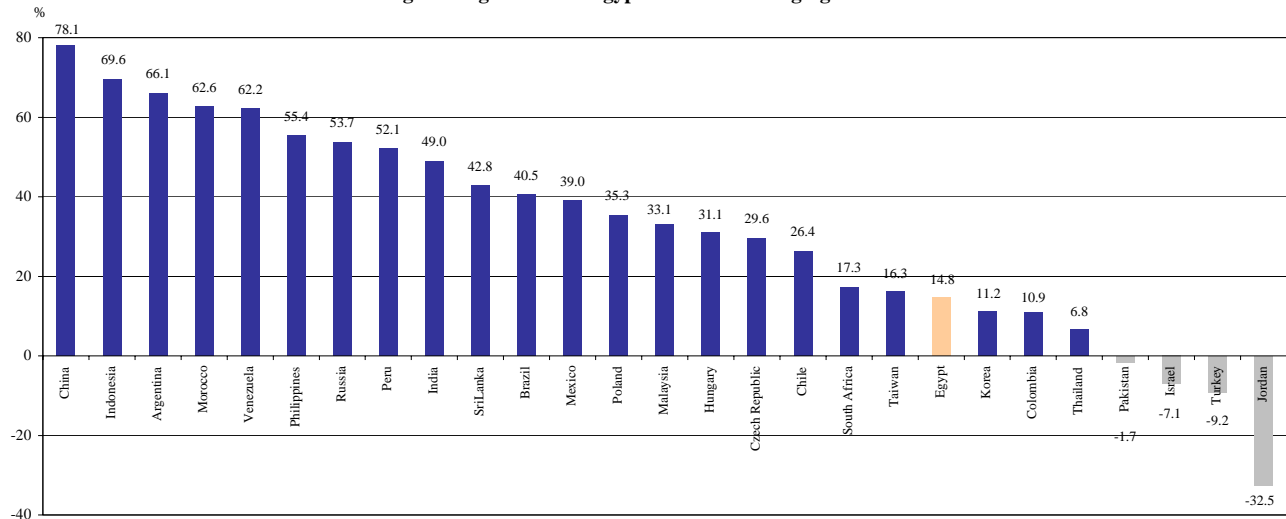
Source: Standard and Poor's website

Figure (4)
Percentage Change in S&P/IFCI Egypt vs. Other Emerging Markets in 2006



Source: Standard and Poor's website

Figure (5)
Percentage Change in MSCI Egypt vs. Other Emerging Markets in 2006



Source: Morgan Stanley website

The Emerging markets witnessed a mixed performance during 2006, whereby the Asian and Latin American markets manifested good performance capitalizing on its upward trends during the first half of the year, while the emerging markets in Africa and the Middle East, in particular the Arab markets have recorded severe losses reaching 50% in some countries.

According to S&P Global index (S&P/IFCG), Zimbabwe was the best performer, soaring by 912% during 2006, followed by China and Peru, which grew by 93% and 87%, respectively. Meanwhile, Saudi Arabia, UAE and Qatar incurred the sharpest losses, reaching 49%, 45% and 40%, respectively.

The Egyptian stock market, on the other hand, concluded the year with a YOY increase of 9%, outperforming all Arab exchanges, except for Morocco which realized 76% gains during the year, as depicted in Figure (3) .

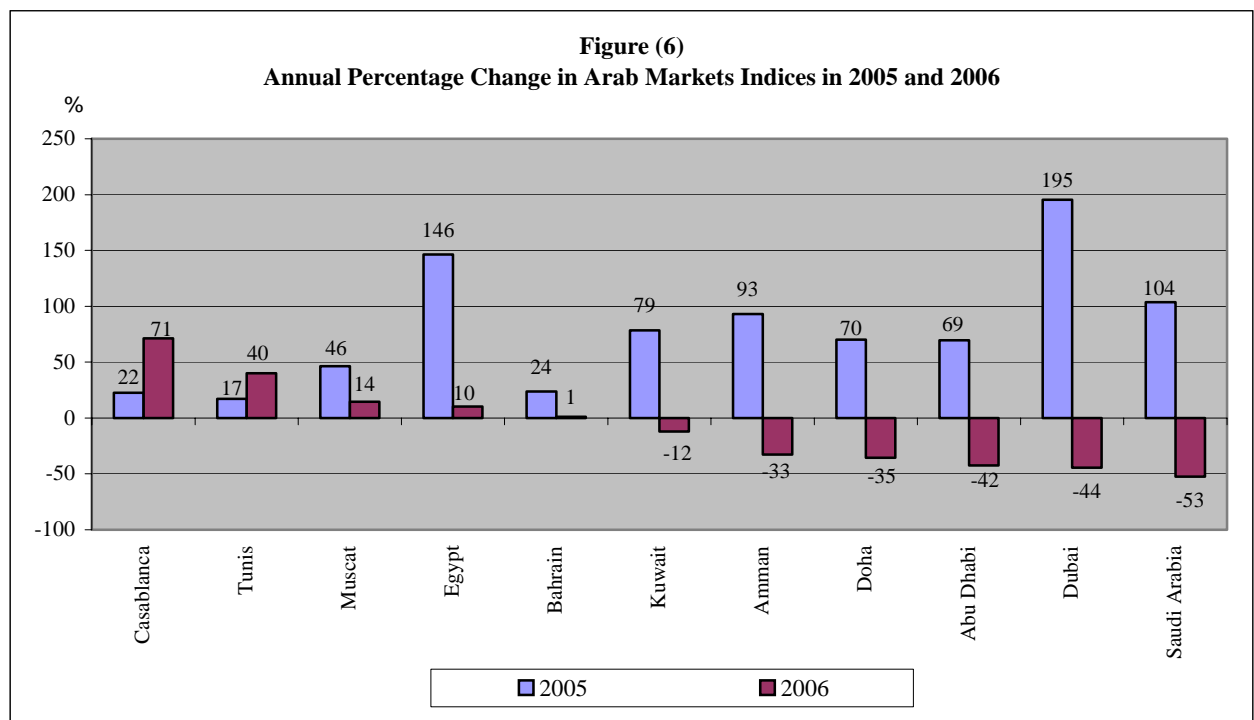
S&P/IFCI and MSCI indices followed the same pattern of IFCG index, whereby the Egyptian stock market recorded an increase of 10% and 15%, respectively, as illustrated in Figures (4) and (5).

4. Egypt vs. Arab Markets

Despite the strong economic performance of the Arab countries during 2006 and the extraordinary gains realized by their stock markets during 2005, most Arab markets have tumbled during 2006, triggered by sharp correction in their overheated markets, the political instability in the region arising from the violence escalation in Iraq as well as the war in Lebanon.

Only 4 stock markets managed to realize gains during 2006, namely; Casablanca, Tunis, Muscat and Egypt, with Casablanca leading all Arab markets recording an increase of 71%, followed by Tunis and Muscat, which put on gains of 40% and 14%, respectively. The Egyptian market came fourth in line concluding the year with more than 10% increase.

On the other hand, the Saudi market was the largest loser, retreating by 53%, followed by Dubai Financial Market, Abu Dhabi Securities Market and Doha Securities Market, recording 44%, 42% and 35% losses, respectively, as illustrated in Figure (6).



* As for Dubai Financial Market, a new index was launched in 2006 replacing the market main index.

Source: Reuters and Arab Markets websites.

