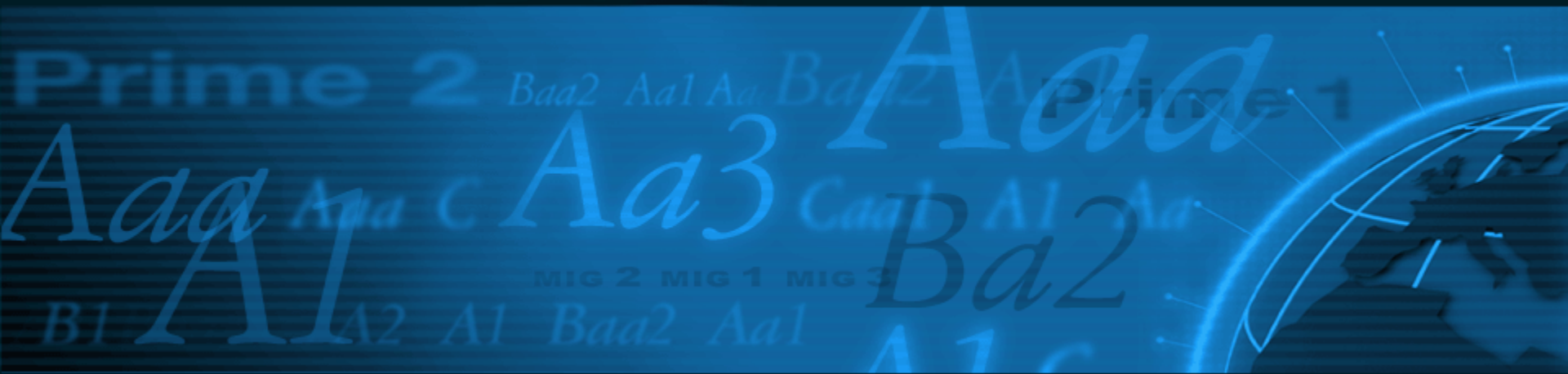


A Brief Introduction to MERIS Rating Services – Corporate Ratings



MERIS

Middle East Rating & Investors Service

Agenda

- I) About MERIS
- II) Credit Rating Concept
- III) Rating Process
- IV) Corporate Rating Approach
- v) Conclusions

I) About MERIS

- **MERIS (Middle East Rating & Investors Service)** was established as a joint venture between **Moody's Investors Service** (among the world's foremost credit rating agencies) and **FinBi** (Finance & Banking Consultants International).
- **MERIS** is supported by the technical assistance and expertise of **Moody's**. **MERIS** focuses on issuing independent credit ratings, opinions of the relative creditworthiness of issuers or issues, research and analysis to various corporate and banking market participants at the national level.
- **MERIS** is currently focused on providing credit rating service, extensive credit rating analysis and credit research in Egypt. **MERIS** territory also extends to cover other countries in the Middle East.

*Additional information about **MERIS** is available at www.merisratings.com*

MERIS

Middle East Rating & Investors Service

II) Credit Rating Concept

What Does a Credit Rating Mean?

- Credit rating provides an **independent** and **rigorous** credit opinion about an entity or about a fixed-income security. It is an assessment of the ability and willingness of an entity or an issuer to honor full and timely payments on its financial commitments.
- Credit rating provides a clear and easily understood **ranking** of the credit quality of a security across different markets which can help facilitate **comparability**.

II) Credit Rating Concept

What Does a Credit Rating Mean?

- Credit ratings can enhance **transparency** and **efficiency** in the debt capital markets. Transparency is a key issue that **investors** are looking for in today's world.
- Applying for a credit rating signals a willingness by the issuer to be transparent.

National Scale Ratings (NSRs)

- A NSR is **an opinion of the relative creditworthiness** of entities and issues in a **particular country**.
- NSRs are not designed to be compared between countries, rather they address relative risk within a given country.

NSR Criteria:

- NSRs take into account the intrinsic financial strength of the obligor.
- External support factors to the issue may be taken into consideration.
- Balance between qualitative and quantitative analysis.

