

# An Integrated

Portfolio of Investments



ANNUAL REPORT  
**2019**



# Chairman's Note



## Dear Stakeholders,

2019 was a year of building strengths and solidifying our positioning in the divisions we have continued to do business, and succeed in, for years. The year saw EKH successfully implement operational enhancements, expansion plans and cost optimization practices that allowed us to not only keep our heads above water when faced with market headwinds, but deliver continued value for stakeholders in the form of solid financial and operational results.

Our Energy and Energy-Related segment was the star performer this year, buoyed by ONS extending the production profile of its TAO and drilling two new gas layers, with four new wells coming online at the Kamose field during the year. With the steady ramp-up in operations and as the latest well came online, production rates increased from 25 mmscf/d at the beginning of the year to 80 mmscf/d by year-end. At NatEnergy, we continued to capitalize on favorable macro drivers that drove both the gas distribution and electricity business, with a total of 171,656 clients connected to the natural gas grid by 2019 and Kahraba boosting capacities to 75 MW by the end of the year.

Meanwhile, the Fertilizers and Petrochemicals segment also delivered growth on account of AlexFert's increased production capacity following the facility's upgrade works

Our successes this year have been a result of our willingness to grow and instill efficient practices across our operations

completed by the end of the second quarter of the year. At Sprea, despite the company's top-line being weighed down by lower than planned SNF utilization — on account of foreign dumping in the local market — management was able to leverage a flexible business model and achieve positive earnings growth in 2019. Sprea optimized its utilization of raw materials, shifting to products that can benefit from decreasing prices of oil-based inputs. Parallel to these efforts, the company funneled investment into a regional expansion strategy to pursue growth opportunities that would also serve the dual purpose of hedging against local market challenges.

Our successes this year have been a result of our willingness to grow and instill efficient practices across our operations. Heading into 2020, we expect all our segments and subsidiaries to continue demonstrating flexibility and adaptability in the face of shifting market conditions. The increased mitigation of costs, coupled with increasing utilization and production capacities, and the diversification of our company's products, are expected to bear fruit in the year ahead and lay the groundwork for even stronger financial results and operational developments in the long-term. We are confident in EKH's ability to drive a sustainable business model that will continue to drive value creation for shareholders.

I would like to once again extend my heartfelt thanks to our valued Board of Directors for their continuous support and to every member of the ever-growing EKH team for their dedication, hard work and commitment to excellence as we constantly work to strengthen our positioning in the market.

**Moataz Al-Alfi**  
Chairman of the Board and CEO



# EKH at a Glance

Egypt Kuwait Holding Company (EKHO.CA on the Egyptian Exchange and EKHOLDING on the Kuwait Stock Exchange) was founded in 1997 by a consortium of prominent Kuwaiti and Egyptian businessmen. Over the past two decades, the company has established itself as one of the MENA region's leading and fastest-growing investment companies, cultivating a diversified portfolio of investments that spans five sectors, from fertilizers and petrochemicals to gas distribution and electricity generation, building materials and insurance. The past decade has seen the company flourish as Arab countries began to liberalize their economies, opening doors for private sector investments in strategic sectors that had once been off limits. Today, EKH stands as the only fully integrated energy company in Egypt.

Its portfolio of companies currently employs over 5,000 people and has the potential for ongoing job creation as companies and investments mature. As long-term investors, the company takes pride in growing the businesses in which it invests and positively contributing to the economic growth of the region with an eye toward helping Egypt become a regional energy hub.

EKH has deployed resources in a manner that has largely shielded the company from the full impact of ever-shifting macro conditions that have plagued emerging markets over the past several years. The company's ability to drive revenue growth and margin expansion across its investment portfolio is a testament to the resilience of its strategy and the dedication of its management teams.

While maintaining the growth and profitability of its investments, EKH also recognizes the importance of being a responsible investor and leading by example. The company works to minimize the environmental impact of all its business operations and promotes the conversion of businesses and households to natural gas through its investment in NatEnergy, a leading Egyptian gas distribution business.