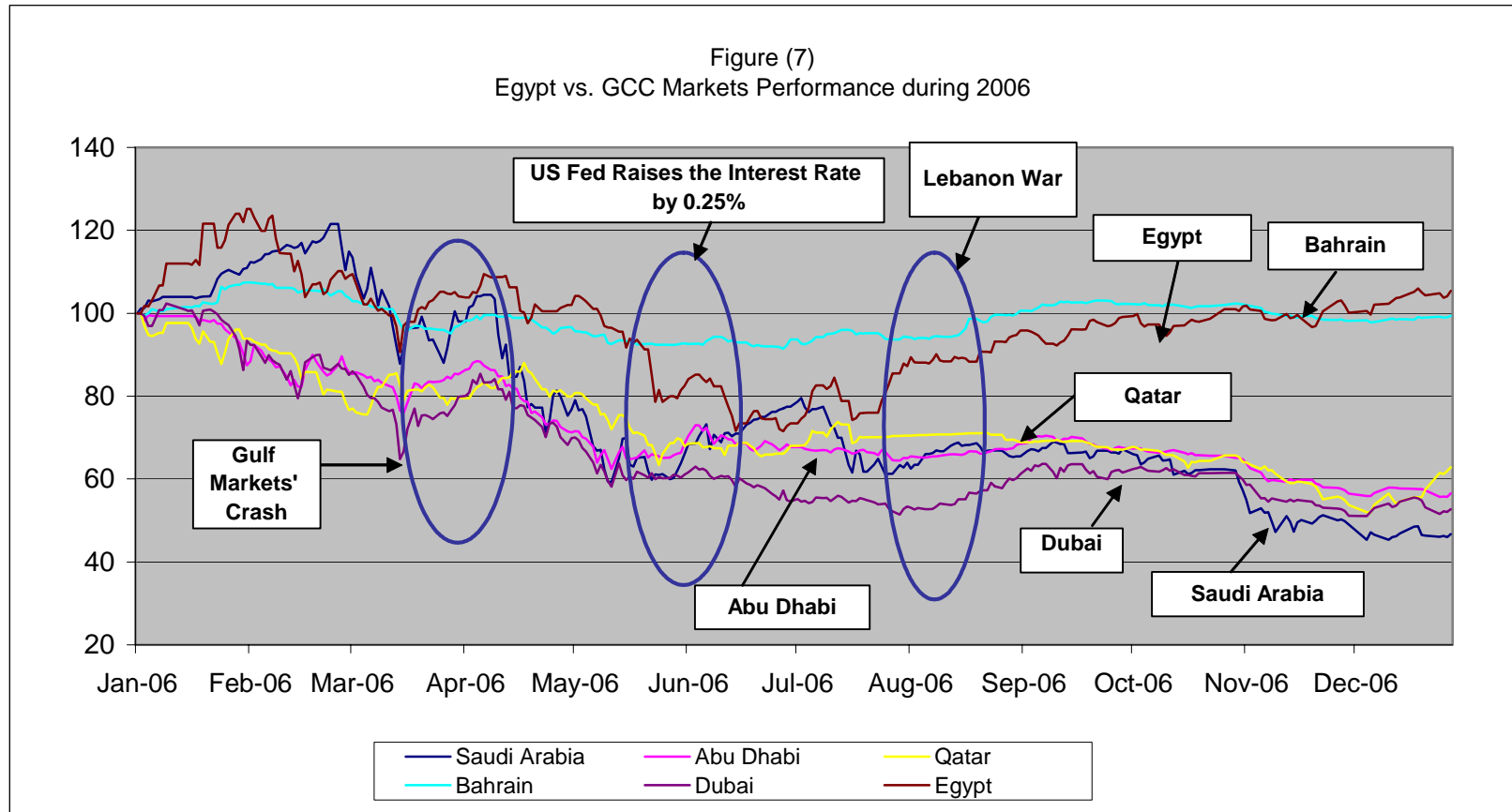
These heavy declines have sharply affected the aggregate market capitalization of all Arab stock markets which decreased by 34% to culminate at \$861 billion, compared to \$1.3 trillion at the end of December 2005. The GCC countries declined by 35% to reach US\$ 714 billion versus US\$ 1.1 trillion at the end of last year.

Likewise, the number of total listed companies was cut down to 1607 companies compared to 1665 companies at end of year 2005, mainly affected by the reduction of the listed companies on CASE, which constitutes around 40% of the region total listed companies.

The peak of these declines took place in March, when most of the Gulf investors liquidated portfolios throughout the region to cover their positions in their home countries, which in turn had its negative impact on the stock exchanges in the region.

Another major challenges to the Arab markets was the US Federal Reserves announcing an increase in interest rate to 5.25%, together with the Lebanon war, which had their negative impact on the Arab markets. Figure (7) illustrates the 3 major shocks of 2006 and their impacts on the Arab markets. Only Egypt and Muscat were able to endure the challenges, realizing 46% and 15% gains, respectively in the second half of 2006.

Figure (7)
Egypt vs. GCC Markets Performance during 2006



Source: Reuters and Arab Markets websites

5. Egypt vs. International Markets

The increasing openness of the Egyptian market to the international markets, have pushed for a close analysis of the correlation between the Egyptian, the regional and the international openness markets using the results of the correlation coefficient matrix, which measures the strength of the correlation of each market with the Egyptian one. It is worth noting that the closer the correlation coefficient is to the one, the stronger is the relationship.

The correlation coefficient matrix, displayed in Table (1) below, shows that there are no strong correlations between the Egyptian market and any of the Arab markets, where the highest coefficient is 0.36 in the case of Jordan Stock market, followed by Dubai Financial Market that has a coefficient of 0.32, then comes Abu Dhabi, Saudi Arabia and Kuwait Stock Markets with weak correlations to the Egyptian market as exhibited in the correlation coefficients of 0.29, 0.27 and 0.26, respectively.

On the other hand, the correlations among the Gulf stock markets are relatively high registering a coefficient of 0.53 between Saudi Arabia Exchange and Abu Dhabi Securities Market, as well as a coefficient of 0.5 between Saudi Arabia Exchange and Dubai Financial Market.

On the global front, the correlations between the Arab markets and the international markets were relatively weak, with the exception of both the Egyptian and the Jordanian markets, who showed some correlations with the international market.

Table (1)
Correlation Coefficient Matrix for Arab & International Markets

	Egypt	Saudi Arabia	Kuwait	Dubai	Abu Dhabi	Jordan	London	United States	Tokyo
Egypt	1.00	0.27	0.26	0.32	0.29	0.36	0.35	0.18	0.44
Saudi Arabia	0.27	1.00	0.42	0.50	0.53	0.07	-0.11	-0.22	0.10
Kuwait	0.26	0.42	1.00	0.57	0.50	0.06	0.05	-0.21	0.02
Dubai	0.32	0.50	0.57	1.00	0.87	0.12	-0.03	-0.18	0.07
Abu Dhabi	0.29	0.53	0.50	0.87	1.00	0.07	-0.03	-0.23	-0.01
Jordan	0.36	0.07	0.06	0.12	0.07	1.00	0.17	0.29	0.17
London	0.35	-0.11	0.05	-0.03	-0.03	0.17	1.00	0.72	0.55
United States	0.18	-0.22	-0.21	-0.18	-0.23	0.29	0.72	1.00	0.39
Tokyo	0.44	0.10	0.02	0.07	-0.01	0.17	0.55	0.39	1.00

* The above results show the correlation degree among capital markets, having high correlation as long as the coefficient approaches 1 and having low correlation as long as the coefficient approaches 0.

* Based on the main index of the market. Dow Jones index is used for United States, TOPIX for Tokyo and FTSE 100 index for London.

6. Trading Aggregates

Despite the plunge that has prevailed in the Egyptian stock market as well as other Arab and emerging markets, during the first half of 2006, CASE was able to rebound during the second half of the year, registering impressive trading records, whereby the trading value soared to LE 287 billion; an increase of 79% over the last year. Average daily traded value has in turn almost doubled to surpass the threshold of L.E 1 billion.

Likewise, the total volume traded leapt by 71% compared to the previous year, recording 9 billion shares. The number of transactions has also picked up by 62% compared to 2005, registering 7 million transactions up from 4 million transactions last year. Figure (8) illustrates the monthly trading value & volume during 2006.

