



**EFIC**

EGYPTIAN FINANCIAL &  
INDUSTRIAL COMPANY

# ANNUAL REPORT

2009

## *Chairman's letter to EFIC Shareholders*

For EFIC, 2009 was a year of challenges and developments. Actually, the challenges started when the impact of world financial crisis had hit Egypt by late 2008 upon the decline in global commodity prices. The company was left with high inventory priced at high levels of 2008, while end product prices were sliding down by more than 50% in 2009 from their peak levels of 2008. EFIC faced these challenges by adopting average inventory cost policy for raw materials stock-on-hand and purchased the main raw materials at their lowest prices' levels of 2009 to reach average cost levels that are currently below prevailing ones.

Shrink of demand witnessed in our main export markets in Latin America, Europe and Africa was another challenge that we faced by penetrating new export markets in Far East and GCC region. However, the sharp decline in our exports' volumes and values over 2009 was the main reason behind the 38% drop in revenues that EFIC recognized by end of 2009 compared with the peak and unprecedented revenue level of 2008 when EFIC's export revenues surged to over EGP 500 Million.

Local Sales conditions turned to be more favorable in 2009 as increased by 22% after diversifying our SSP product mix and price levels to be affordable by end-users in reply to their weak purchasing power observed throughout 2009.

On the other hand, the high debt balance and accordingly the high interest expense recorded for this year pressured our net profit to significantly retreat.

EFIC Management had invested in the slow-down of production over 2009 and developed major maintenance and renovation plan for its production facilities. The plan was successfully implemented in 2009 helping the company to catch-up with the latest technological advancements in the fertilizer Industry, particularly, those related to control management and environmental measures.

In 2009, our production capacity of Ammonium Sulphate fertilizer was doubled to 300,000 tpa at EFIC' subsidiary SCFP – owned 99.8% by EFIC. Another development that took place by late 2009 at SCFP is launching the production of Di-Calcium Phosphate "DCP" to diversify our product mix to include this feed grade for livestock at an annual capacity of 20,000 tons. 50% of this capacity is targeting export markets starting 2010.

The rebound indicators in global markets shown late 2009 urged the mobilization of the implementation plan for the addition of the new SSP Production Capacity of 700,000 tpa to take place at EFIC's new production location next to SCFP in Suez.

Late 2009, EFIC's Financial Restructuring Plan was developed to re-schedule all debts spent on capital expenditures as medium to long term loans and to diversify EFIC's financing mechanisms to include the lease financing of the new SSP production line. It is worth mentioning that the said plan has been already implemented over the first quarter of 2010.

By the end of 2009, EFIC celebrated 8 decades of success; 1929-2009, but yet is looking forward to accomplishing more achievements and prosperity over the coming decade.

Chemist / Yehia M. Kotb  
EFIC Chairman

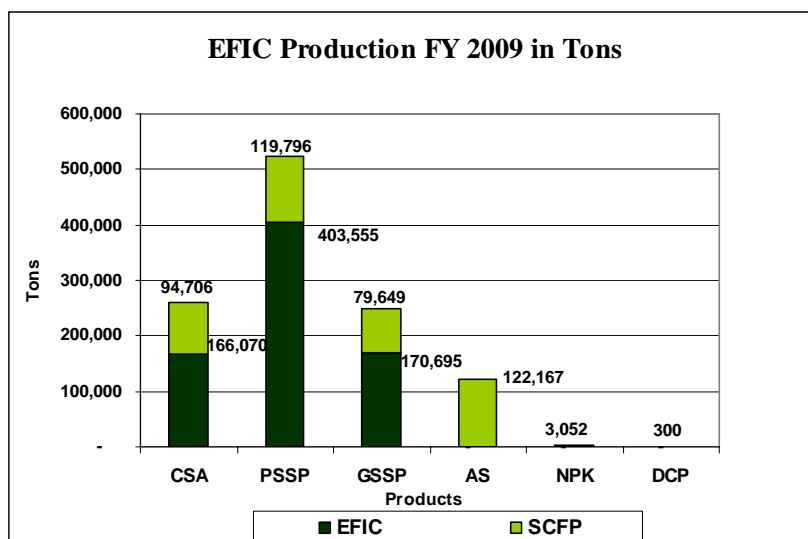
## EFIC PRODUCTION FY 2009

Since EFIC's Production is market-driven; the relatively low utilization of production capacity throughout the year 2009 reflected the shrink of demand witnessed on both local and global levels.

The utilization rate of Single Super Phosphate (SSP) fertilizer production Capacity in 2009 was 64.5% but allowed wide chance for major maintenance, replacement and renovation process to take place during the year. This chance enabled EFIC to catch up with the latest technological advancements, especially, those related to control management and environmental aspects.

While the utilization rate of Ammonium Sulphate (AS) fertilizer production capacity was 81.4%, both its local sales and exports through OCI totaled over its original capacity of 150,000 tpa.. This urged the doubling of this capacity to 300,000 tpa to take place in 2009 and be ready for the foreseen rebound in fertilizers market.