MERIS National Rating Scale

<u>Quality of credit</u>	long term	short term	
Highest Credit	AAA		Investment Grade
Very High Credit	AA+	Prime-1	
	AA		
	AA-		
Upper-Medium	A+	Prime-2	
	A		
	A-		
Medium Grade	BBB+	Prime-3	
	BBB		
	BBB-		
Weak Quality	BB+	Not Prime	Speculative Grade
	BB		
	BB-		
Poor Quality	B+		
	B		
	B-		
Very Poor	CCC+		
	CCC		
	CCC-		
	CC		
	C		

Principal Benefits of NSR - Issuers

- Can enhance transparency, which is a major requirement for today's capital markets and for investors.
- Facilitates wider access to the local & global capital markets and investors.
- Can offer means of communicating opinion on creditworthiness to key counterparties from an internationally recognized neutral and independent body.
- Can provide means of comparison to other institutions in the same country.
- May be useful to facilitate repeat issuance.
- Provides issuers with an independent assessment against which to benchmark their own creditworthiness.
- Rating may expand your investor base and decrease your cost of borrowing.
- May help issuers to formulate internal capital plans and funding strategy.

Principal Benefits of NSR - Investors

- Can enhance transparency and reduce uncertainty.
- Reduces information gap between issuers and investors, giving investors greater confidence.
- Can widen investment horizons beyond state boundaries.
- Independent indicator of credit quality.
- Can help understanding and managing credit risk.
- Strategic tool for portfolio management techniques.
- May facilitate secondary market liquidity.

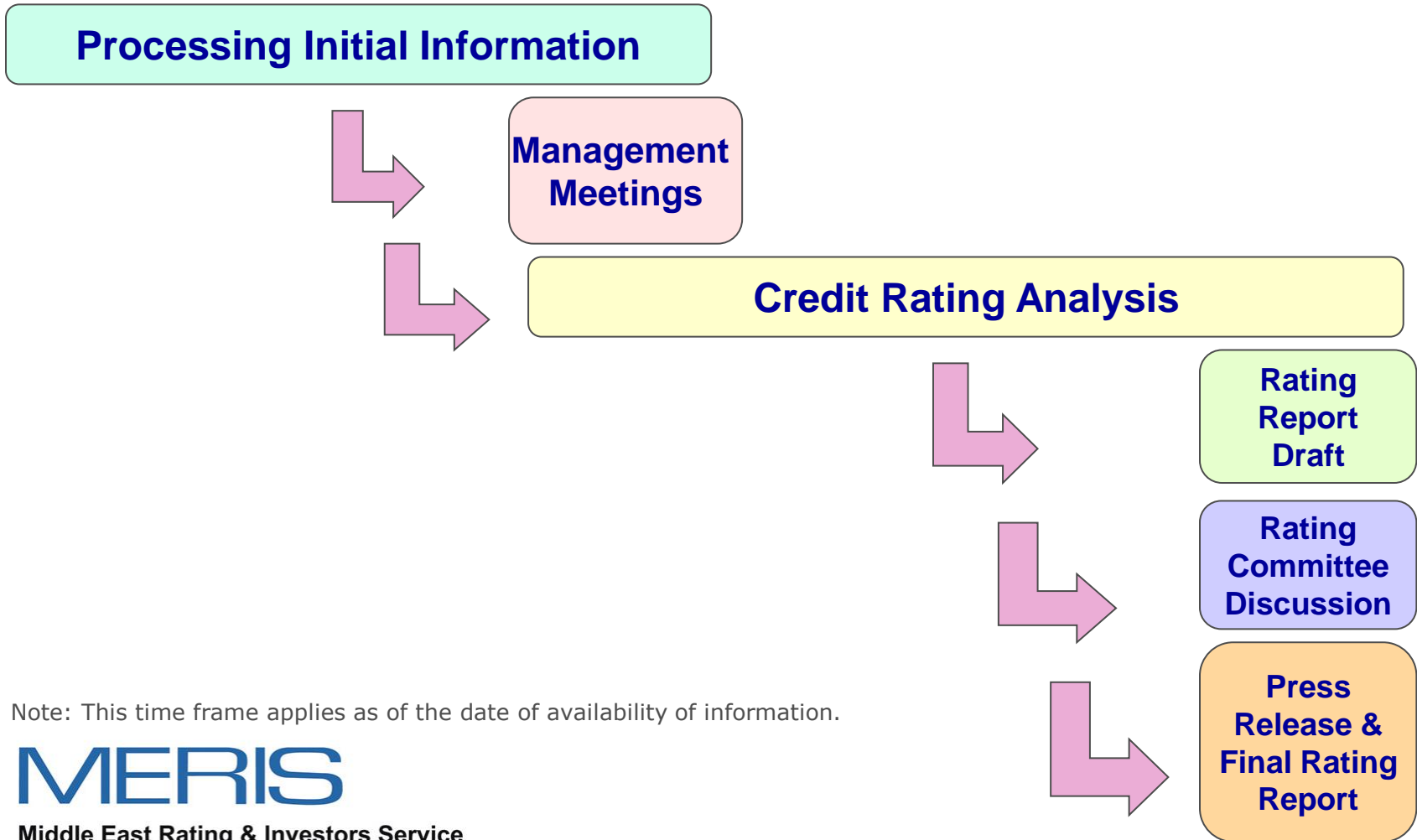
What a Rating will Not Tell You?