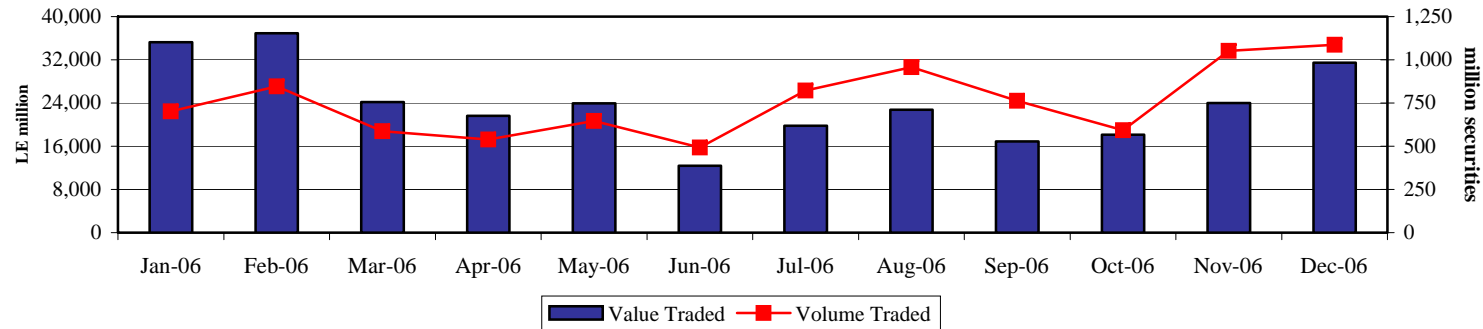
The value traded of listed securities went up to reach LE 271 billion, recording a sweeping 80% increase compared to LE 151 billion last year. Meanwhile the volume traded of listed securities almost doubled during 2006 to register almost 8 billion securities up from 4 billion securities, as illustrated in Table (2).

On the other hand, the value traded of the Over the Counter (OTC) market has reached LE 16 billion during 2006, representing 5.6% of the total traded value in the market and registering an increase of 64% over 2005. The OTC traded volume in 2006 has also registered almost 1 billion shares with a 19% increase over 2005, as shown in Figure (9) which illustrates the annual traded value and volume over the period (2001-2006).

This year has witnessed a decrease in the number of listed companies down from 744, as of end 2005, to 595 companies, as illustrated in Figure (10). Conversely, the market capitalization has increased to reach L.E 534 billion at the end of December 2006, a surge of 17% compared to 2005.

Worth noting that during 2006 the ratio of advancing stocks to the declining ones recorded 114:26, whereby the 50 most active companies (Liquid Market) captured 81% of the total traded value as well as volume of the listed securities (stocks only) in 2006, compared to 73% of both during last year. These 50 most active companies have acquired 70% of the market capitalization during 2006 compared to 64% last year, as shown in Table (3).

Figure (8)
Monthly Trading Value & Volume during the Period (Jan-Dec 2006)



- The remarkable increase in the traded value and volume in February 2006 was attributed to the conclusion of Commercial International Bank (Egypt) deal, with a total volume of 24.3 million shares worth LE 1.3 billion, in addition to the execution of a deal on Delta International Bank with a total volume of 9.8 million shares worth LE 293 million and another deal on Egyptian American Bank (EAB), with a total volume of 48 million shares worth LE 2.2 billion.
- A deal on Cairo Far East Bank with a total volume of 2.6 million shares worth LE 539 million, was executed on 14/03/2006. Additionally, A deal on Commercial International Bank (Egypt), with a total volume of 2.4 million shares worth LE 130 million, was executed on 28/03/2006.
- A deal on Vodafone Egypt Telecommunications, with a total volume of 72 million shares worth LE 6.4 billion, was executed on 06/04/2006.
- A deal on Alexandria National Iron & Steel, with a total volume of 4 million shares worth LE 4 billion, was executed on 23/05/2006.
- A deal on Delta International Bank, with a total volume of 44.6 million shares worth LE 1.7 billion, was executed on 20/08/2006.
- A deal on Vodafone Egypt Telecommunications, with a total volume of 56 million shares worth LE 5.6 billion, was executed on 11/10/2006.
- A deal on Assiut Cement Co., with a total volume of 90.8 million shares worth LE 908 million, was executed on 16/11/2006.
- Four prominent deals were executed in December 2006; namely, Bank of Alexandria deal, with a total volume of 128 million shares worth LE 9.2 billion, together with Amoun Co. deal, with a total volume of 56 million shares worth LE 2.6 billion, Vodafone Egypt Telecommunications Co. deal, with a total volume of 11.5 million shares worth LE 1.2 billion and Omar Effindi deal, with a total volume of 15.3 million shares worth LE 590 million.

Source: Cairo & Alexandria Stock Exchanges

Table (2)
Main Market Indicators over the Period (2001 - 2006)

Indicators	2001	2002	2003	2004	2005	2006
1. Trading Aggregates						
Total Volume (billion)	1.3	0.9	1.4	2.4	5.3	9.1
Volume of Listed Securities	1.2	0.7	1.2	1.8	4.2	7.8
Volume of Unlisted Securities	0.1	0.2	0.2	0.6	1.1	1.3
Total Value Traded (LE billion)	31.8	34.2	27.8	42.3	160.6	287.0
Value Traded (Listed Securities)	24.7	25.8	23.0	36.1	150.9	271.1
Value Traded (Unlisted Securities)	7.1	8.4	4.8	6.2	9.7	15.9
Total Number of Transactions (million)	1.1	0.8	1.2	1.7	4.2	6.8
Number of Transactions (Listed Securities)	1.1	0.7	1.2	1.7	4.0	6.6
Number of Transactions (Unlisted Securities)	0.01	0.1	0.02	0.1	0.2	0.2
Average Daily Value Traded (LE million)	129	137	114	170	645	1,176
Average Daily Value Traded (Listed Securities)	100	104	94	145	606	1,111
Average Daily Value Traded (Unlisted Securities)	29	34	20	25	39	65
Turnover Ratio (%)*	14.1	9.5	11.5	14.2	31.1	48.7
Foreign Participation as % of Total Value Traded	13.3	17.3	12.7	20.5	16.4	16.6
Arab Participation as % of Total Value Traded	2.9	1.8	7.8	7.0	13.9	13.6
Number of Trading Days	246	249	244	249	249	244
2. Listed Companies						
Number of Listed Companies	1110	1151	978	795	744	595
Average Company Size (LE million)**	101	106	176	294	613	897
Number of Traded Companies	643	671	540	503	441	407
Number of Traded Companies as a % of Number of Listed Companies	58	58	55	63	59	68
Market Capitalization End of Year (LE billion)***	112	122	172	234	456	534
Market Capitalization as % of GDP	30	29	35	43	74	80
3. Market Indices						
% Change in CASE 30 Index	-32	1	134	122	146	10
% Change in Dow Jones CASE Egypt Titans 20 Index	-	-5	175	118	143	11
% Change in S&P/IFCI Price Index	-46	-6	79	126	159	10
% Change in S&P/IFCG Price Index	-43	-2	48	106	156	8
% Change in MSCI Price Index	-44	-5	81	118	155	15

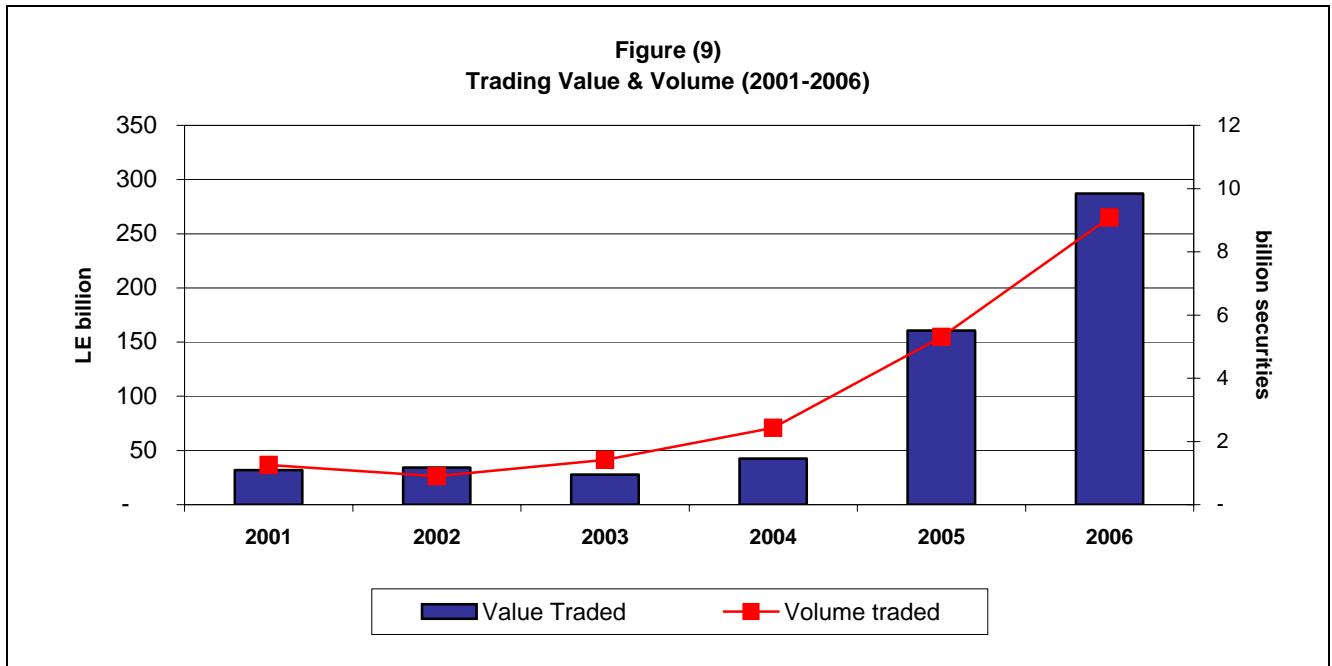
Securities include stocks, bonds and mutual funds