Through its ongoing support for Injaz Egypt, an organization working to bridge the gap between the education system and the private sector, EKH has positively impacted 400,000 Egyptian students in 451 public schools and 21 universities in 26 governorates since 2003. It continues to support vocational training initiatives as well as community development and healthcare drives that seek to enrich Egypt's job market, provide safe and sustainable housing for Egyptians, and improve the lives of thousands of people.



1.4<sup>USD</sup>  
BN

total assets

20%

average return on equity

793<sup>USD</sup>  
mn

total equity book value

256.1<sup>USD</sup>  
mn

paid-in capital

5,000+

professionals employed

1.2<sup>USD</sup>  
bn

cumulative net profit  
(2005-2019)



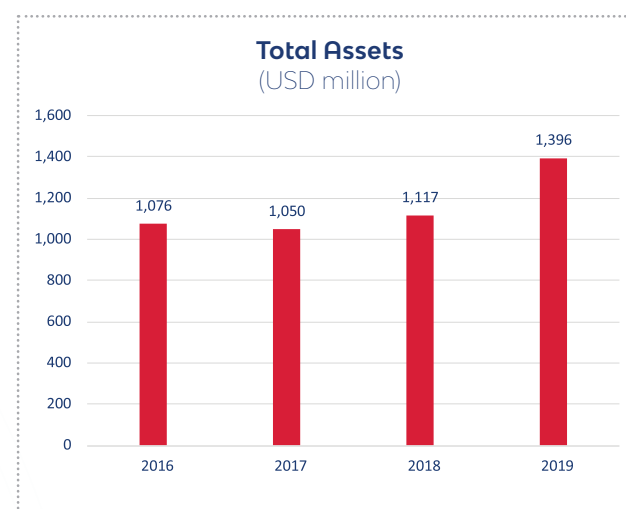
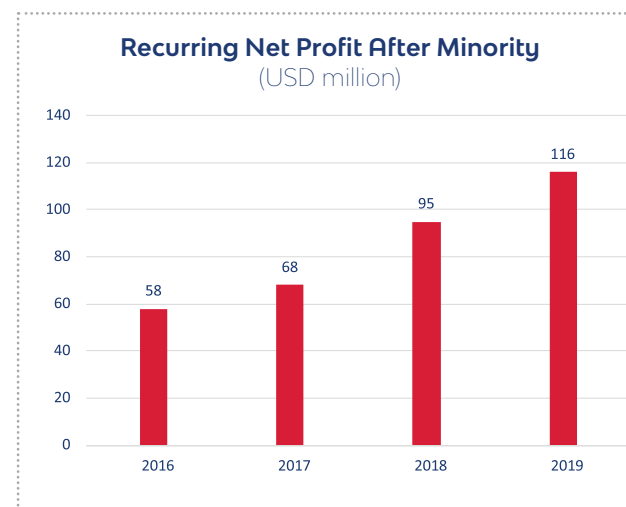
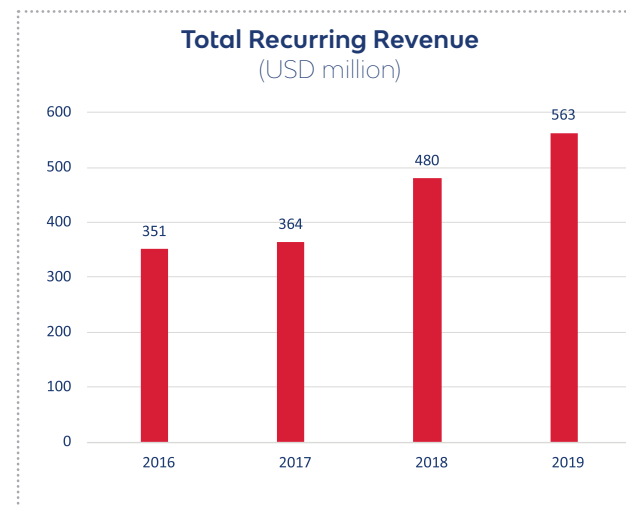
# 2019 Highlights

The company continued to identify new market leads and growth opportunities to yield higher return on investments

2019 was another successful year across EKH segments and subsidiaries, proof positive that the group's operational enhancements, expansion plans, and cost-optimization strategies continue to bear fruit. Progress was primarily underpinned by organic growth realized across the portfolio, with the diversity of our operations hedging the group against any potential headwinds.