The limited production of EFIC's Compound Fertilizer 2:18:0 (NPK) to 3052 tons resulted from the shrunk demand in European market throughout the year 2009 as EFIC was able to only send two shipments of this fertilizer to Greece in 2009.



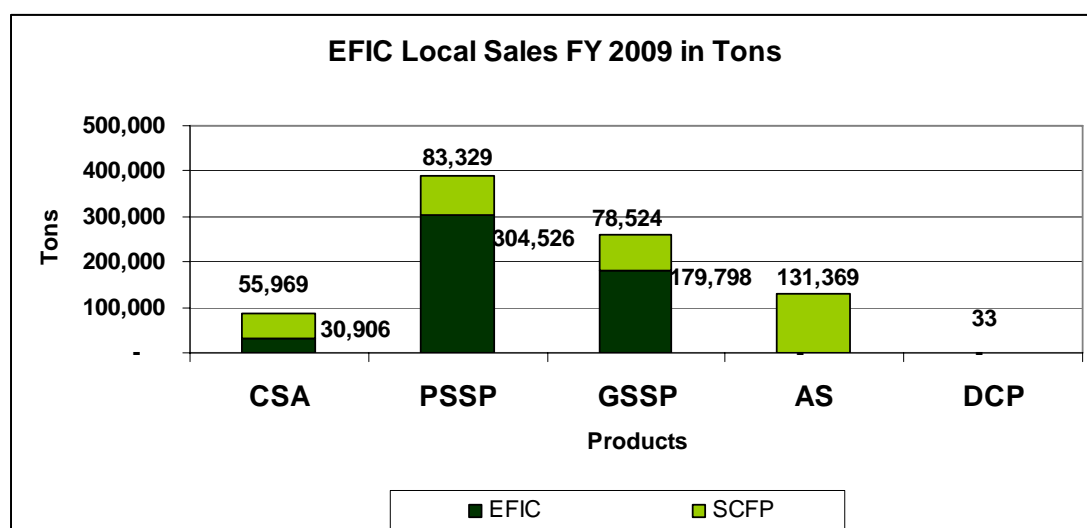
PRODUCT	CSA	PSSP	GSSP	AS	NPK	DCP
<b>EFIC</b>	166,070	403,555	170,695	-	-	-
<b>SCFP</b>	94,706	119,796	79,649	122,167	3,052	300
<b>Total</b>	<b>260,776</b>	<b>523,351</b>	<b>250,344</b>	<b>122,167</b>	<b>3,052</b>	<b>300</b>

Late 2009, the trial production of Di-Calcium Phosphate (DCP) was started at Suez Company for Fertilizers Production (SCFP) – 99.8% owned by EFIC- enabling EFIC to diversify its product mix to include this feed grade for livestock. The annual capacity of DCP line is 20,000 tons and 50% of this production is targeting export markets starting 2010.

## EFIC LOCAL SALES FY 2009

The year 2009 proved EFIC's core strategy to remain the dominant player by capturing 70% of the local market which provides a hedge against fluctuating demand in the export markets.

Actually, local sales conditions turned to be more favorable in 2009 as increased by 22% to EGP 523 Million from EGP 430 Million in 2008 upon diversifying EFIC's SSP product mix by grades and price levels that are affordable by local end-users in reply to their weak purchasing power observed throughout 2009.

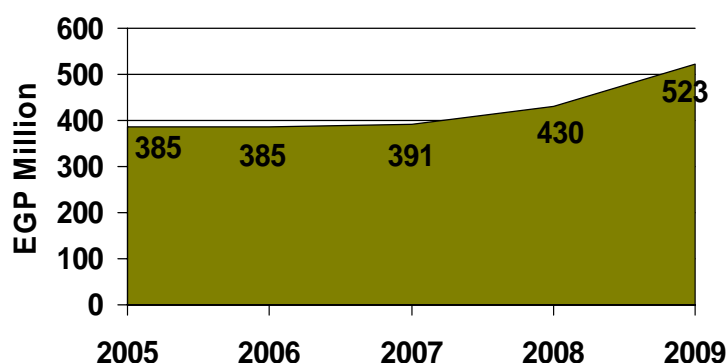


PRODUCT	CSA	PSSP	GSSP	AS	DCP
<b>EFIC</b>	30,906	304,526	179,798	-	-
<b>SCFP</b>	55,969	83,329	78,524	131,369	33
<b>Total</b>	86,875	387,855	258,322	131,369	33

Accordingly, locally sold quantities of Powder Single Super Phosphate (PSSP) fertilizer increased by 91% in 2009

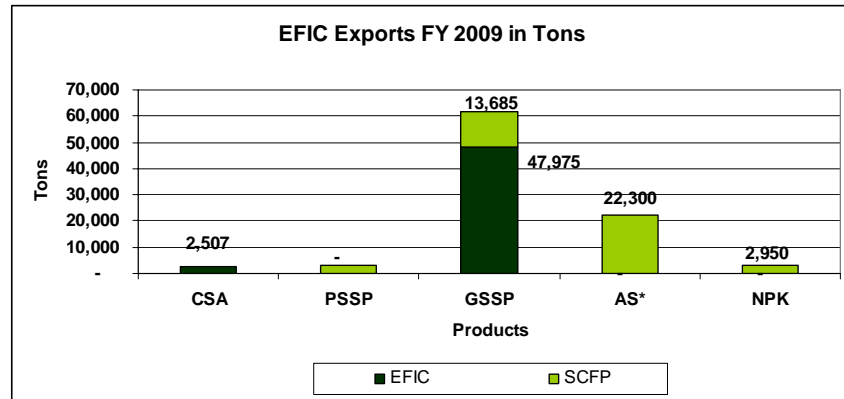
Also, a substantial increase in locally sold quantities of Ammonium Sulphate (AS) by 87% enabled EFIC to replace most of its imports to Egypt and thus captures over 90% of its local market.