* Turnover Ratio (%) = value traded of listed shares / market capitalization

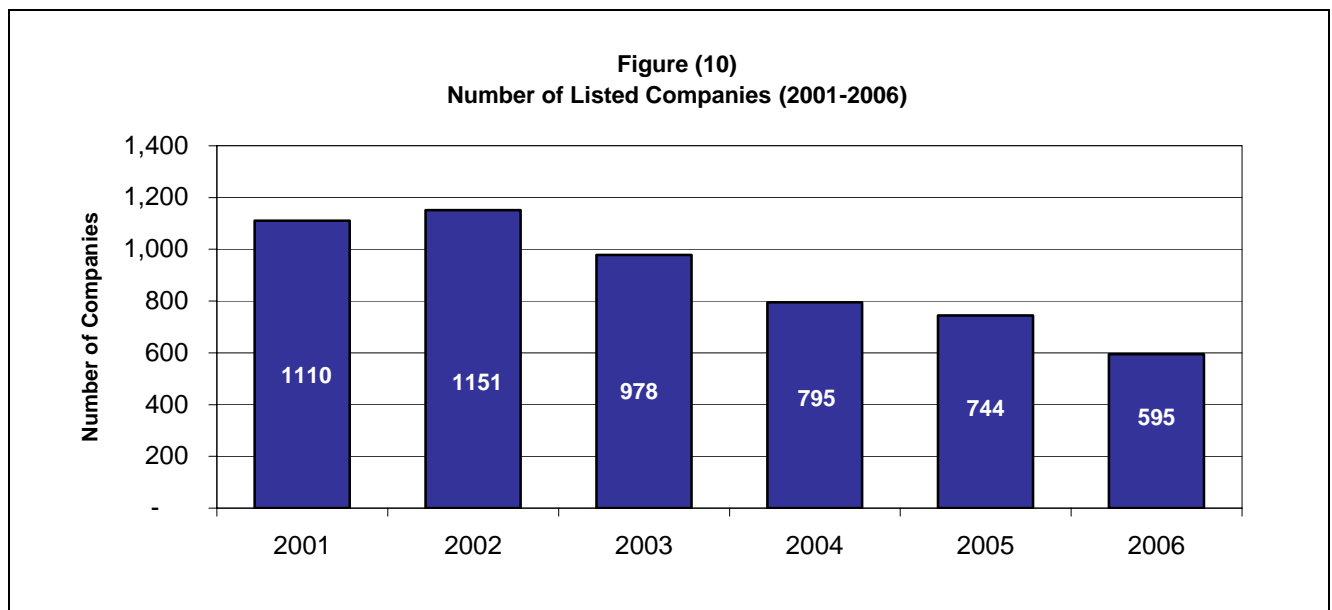
** Average Company Size = market capitalization end of year / no. of listed companies

*** Market Capitalization = no. of listed shares x market price end of year

Source: Cairo & Alexandria Stock Exchanges



Source: Cairo & Alexandria Stock Exchanges



Source: Cairo & Alexandria Stock Exchanges

Table (3)
Trading Aggregates for the 50 Most Active Companies (Liquid Market)
(2006 Vs. 2005)

	Trading Value (LE billion)		Trading Volume (Million Shares)		Market Capitalization (LE billion)	
	2005	2006	2005	2006	2005	2006
50 Most Active Companies	103	211	3,075	6,290	291	374
Total Market (stocks only)	142	260	4,190	7,745	456	534
50 Most Active Companies as % of Total Market	73%	81%	73%	81%	64%	70%

Source: Cairo & Alexandria Stock exchanges

7. Intra-day Trading System

The Intra-day Trading System, which started to be implemented in the Egyptian stock market since October 2005, has recorded a trading volume of 243 million shares worth LE 8 billion during 2006, that were executed over 220 thousand transactions.

Egyptian Financial Group-Hermes ranked first in terms of volume traded, with a record of 125 million shares, accounting for 51% of the total volume generated through the Intra-day Trading System, followed by Arab Cotton Ginning which recorded a volume traded of 68 million shares. Table (4) illustrates the trading statistics of the five most active companies in terms of volume traded according to the Intra-day Trading System.

Table (4)
5 Most Active Companies According to the Intra-day Trading System

Company Name	Trading Volume (million shares)	Trading Value (LE million)	Number of Transactions (thousand)
Egyptian Financial Group- Hermes	125	5,813	120
Arab Cotton Ginning	68	925	42
Nile Cotton Ginning	10	54	7
Egyptian Media Production City	9	95	6
El Ezz Steel Rebars	8	434	12
Total Trades Executed Through Intra day Trading System	243	8,396	220

Source: Cairo & Alexandria Stock Exchanges

8. Online Trading System

CASE has introduced the Online Trading System on the 20th of July 2006 to enhance the market liquidity as well as facilitating the trading activity for the investors. To date 4 brokerage firms are allowed to carry out this service.

Table (5) shows the trading aggregates of the transactions executed through the online trading system since its inception.

Table (5)
Trading Aggregates for the Companies Eligible for Online Trading during the Period (20 July-31 December 2006)

Trading Value (LE million)		Trading Volume (million shares)		Number of Transactions (thousand)	
Buy	Sell	Buy	Sell	Buy	Sell
729	920	35	41	49	43

Source: Cairo & Alexandria Stock Exchanges

9. Investors' Activity

a. Development of Number of Investors

The Egyptian market witnessed a lively 2006 in terms of investors' activities and their portfolios' sizes, whether individuals or institutions.

On one hand, the number of the individual investors, with trading ranging between L.E 100 thousand and L.E 50 million, has almost doubled during 2006. Likewise, the number of the investors whose trading value exceeded L.E 50 million has also doubled during 2006 compared to 2005.

On the other hand, the performance of the Egyptian market has also urged the institutions to inject more flows, whereby the number of institutions investing within the range of L.E 100 thousand till L.E 5 million, rose by 9% over the last year, meanwhile those with investment sizes exceeding L.E 50 million increased by 36%, as illustrated in Table (6).

Furthermore, year 2006 has witnessed 125 thousand newly coded investors compared to 422 thousand during 2005. However, one should take into considerations the number of IPO's that took place in 2005, namely; Sidi Krir Petrochemicals, AMOC and Telecom Egypt, attracting numerous investors to the market especially individuals. It is worth mentioning that the newly coded investors during 2005 represent 28% of the aggregate number of all coded investors till end of 2006, that amounts to almost 1.5 million investors as manifested in Table (7).