Growth at our Energy and Energy-Related division was driven by the successful ramp up of production at ONS, NatEnergy's solid performance throughout the year, as well as electricity subsidiary Kahraba. Meanwhile our Fertilizer and Petrochemicals division continued to expand, underpinned by a solid performance of AlexFert. At Sprea Misr, foreign dumping of SNF in the market hindered the company's plans to ramp up SNF production to 85%, keeping utilization at 38% for the year. However, Sprea streamlined its utilization of raw materials, using lower priced oil-based inputs and deployed calculated cost-cutting efforts and efficient supply chain management to mitigate the impact on margins and net results, which were further supported by the recent interest rate cuts. Additionally, the company continued to identify new market leads and growth opportunities to yield higher return on investments and mitigate the risk of softened local demand for products.

In terms of financial performance, EKH's consolidated revenues in FY19 recorded USD 563 million, up 17% y-o-y backed largely by performance at the Energy and Energy-Related division, which saw revenues gain 30% y-o-y to USD 152.4 million. Fertilizers and Petrochemicals recorded a 3% y-o-y rise to USD 313.2 million in full-year revenue, while the group's diversified segment also recorded substantial growth, rising an impressive 65% y-o-y to USD 95.6 million in FY19 thanks to Delta Insurance's enhanced performance. EKH's gross profit increased 27% y-o-y in FY19 to USD 208.1 million, with gross profit margin expanding by three percentage points to 37%. Attributable net income increased a solid 22% y-o-y to reach USD 115.6 million in FY19.



# Investment Portfolio Segments

## Fertilizers and Petrochemicals

EKH has investments in two operational companies in the Fertilizer and Petrochemical Segment: Alexandria Fertilizers Company (AlexFert) and Sprea Misr for Production of Chemicals and Plastics Company (Sprea Misr). The company's fertilizer and petrochemical investments encompass products ranging from urea, ammonium nitrate and melamine to formaldehyde and liquid and powder glue. With more than 10 years of nitrogen fertilizer operational expertise, EKH has targeted investments with access to key export markets including the United States and Europe, diverse products across several industries, and strong cash-flow generating businesses.

## 2019 Operational Highlights

- Sprea Misr's top-line growth remained unchanged as the company's plans to ramp up the SNF production to 85% fell through due to foreign dumping of SNF into the local market, causing utilization to remain at 38%.
- However, margins improved at Sprea Misr due largely to cost-cutting efforts based on carefully calculated strategies that allowed the company to optimize its use of raw materials, capitalize on interest rate dips, and effectively manage working capital throughout the year.
- To compensate for weaker performance for local SNF, the company looked toward a regional expansion plan for the year, with Sprea Misr successfully increasing its export footprint to 26% from 23% in 2018 mainly due to Formica High Pressure Laminate exports.
- Alexfert successfully completed the planned overhaul of its ammonia production process at its facility in 18 days, under the 30 days initially scheduled. The renovation added an annual capacity of 15,000 tons of urea and 30,000 tons of ammonium sulphate, increasing the plant's annual ammonia design capacity by c. 5%.

## Energy and Energy-Related

Investments in the Energy and Energy-Related segment include NatEnergy, a fully owned subsidiary, and Offshore North Sinai (ONS). EKH builds and operates gas distribution networks in Egypt through NatEnergy, which covers a wide spectrum of activities, including the distribution of natural gas to power stations and the independent production of power.

## 2019 Operational Highlights

- ONS successfully drilled four new wells in 2019, bringing its total to six operational wells and boosting production rates from 25 mmscf/d to 80 mmscf/d in 4Q19.
- ONS extended the production profile of its TAO field after uncovering untapped potential and drilled two new gas layers.
- NatEnergy successfully connected 171,656 clients by the end of 2019, led by strong market fundamentals and the government's continued efforts to encourage a switch away from propane cylinders.
- Kahraba is making progress in its venture into the electricity distribution market having signed a 60MW contract for the Anshas Industrial Zone. Capacity installations and continuous efforts to deliver rapid growth have left Kahraba with a 75MW generation capacity as at year-end 2019, up from 38MW in 2014, with plans to add a further 40MW during 2020.