- Rating agencies do not make recommendations to buy or sell.
- Credit ratings are a measure of relative risk and not a measure of relative value.
- Rating agencies do not “price” debt.
- Rating agencies are not auditors or investigators. They depend on audited financial statements as well as on the information provided by the rated entity in the rating process.
- Rating is not a guarantee against loss. It is an opinion about the relative probability of default and loss.

III) Rating process

Typical Time Frame for a First-Time Rating

Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8
--------	--------	--------	--------	--------	--------	--------	--------



Note: This time frame applies as of the date of availability of information.

MERIS

Middle East Rating & Investors Service

Rating Process

- Initial Meeting – possible first glance???
- Execution of a Rating Agreement.
- Analytical team assigned consisting of minimum two analysts (lead and a backup).
- Preliminary Information Requirement List sent to customer.
- Processing Initial Information.
- Management Meetings.
- Preparation of the Report.
- Rating Committee.
- Communication of the Rating.

Not a black box exercise, it is an open dialogue process.

MERIS

Middle East Rating & Investors Service

Deliverables

- Credit Rating Report
- Rating Certificates
- Press Release
- Responses to inquiries from institutional investors, research needs, questions and/or information requirements

Once a Rating is Assigned....

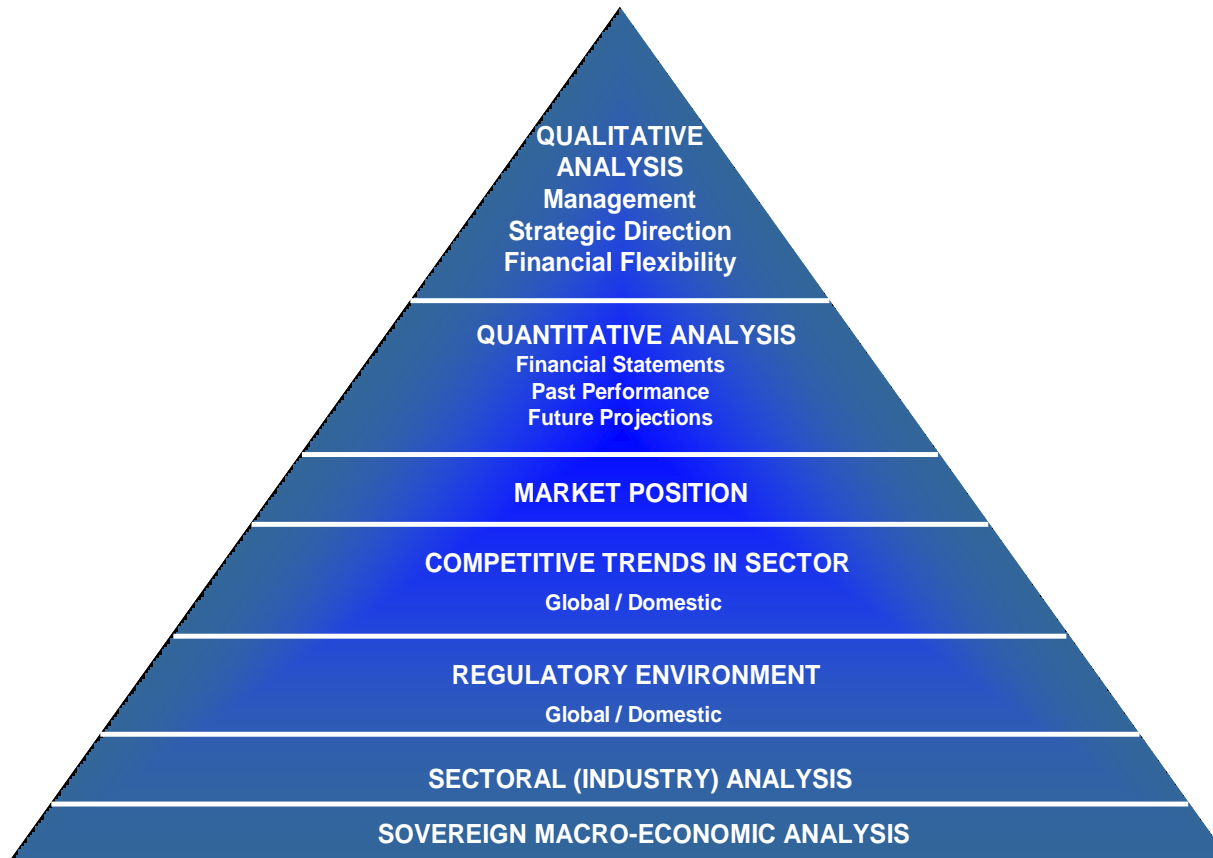
- Rating and key credit opinion is made widely available.
- On-going monitoring of published ratings and annual review meetings with the company.
- Change the rating or confirm it whenever appropriate (i.e. issues such as M&A activity, debt issuance, etc. should always be discussed with the rating company).
- We promote continuous communication between **MERIS** analysts and rated companies.