Table (6)
Number of Retailers and Institutional Investors According to the Trading Value (2006 Vs. 2005)

LE	Retailers		Institutions	
	2005	2006	2005	2006
1- 10,000	154,322	72,075	90	48
10,000-50,000	89,972	69,521	167	123
50,000-100,000	19,927	20,501	86	50
100,000-1,000,000	28,767	52,867	263	258
1,000,000-5,000,000	8,179	17,524	309	367
5,000,000-10,000,000	1,666	3,601	200	178
10,000,000-50,000,000	1,725	3,672	352	456
greater than 50,000,000	458	907	323	439

Source: Cairo & Alexandria Stock Exchanges

Table (7)
Number of Coded Investors in CASE

	Number of New Coded Investors in 2006 Vs. 2005				Total Number of Coded Investors till 2006		
	Retailers		Institutions		Retailers	Institutions	Total
	2005	2006	2005	2006			
Egyptians	414,336	120,229	709	504	1,477,259	17,193	1,494,452
Arab	4,991	2,695	342	178	16,850	1,412	18,262
Foreigners	756	670	515	536	4,186	6,952	11,138
Total	420,083	123,594	1,566	1,218	1,498,295	25,557	1,523,852

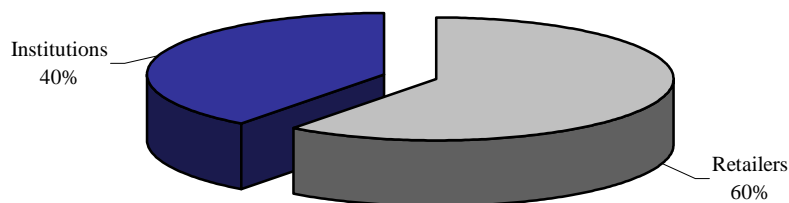
Source: Cairo & Alexandria Stock Exchanges

b. Individuals vs. Institutions

The market was dominated by retail investors, accounting for 60% of the value traded during 2006, as opposed to 53% during 2005, while the rest was owed to the institutions, as depicted in Figure (11).

Despite the dominance of the individual, they were net sellers with around L.E 10 billion during 2006, which was the amount that the institutions ended the period with as net buyers. This was mainly due to the price turbulences occurred in the market pushing small investors to exit the market.

Figure (11)
Retailers vs. Institutions in Terms of Value Traded in 2006



Source: Cairo & Alexandria Stock Exchanges

c. Egyptians vs. Foreigners

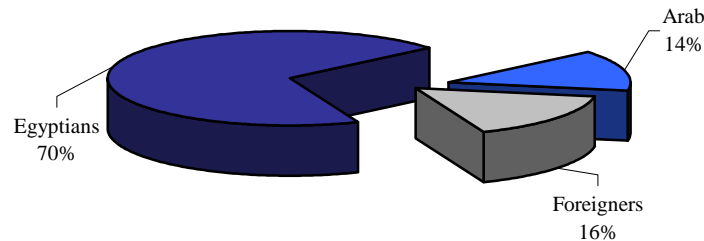
In line with CASE development and upgrading plans towards being the most important financial center in the Middle East, year 2006 witnessed a surge in foreign investment flows, with foreigners controlling around 30% of the total value traded in the market, ending the year as net buyers with a net equity inflow of LE 5.2 billion compared to LE 3.9 billion in 2005 (excluding the special large transactions of both years).

The Arab investors, who acquired 14% of the total value traded, realized net equity outflows worth LE 2.3 billion during 2006, out of which L.E 1.6 billion net outflows were realized during the first half of the year, as they attempted to cover their losses in their home markets.

Conversely, the foreign investors seized the opportunity of the relatively strong performance of the Egyptian market as opposed to other emerging markets and have injected huge investments exceeding L.E 38 billion acquiring almost 16% of the total value traded in the market after excluding the big deals.

Figure (12) below shows the Egyptian versus the foreign participation in terms of value traded during 2006:

Figure (12)
Egyptians vs. Foreigners in Terms of Value Traded in 2006

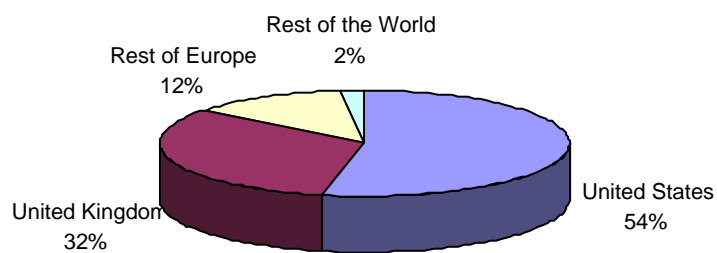


Source: Cairo & Alexandria Stock Exchanges

Geographical allocation of foreign investors

The American together with the British investments dominated the foreign investments that were injected in the Egyptian market over the period (January-November 2006), capturing around 54% and 32%, respectively. Meanwhile, the investments coming from the European countries acquired 12% of the foreign investments and the remaining 2% were owed to the rest of the world, as depicted in Figure (13).

Figure (13)
Geographical Distribution of Foreign Investments in CASE



Source: Bank of New York Report, Egyptian Equity Investor Review, November 2006

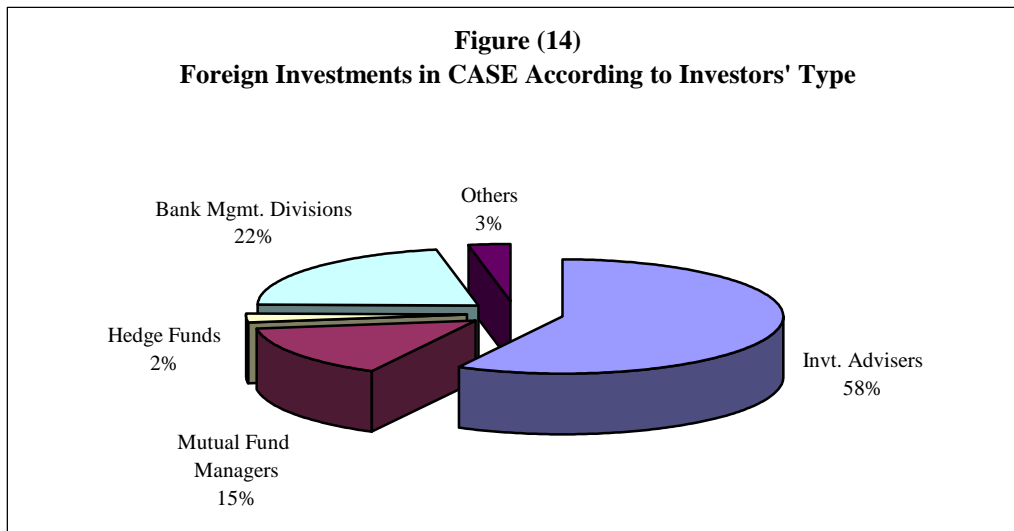
Below is a detailed analysis of the inflows to the Egyptian market coming from the U.S.A, Europe and the rest of the world as manifested in Table (8) as well as in Figure (14).

Table (8)

Foreign Investments in CASE According to Geographical Distribution and Type of Investors (US\$ million)

Type of Investor	United States	United Kingdom	Rest of Europe	Rest of the World	Total
Inv. Adviser	1,188	581	24	54	1,848
Mutual Fund Manager	382	72	29	3	486
Hedge Fund Company	77	1	0	0	79
Bank Mgmt. Division	27	360	305	0	692
Broker/Inv Bank Asset Mgmt	17	0	0	2	19
Insurance Mgmt. Division	7	24	0	0	31
Pension Fund	8	0	7	4	19
Private Banking Portfolio	0	0	27	0	27
Total	1,707	1,039	392	64	3,201

Source: Bank of New York Report, Egyptian Equity Investor Review, November 2006



Source: Bank of New York Report, Egyptian Equity Investor Review, November 2006

The American investments have acquired more than 50% of the total foreign inflows to the Egyptian market, of which 70% were executed by investment advisers, followed by mutual funds representing around 20% of the American investments in the Egyptian market, while the rest reflected the share of the insurance and pension funds. It is worth noting that most of the inflows were injected from the mid Atlantic.

As for the European investments, which accounted for 44% of the total foreign inflows to the Egyptian market, they were mainly concentrated in the hands of investment advisers as well as investment banks, then with a huge difference came the mutual fund managers with slight contribution from hedge funds.