### EFIC Local Sales 2005 - 2009



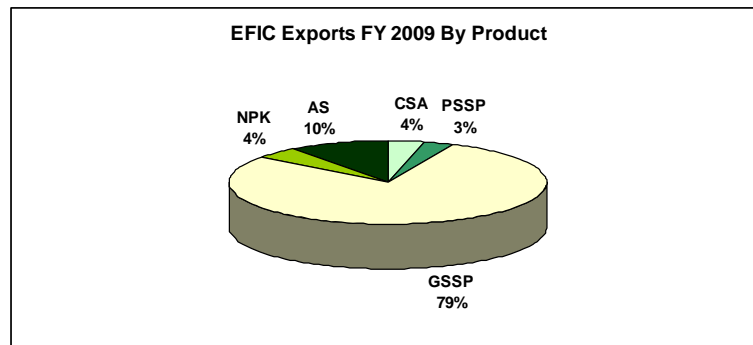
## EFIC EXPORTS FY 2009

Despite the sharp decline in EFIC's exports in 2009 due to the sharp decrease in both its volumes and values resulted from the world financial crisis and the collapse of the international commodity prices, EFIC managed to face this challenge and penetrate new export markets in Far East, Middle East and Africa.

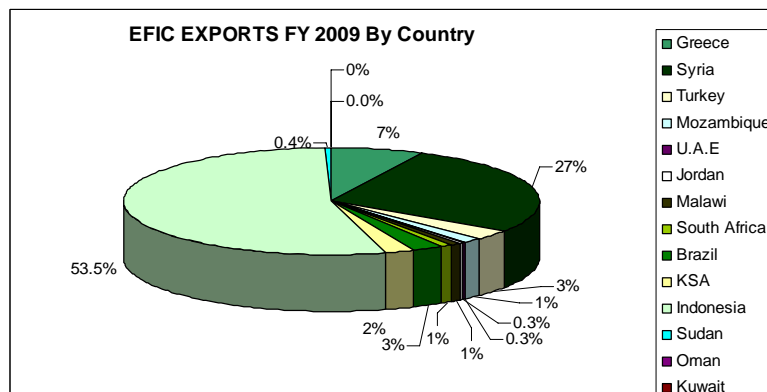


PRODUCT	CSA	PSSP	GSSP	AS*	NPK
<b>EFIC</b>	2,507	-	47,975	-	-
<b>SCFP</b>	-	3,160	13,685	22,300	2,950
<b>Total</b>	2,507	3,160	61,660	22,300	2,950

\* Exports Produced by SCFP for OCI

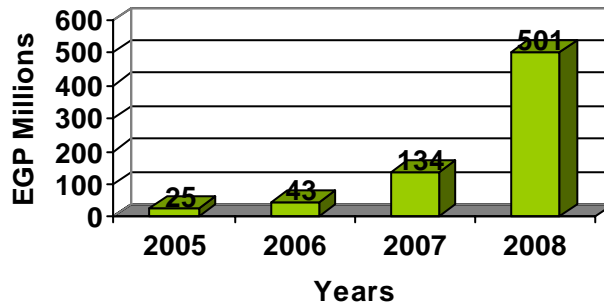


In 2009, EFIC offered its new export markets the full range of its product mix at very competitive prices to foster its position and potential market share in these markets.



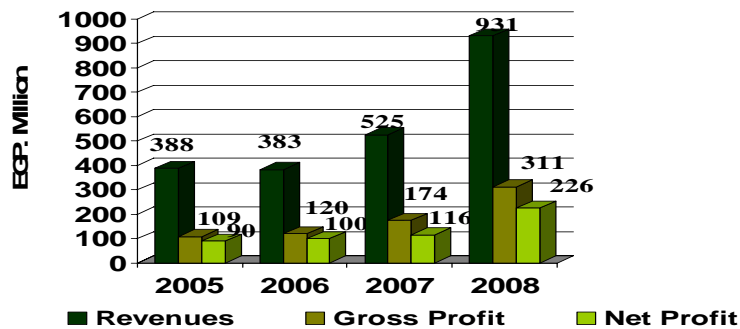
Before 2009, EFIC Consolidated Exports developed significantly.

### EFIC Consolidated Exports 2005-2008



This resulted in a remarkable growth in revenues and profit

### EFIC REVENUES & PROFIT



After 2009, Balanced Revenue Growth is projected for on a very conservative basis.

### EFIC Consolidated Revenues 2009e - 2014e