## Diversified

Egypt Kuwait Holding's Diversified segment includes a wide array of strategic investments, from cement production, telecommunications and infrastructure to cooling systems and insurance. In line with the company's strategy to invest in local businesses with large and defensible market positions, EKH owns c. 38% of the Building Materials Industries Company (BMIC) in Egypt, a country home to the largest cement market in Africa, with total consumption of c. 50 mtpa. Other group assets in the sector include Delta Insurance, Al-Shorouk for Melamine and Resins, Globe Telecommunications, Gas Chill and Bawabet Al Kuwait Holding Company.

## 2019 Operational Highlights

EKH's diversified segment recorded significant revenue increases in FY19, primarily brought on by the improved performance and growth of the company's wholly owned subsidiary, Delta Insurance. The diversified segment total revenues reached USD 97.9 million this year, an impressive 69% increase compared to USD 57.9 million in FY18; and gross profit doubled to USD 52.9 million in FY19, up by 104% from USD 25.9 million in FY18. Diversified net income rose by 72% y-o-y, from USD 5.5 million in FY18 to USD 9.5 million in FY19, with Delta Insurance contributing 58% or USD 5.5 million of the total net income.



# Board of Directors

**Mr. Moataz Al-Alfi**  
Chairman of the Board and CEO

**Mr. Loay Jassim Al-Kharafi**  
Vice Chairman of the Board

**Mr. Sherif El-Zayat**  
Chief Executive Officer

**Mr. Ibrahim Mahlab**  
Member of the Board

**Mr. Saad Al-Saad**  
Member of the Board

**Mr. Abdel Mohsen Al-Fares**  
Member of the Board

**Ali Al Ghanim & Sons**  
Member of the Board

**Mr. Assad Al-Banwan**  
Member of the Board

**Mr. Hussein Al-Kharafi**  
Member of the Board