Worth mentioning that the UK has acquired 72% of the European investments injected in the Egyptian market with the same patterns of the European institutions controlling the inflows, whereby the British investment advisers and banks had the biggest share, followed by mutual and insurance funds, while pension funds, bank asset and portfolio managers didn't contribute much to the Egyptian market.

Finally, the rest of the world had a share of only 2% of the foreign investments that flew into the Egyptian market, which was mainly through the investment advisers, followed with a huge difference by investment bank asset management, mutual and pension funds.

10. Market Capitalization

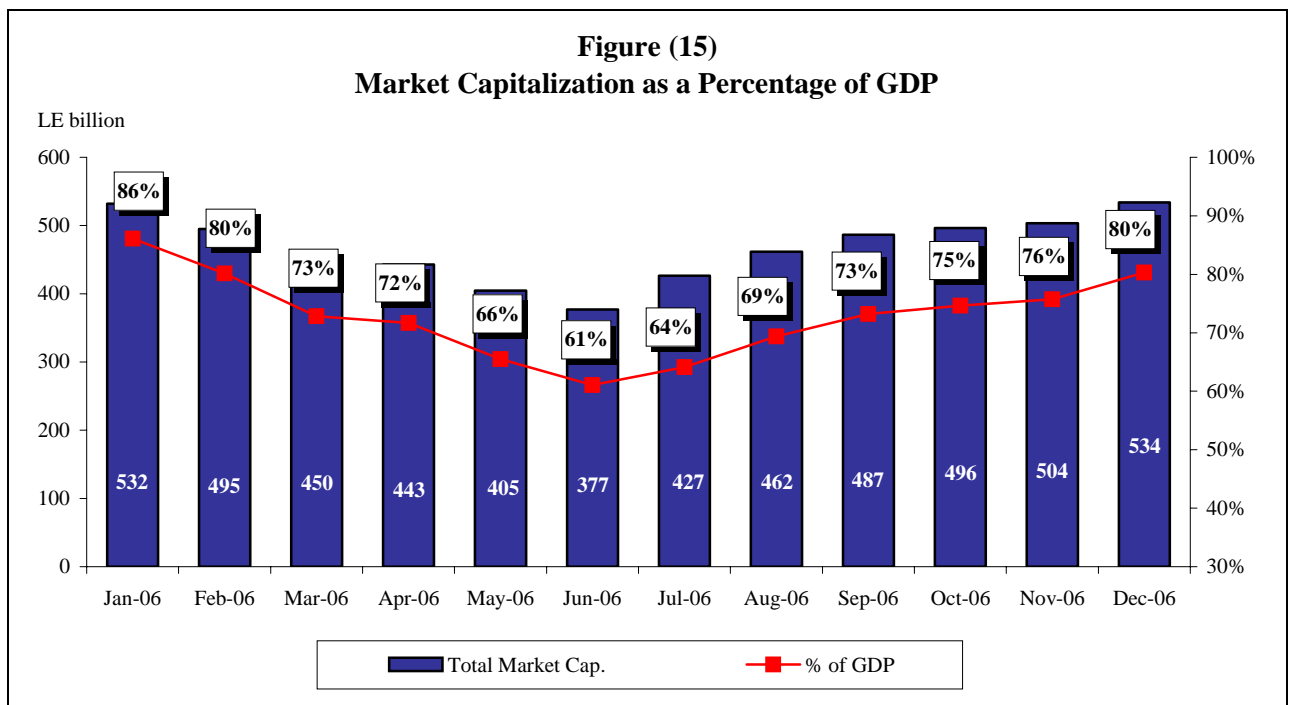
The total market capitalization culminated at LE 534 billion at the end of 2006, recording a 17% year-over-year increase, as depicted in Table (9), and representing 80% of the GDP, as illustrated in Figure (15).

Table (9)
Market Capitalization in 2006 Vs. 2005

In LE Billion	2005	2006	Change (%)
Total Market Cap.	456	534	17.0%
CASE 30 Market Cap.	246	301	22.3%
CASE 30 Market Cap. as a % of the Total Market Cap.	54%	56%	
Total Market Cap. as a % of GDP	74%	80%	

GDP used is LE 665 billion for FY 2006/2007 (preliminary figure) and LE 617.7 billion for FY 2005/2006 according to the Ministry of Finance.

Source: Cairo & Alexandria Stock Exchanges



Source: Cairo & Alexandria Stock Exchanges and Ministry of Finance

11. Sectors

Amid a heavy activity of sectors throughout year 2006, both the Textiles & Clothing as well as the Holding Companies sectors kept alternating for the first and second places in terms of volume traded, followed by the Financial Services sector as well as the Telecommunication sector, that were ranked the third and fourth, respectively. Subsequently and with a big difference came the Building Materials & Construction sector to occupy the fifth place, as shown in Table (10).

With a surge in trading volume exceeding 2.3 billion shares worth almost L.E 26 billion, came the Textiles & Clothing sector on top of the market maintaining its first ranking and registering a new record in the Exchange history. The sector recorded at the end of the year a P/E of 17 times and a DY of 6%.

Second in line came the Holding Companies sector, with a prominent performance, locking in 1.7 billion shares worth more than LE 70.9 billion, which mainly came on the back of the heavy activity attributed by Hermes Holding, that led the top active companies listed on board.

Following the major banking structural reform, the Financial Services sector managed to occupy the third place in terms of volume traded, thanks to the banks' mergers and acquisitions that took place during 2006, aiming at creating big competitive conglomerates. On top of the list, came the L.E 2.1 billion acquisition of Egyptian American Bank (EAB) by Credit Agricole Bank, in addition to the sale of an 80 percent stake of Bank of Alexandria to the Italian bank, SanPaolo IMI, in a deal worth US\$ 1.6 billion, with the rest to be offered through an IPO and employees' stock-options. The Financial Services sector has registered a P/E and a DY of 13 times and 17%, respectively.

The Telecommunication sector came as the fourth most active sector during 2006, backed by the issuance of the third mobile operator license, that is expected to start operations during the first quarter of 2007, with the possibility of offering part of its shares to the public. This in turn should reflect positively on the sector trading activity. The sector has realized a traded volume surpassing 928 million shares worth L.E 39.8 billion during 2006 with a P/E of 15.1 times.

Finally, the Building Materials & Construction sector ranked fifth with an active wave due to the boom in the Egyptian as well as the regional housing sector. The volume traded in this sector exceeded 482 million shares with a traded value of L.E 37.7 billion, a P/E of 14.5 times and a dividend yield of 14.4%.

Table (10)
5 Most Active Sectors in terms of Volume Traded
during 2006

Sectors	Trading Volume (billion shares)	Trading Value (LE billion)	Average P/E Ratio 28/12/2006	Average DY (%) 28/12/2006
Textiles & Clothing	2.3	25.5	17.0	6.3
Holding Companies	1.7	70.9	35.5	0.5
Financial Services	1.0	36.9	13.3	17.4
Telecommunication	0.9	39.8	15.1	2.6
Building Materials & Construction	0.5	37.7	14.5	14.4

Source: Cairo & Alexandria Stock Exchanges

12. Bonds

The bond market witnessed a higher activity during 2006 as opposed to the previous year, where the value traded leapt to LE 11 billion up from LE 8.9 billion last year, and the volume traded reached 12 million bonds up from 9 million bonds during 2005.

This performance was mainly on the back of the heavy trading activity of the Government bonds, in particular the ones traded through the Primary Dealers System, which account for almost 96% and 82% of the total bonds value and volume traded during 2006, respectively.

On the other hand, the Corporate bonds witnessed an increase in the trading value during 2006 to register LE 360 million up from only LE 161 million last year. Likewise, the volume traded has increased to reach 2 million bonds versus 1.2 million bonds in 2005.

Table (11) shows the trading aggregates on bonds during 2006.

Securitization Bonds:

Year 2006 witnessed the first issuance and listing of securitized bonds, whereby the Egyptian Arab Land Bank listed its securitized bonds in September, with a total size of LE 500 million, distributed over 500,000 bonds at a par value of LE 1000 per bond. The bond matures in 7 years and offers a variable interest rate of (DR+0.5 % annual) to be paid every six months.

