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Tuesday 29 September 2009

Workshop A

Creating Industry Leaders

The panel was moderated by **Ahmed El Houssieny (AH)**, Managing Director, Citadel Capital, with panelists: **Giorgio Bodo (GB)**, Chairman and Chief Executive Officer, ASEC Cement; **Mohamed El Rashidi (MR)**, Chief Executive Officer, Gozour. Below are excerpts from the session.

AH: Good afternoon. I am very happy to see so many familiar faces. We are here today to talk about creating industry leaders the Citadel Capital way. I have here with me, Mr. Giorgio Bodo and Mr. Mohamed EL Rashidi, two major industry leaders. I'm here to talk about the way we create industry leaders, our formula, and how over just a short period of time, five years, we have been able to achieve much. What is the Citadel way? The building blocks of success, are finding the right people for the right positions. The choice of region is also very important. Our investment methodology focuses on leveraged buyouts, distressed investments, consolidation plays and we don't shy away from greenfield investments either. Without further adieu, I would like to turn to Mr. Rashidi who will talk about Gozour, and Mr. Bodo will talk about ASEC Cement. Rashdi has 25 years of experience in the food industry, whilst Bodo has 30 years of experience in the finance sector.

MR: Thank you for your kind introduction. Trust me when I say this is the exciting time food industry. The food industry is facing a turbulent environment at the moment. We are looking at the value chain with all the interruption that is happening. So, putting up a food play the citadel way: what were the challenges that confronted us? There was a lot competition in the market and very low consumer loyalty. Modern trade is a monster in this region, the logistics and distribution processes available are insufficient, and when we look to the transportation of products and the products themselves, there are even more problems. We must also look at the consumer, and what they are able to buy? In addition to agricultural issues, there are problems caused by pollution, raw milk, and low levels of hygiene, these are all massive challenges that we were confronted with when we started out.

To position ourselves regionally, we have decided to address multi categories on the consumer front. We will have a local base in Egypt, which will be formed from three elements: the acquisition of mature companies that we expand, distressed companies and start-ups, and new ventures. We chose the name Gozour, because we are vertically integrated, a concept that our name reflects. What we are getting in the market now, is accelerated growth, competitive market positioning, competitive cost structures, reliable raw material sourcing, low impact and export market access for multi-category businesses.

In 2007, the Falcon Fund was founded, with the objective of investing \$257 million to create a fully integrated food and agricultural project. Since then, there have been 7 acquisitions, 2 mature companies, 3 turnarounds and 2 start ups. On the intermediate products front, we now have one of the largest corn milling companies. To be able to achieve all of these things in such a short period, we had to make sure we hired management teams of the highest standards. The most important criteria we based our hiring process on, was a solid track record in the field.

There are five growth drivers in this type of business: acquisitions, business line extension initiatives, organic growth initiatives, synergies, which include procurement, modern trade and exports, and selective regional positioning. Gozour consists of several entities including: Dina Farms, which is Egypt's largest private farm, El Aguizy International, who are the leading grower, packer and exporter of fresh produce, NCMP who produce natural corn based sweeteners, Rashidi EL Mizan who are market leaders in Egypt's halawa and tehina production, Enjoy who is one of Egypt's top manufacturers of dairy and juice products, EL Misriyeen who produce a variety of cheeses and Mom's Food, a specialty food products company.

We have changed the rules of the game, having a pioneering positing in the market allows us to change these rules. The capacities and capabilities of the private equity house that is supporting you, makes a huge difference. Citadel backs entrepreneurs and top class management.

GB: Good afternoon. I would like to give you a brief overview of ASEC cement. ASEC is a company that was created in 2006 by Citadel, with the objective of becoming a leader in the cement sector in the MENA region. The companies that support ASEC are: ASEC Automation, ARESKO, ESACO, ASEC Engineering, ASENPRO and ASCOM. Citadel Capital controls ASEC, holding more than 50% of its shares. ASEC has 10 projects in place, some of which we are currently working on, and others that we intend to start working on soon.

Why enter into cement? First of all, cement is one of the most used materials in the world. It was invented in a sense in the 19th century, and has a number of purposes. Another important factor in our decision to enter this market was that there is great demand for cement in the MENA region. Countries in this part of the world invest a lot in infrastructure. The value proposition was to create a regional company that could achieve economies of scale, and be consolidated in the future.

In terms of impact, it is important to support the diversification of countries sources of economic growth, allowing us to move away from one dominant sector and thus, stimulate competition.

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This will allow us to provide more jobs both directly and indirectly, to support the introduction of best practices in environmental and social standards, and to support economic development by providing the critical elements required for housing and infrastructure projects.

So, how are we trying to develop our presence in this part of the world? Phase one, is to select the right countries. This selection process is based on a set of criteria's which include considerations such as the availability of fuel and raw materials. Today, we have an influence capacity of 300 million tons of cement. We expect to improve this capacity once we enter the production market in Sudan, a step which we will be taking very soon.

In terms of consolidated results and sales, we expect to reach \$1.454 billion, within the next 4 years. In terms of profitability we are expecting to reach \$680 million by 2015. We are also expecting to have a best class operating margin of 47% by 2015. So overall we have been able to obtain some good results. Our targets are very ambitious.

AH: Once again, thank you for coming, and for staying awake!