**Mr. Ayman Laz**  
Member of the Board

**Sheikh Mubarak Abdulla  
Al-Mubarak Al-Sabah**  
Member of the Board

**Sheikh Fahd Hamed  
Abdulah El Sabah**  
Member of the Board

**Eng. Amin Abaza**  
Member of the Board

**Mr. Talal Jassim Al-Kharafi**  
Member of the Board

**Mr. Husam Mohamed El-  
Sayed**  
Member of the Board

**Mr. Ismail Osman**  
Member of the Board

**Mr. Mohamed Kamel**  
Member of the Board

**Mr. Marzouk Nasser Al-  
Kharafi**  
Member of the Board

**Mr. Hussam Al-Kharafi**  
Member of the Board

**Mr. Waleed El Zorba**  
Member of the Board

# Management Team

**Mr. Moataz Al-Alfi**  
Chairman of the Board and CEO

**Mr. Ayman Laz**  
Advisor to the Chairman and CEO

**Mr. Sherif El-Zayat**  
Chief Executive Officer

**Mr. Medhat Bonna**  
Group Chief Financial Officer

**Mr. Khaled El-Demerdash**  
Group Legal Counsel

**Mr. Tamer Badrawi**  
Chief Human Resources and  
Communication Officer

**Mr. John Baracat**  
Chief Operating Officer - New  
Ventures

**Mr. Hany Ezzat**  
Group Treasurer

**Mr. Hany Azzam**  
Head of Corporate Governance

**Mr. Mohamed Wafaei**  
Head of Internal Audit

**Mr. Elhamy El Sheikh**  
Senior Sector Head — Gas  
Distribution and Electricity

**Mr. Sayed Hussein**  
Sector Head — Cement

**Mr. Alaa El Banna**  
Senior Sector Head — Fertilizers and  
Upstream Oil and Gas

**Mr. Aziz Abaza**  
General Legal Counsel International

**Mr. Haitham Abdel Moneim**  
Investor Relations Director



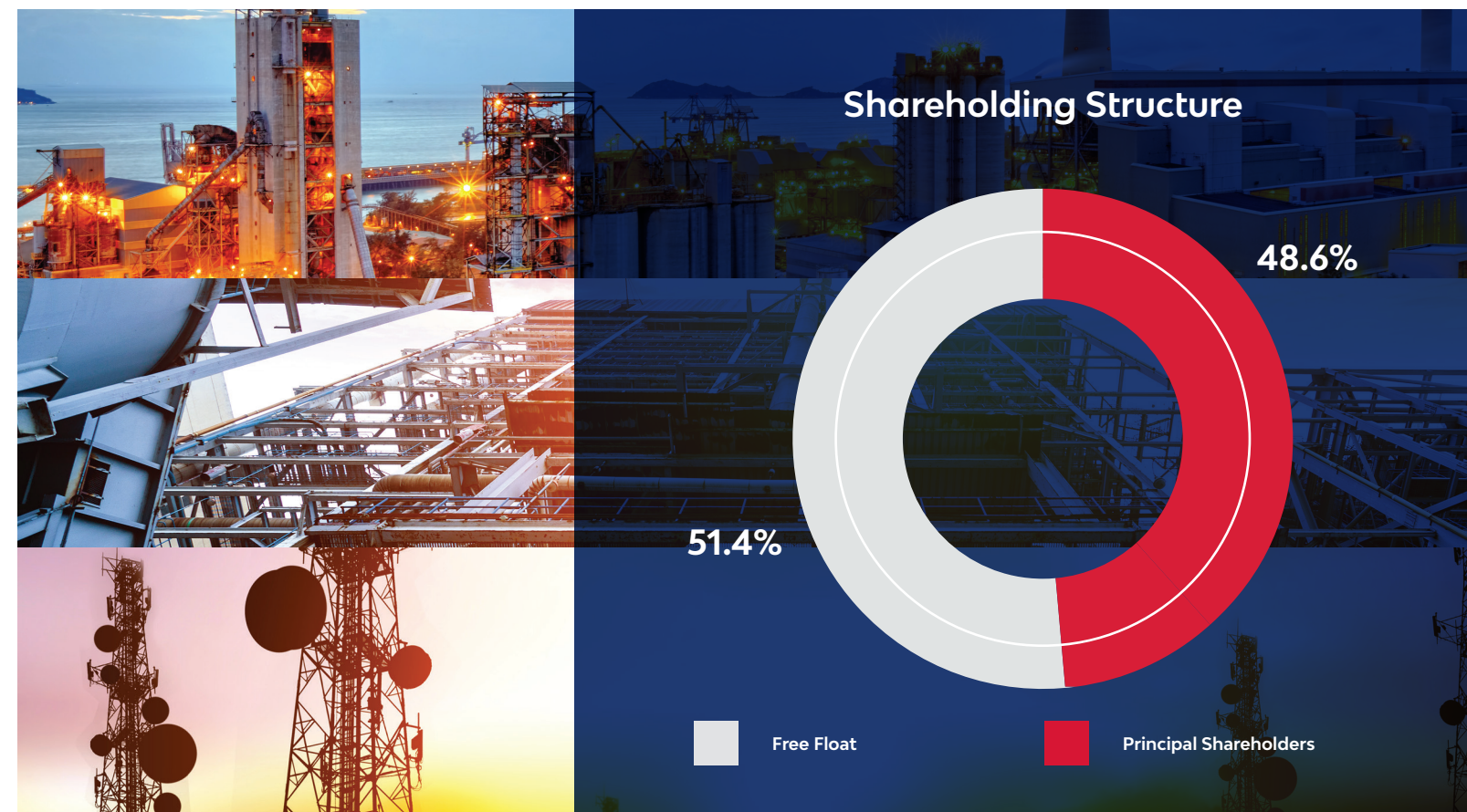
## Investor Relations

### Stock Trading Symbol

- EKHO.CA
- EKHK.KW

### Stock Exchange Listings

The Egyptian Exchange (EGX) is the principal market for EKH common stock, which is also listed on the Kuwait Stock Exchange.







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