Furthermore, Contact has issued its securitized bonds worth LE 100.8 million distributed over 1.4 million bonds at a par value of LE 72 per bond, that matures after 5 years. The bond gives a fixed annual rate of 11%, that is paid monthly. These bonds will be monthly redeemed on the same date of the coupon payment by the periodical installments, as illustrated in Table (12).

Table (11)
Trading Aggregates for Bonds during 2006

	Trading Value (LE million)	Trading Volume (thousand)
Governmental Bonds	10,711	10,171
Housing Bonds	0.31	4
Treasury Bonds	128	124
Treasury Bonds (According to Primary Dealers System)	10,582	10,043
Corporate Bonds	360	2,134
Total	11,070	12,305

Source: Cairo & Alexandria Stock Exchanges

Table (12)
Securitized Bonds

Issue Date	Issue Price	Issuer	Par Value (LE)	Number of Bonds	Coupon (%)	Maturity Date	Price after Partial Redemption
Jan-2006	72	Contact *	86,100,000	1,400,000	11%	Dec-2012	61.50
Jun-2006	1000	Egyptian Arab Land Bank	500,000,000	500,000	DR + 0.5%	Jun-2013	-

*This bond issue is partially redeemed every month and the par value represents the par value after the periodical partial redemption.

Source: Cairo & Alexandria Stock Exchanges

Primary Dealers

Table (13)
Trading Statistics for the Government Bonds Issued through the Primary Dealers System

	Trading Value (LE Million)	Number of Transactions	Average Yield to Maturity (%)	Average Current Yield (%)
Government Bonds (Oct 2011)	2,657	107	9.167	10.461
Government Bonds (Nov 2014)	697	48	9.136	10.146
Government Bonds (Dec 2008)	461	40	9.015	10.478
Government Bonds (Jan 2025)	54	5	11.016	11.073
Government Bonds (Jul 2010)	553	37	9.140	9.103
Government Bonds (Aug 2009)	255	25	9.462	9.291
Government Bonds (Aug 2010)	135	20	10.011	9.541
Government Bonds (Sep 2012)	215	13	9.333	9.198
Government Bonds (Oct 2008)	1,022	48	8.736	8.995
Government Bonds (Oct 2010)	29	1	9.000	9.069
Government Bonds (Nov 2015)	1,541	31	8.978	9.116
Government Bonds (Jan 2010)	581	27	9.008	9.036
Government Bonds (Jan 2013)	605	12	9.180	8.992
Government Bonds (Feb 2008)	954	32	8.715	8.519
Government Bonds (Feb 2011)	672	15	9.918	9.011
Government Bonds (May 2010)	152	6	9.624	9.129

Source: Cairo & Alexandria Stock Exchanges

13. GDRs

Most of the GDRs witnessed a retreat in their prices during the first half of 2006, affected by the general declines in their underlying local shares prices. However, some of the GDRs rebounded during the second half of the year, while others could not, yet performed better than the first half of 2006.

Table (14) below illustrates the changes in the GDRs' prices in 2006 compared to 2005.

Table (14)
Annual Percentage Change in Egyptian GDRs' Prices

Company Name	# of GDRs to Local Share	GDR Closing Price on 30/12/2005	GDR Closing Price on 29/12/2006	Annual Change in GDR Price (%)
Egyptian Financial Group Hermes Holding*	0.5	15.81	14.33	-9
Orascom Construction Industries	0.5	74.40	96.50	30
Orascom Telecom**	1	53.50	66.00	23
Ezz Steel***	0.33	15.10	39.00	158
Commercial International Bank (CIB)	1	9.87	9.80	-0.7
Pachin	3	2.40	2.50	4
Misr International Bank	2	4.70	3.38	-28
LAKAH group****	0.33	0.44	0.44	0
Suez Cement	1	12.90	12.00	-7
Telecom Egypt	0.2	16.21	12.99	-20
Lecico Egypt	1	10.50	10.25	-2

All values in US\$

Source: Reuters

* 2 Rights Issue were announced, in February and March 2006 with a subscription allocation ratio of 1 : 5 shares and 2 : 1 share, respectively.

** Conversion ratio has changed to 1:1, effective 23 January 2006

*** A swap deal was executed with Alexandria National Iron & Steel with a swap ratio of 21.9

**** Closing price of 03/03/2005

14. Performance of CASE 30 Certificates

Year 2006 has witnessed the interest of many international financial institutions such as ABN-Amro, Deutsche Bank and Goldman Sachs in issuing structured products on the Exchange in-house designed index, CASE 30, in the form of open-end certificates and, for the first time, close-end certificates, to be listed and traded on international Stock Exchanges, assuring the confidence of foreign investors in the Egyptian market.

1- CASE 30 Certificates issued by ABN-Amro

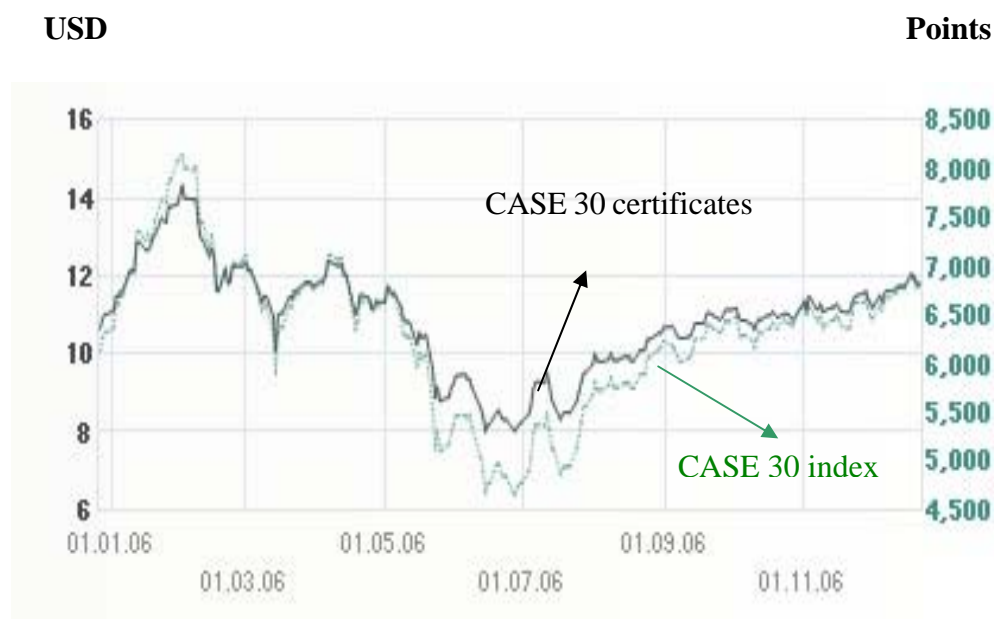
Capitalizing on the 2 issuances of CASE 30 index certificates issued by ABN-Amro during 2005, the bank has issued a third one of 500,000 open end certificates during March 2006 to be listed and traded on Euronext Amsterdam, in addition to a 500,000 close end certificates issuance in June 2006 with a price of 7.14 Euro per certificate, worth 3,570,000 Euro, to be listed and traded on Borsa Italiana and mature in 2010.

A. Open End Certificates Performance:

- Figure (16) below shows the performance of the first issuance by ABN-Amro of 500,000 open end certificates on CASE 30 index, that was listed and traded on SWX since the 27th of October 2005 and has realized 11% gains during 2006.

Figure (16)

The Performance of ABN-Amro CASE 30 open end certificates listed on SWX



Source: ABN-Amro website

- The second issuance of CASE 30 open end certificates by ABN-Amro was on the 31st of October 2005, with 50,000 certificates listed and traded on Frankfurt Stock Exchange. Figure (17) shows the performance of these certificates that increased by around 1.12% during 2006.