Standards of MERIS Professional Conduct

- Protection of Confidential Information
- Independence and Objectivity
- Integrity
- Compliance with Applicable Laws and Regulations
- Real and Apparent Conflicts of Interest

IV) Corporate Rating Approach

Corporate Ratings Rest on



Management

- Strategic vision
- Performance and shareholders' return expectations
- Growth, acquisitions, share repurchase
- Risk profile
- Ability to execute
- Financing options and financial flexibility

Business Risk: A Strategic & Qualitative Analysis

- Capital intensity and operating leverage
- Cyclicalities and seasonality
- Vulnerability to technological changes
- Regulatory environment and barriers to entry
- Competitive structure (e.g. fragmentation)

Financial Risk: Ratios Are Used As Benchmarks

- Predictability and sustainability of cash flow
- Cash flow coverage ratios
- Debt maturity profile
- Certainty of financing arrangements (e.g. absence of “MAC” clauses or rating triggers)
- Short-term liquidity and alternate liquidity arrangements
- Hedging arrangements
- Capital structure and debt subordination issues

V) Conclusion

Why Do You Need A Credit Rating For Your Company?

- Credit Rating, both locally and internationally, provides **Transparency** to the outside world from an independently recognized body.
- A rating can **facilitate access** to a wider pool of debt capital market.
- Rating is a **mandatory** requirement for bond issuance according to Egyptian law.

Why Do You Need A Credit Rating For Your Company? - Cont'd

- Investment horizons are widening well beyond state boundaries. Credit worthiness, which is established by credit rating, is becoming ***a main investment criterion worldwide***. Investors, both foreign and local, may deal with companies according to where these companies stand on both local and international rating scales. Investors use credit ratings as benchmarks to compare between the creditability of companies.
- You may wish to seek a credit rating irrespective of bond issuance – ***eases pressure and allows sufficient time and flexibility. It is best to rate when not under pressure.***

Contacts

MERIS – Middle East Rating & Investors Service
8, El Sad Al Aali St., Dokki, Giza
Egypt

Tel: + 202 3749 5616

Fax: + 202 3749 6184

E-mail: info@merisratings.com

www.merisratings.com

MERIS

Middle East Rating & Investors Service

© Copyright 2016 Middle East Rating and Investors Service ("MERIS"). All rights reserved.

CREDIT RATINGS AND PUBLICATIONS ISSUED BY MERIS ARE OR CONTAIN MERIS' CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MERIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MERIS' OPINIONS INCLUDED IN MERIS' PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MERIS' PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MERIS' PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MERIS ISSUES ITS CREDIT RATINGS AND PUBLISHES MERIS' PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MERIS' CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND RETAIL INVESTORS SHOULD NOT CONSIDER MERIS' CREDIT RATINGS OR MERIS' PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MERIS' PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MERIS from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind. MERIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MERIS considers to be reliable including, when appropriate, independent third-party sources. However, MERIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the MERIS' publications.

To the extent permitted by law, MERIS and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MERIS or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MERIS.

To the extent permitted by law, MERIS and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MERIS or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MERIS IN ANY FORM OR MANNER WHATSOEVER.