Figure (17)

The Performance of ABN-Amro CASE 30 Open End Certificates listed on Frankfurt SE

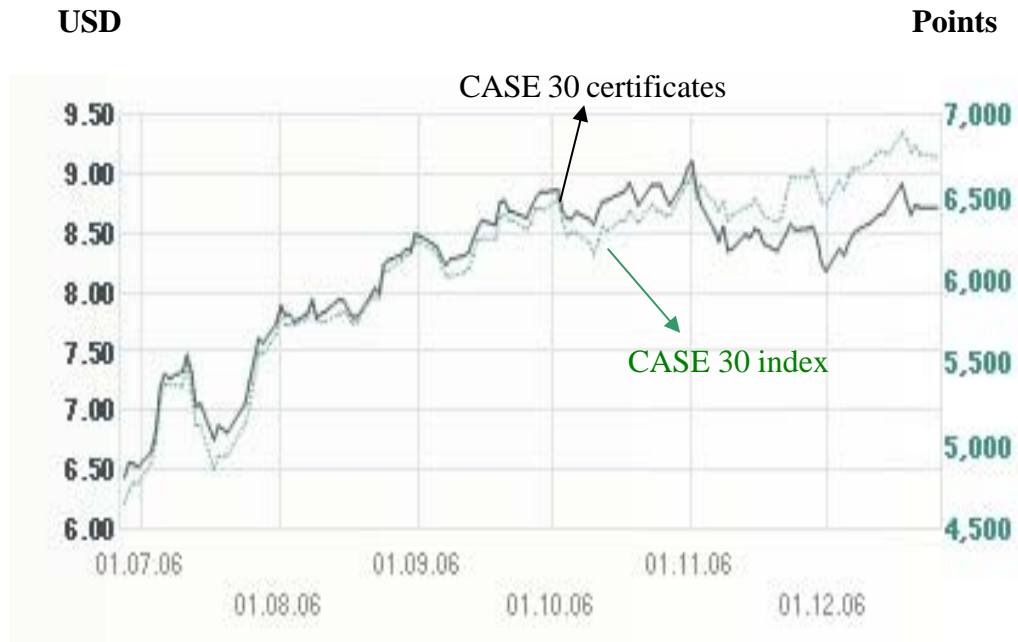


Source: ABN-Amro website

- Figure (18) illustrates the performance of the third issuance of 500,000 CASE 30 open end certificates by ABN-Amro that were listed and traded on Euronext Amsterdam, starting the 9th of March 2006. The certificates have surged by 41.6% during the second half of 2006.

Figure (18)

The Performance of ABN-Amro CASE 30 Open End Certificates Listed on Euronext



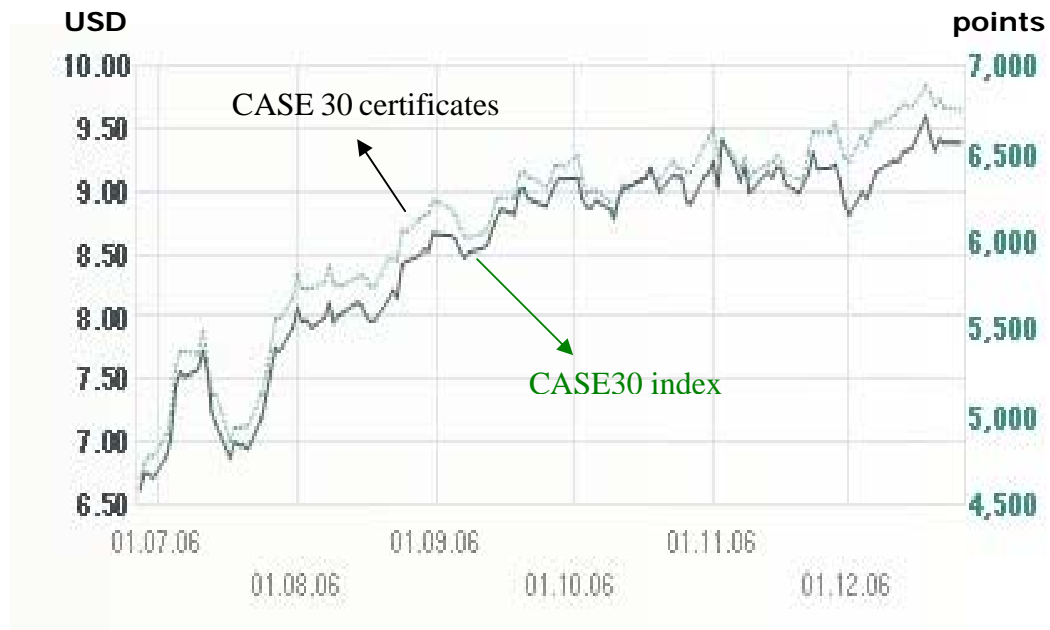
Source: ABN-Amro website

B. Close End Certificates Performance:

For the first time, 500,000 close end certificates on CASE 30 index were issued on the 15th of June 2006, with a price of 7.14 Euro per certificate, worth 3,570,000 Euro, to be listed and traded on Borsa Italiana and maturing on 18 June 2010. The close end certificates rose by around 36% since its issuance and till the end of 2006 as manifested in Figure (19).

Figure (19)

The Performance of ABN-Amro CASE 30 Closed End Certificates Listed on Borsa Italiana



Source: ABN-Amro website

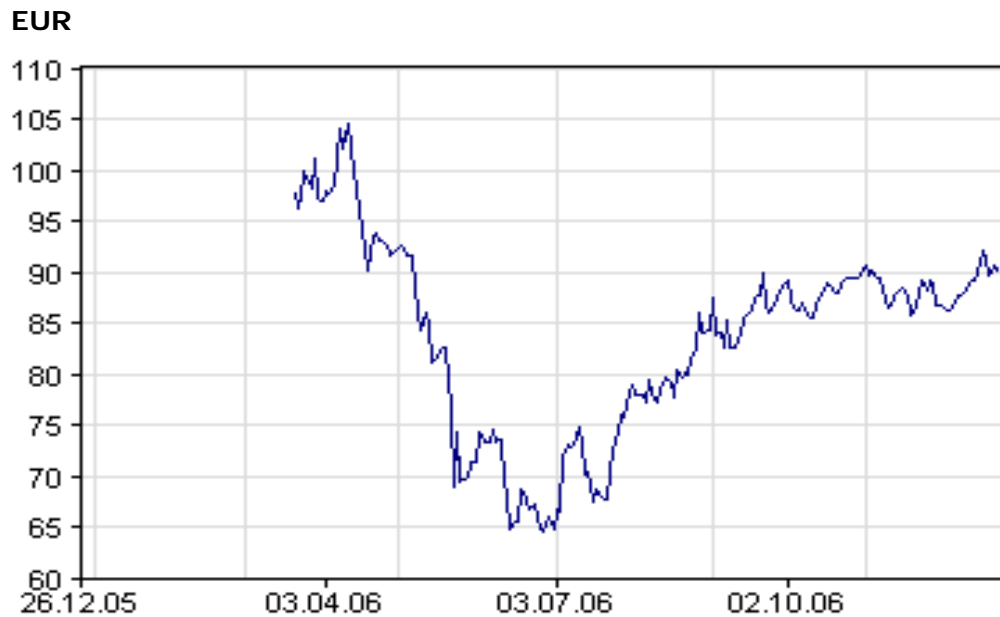
2. CASE 30 Certificates issued by Deutsche Bank:

CASE has granted a license to Deutsche Bank to issue 1 million open end certificates on CASE 30 Index, namely “EUR X-Pert Certificates” to be listed and traded on Frankfurt and Stuttgart Stock Exchanges starting 13 March 2006.

The performance of these certificates has declined by 7% since their issuance till the end of 2006 as shown in Figure (20) below.

Figure (20)

The Performance of Deutsche Bank CASE 30 Open End Certificates



Source: Deutsche Bank website

3. CASE 30 Certificates issued by Goldman Sachs:

During May of this year, CASE has granted a third license to Goldman Sachs International to issue 500,000 open end certificates on CASE 30 Index to be listed and traded on Frankfurt & Stuttgart Stock Exchanges on the 5th of May 2006.

Five days after, Goldman Sachs has issued another 380,000 open end certificates that were listed and traded on Swiss Exchange.

The performance of these certificates has witnessed a decrease of 10% since their issuance.