

The Middle East Paper Company (SIMO)

Ahmed Hussein was a director of SIMO. SIMO's history and examination of its privatization and subsequent operations is a part of a study of the privatization of Egyptian companies conducted by an independent third party. The paper issued on the study is titled *The Post Privatization Development of Former Law 203 Companies, 15 Case Studies, Special Study, June 2000* published and provided to the *United States Agency for International Development* by the *CARANA Corporation* (the "PCSU Report").

Summary of the PCSU report

SIMO was established in 1945 as a private company. SIMO was nationalized in 1961 by the Egyptian Government and remained under government control until it was privatized in 1997. SIMO employed approximately 1,100 people. Prior to privatization, SIMO was managed by highly qualified line engineers and chemists and was modernized in the 1970s and 80s by General Egyptian Chemical Industries Organization and developed the largest production line of heavy cartons in the Middle East.

SIMO was privatized on June 18, 1997. This transaction resulted in the sale of 85% equity that the government held in the company to private owners. The owners became the Diyya Group (headed by Ahmed Hussein) with 48%, the Khorafy Family held 22%, Holding Company for Chemical Industries ("HCCI"), which was a state institution, held 15% and 10% was held by employees. SIMO was working profitably at the time of privatization and was in a reasonable financial position.

Over the next year, the Diyya Group headed by Ahmed Hussein acquired more interest in SIMO and eventually attained 55% interest. On April 1, 1998, Ahmed Hussein became SIMO's Chairman of the Board. The PCSU Report on pages 41 and 42 states:

Between June 1997 and April 1998, the ownership bloc headed by Ahmed Diyya Hussein (48% equity in SIMO) acquired more equity in the company, raising its stake to 55% and on April 1st 1998, Ahmed Diyya became SIMO's Chairman of the Board. However, during the ensuing months, corporate governance and industrial relations problems engulfed the company. SIMO was working profitably at the time of the privatization and was in reasonable financial condition – though susceptible to the volatility of price fluctuations in the international paper market. As the price for SIMO's product began to fall on the international market, the company's sales declined. By the end of 1998, SIMO's profits declined sharply and the company incurred losses of 2 million LE. The company's financial position deteriorated to the extent that its employees were not being paid their basic monthly wage during certain periods of 1998, leading to a tense atmosphere between the employees and the company's major shareholder. (Emphasis added.)

The tense atmosphere deteriorated further as rumor began to spread quickly at the enterprise that Ahmed Diyya was now exercising the intention of closing either some – or all – of SIMO’s production line/paper factories and employ the company’s land assets for alternative commercial purposes. The tense atmosphere and the deteriorating financial position of the company reached a climax at the end of 1998 at a time when the company’s internal problems could not be resolved between its major shareholders, senior management and the employees. The HCCI, still one of the major shareholders in the company with a 15% equity stake, made a recommendation to the *Musllahat Al-Sharikat* (the Companies Authority in the Ministry of Economy), that SIMO’s Board of Directors (including its present Chairman, Ahmed Diyya) be temporarily suspended and that a new Chief Executive Officer (CEO) be appointed by the government to run the company. This administrative measure undertaken by the Holding Company and the Companies Authority, which effectively suspended SIMO’s Board of Directors, resulted in the removal of Ahmed Diyya from his position as SIMO’s Chairman and his replacement by a government appointed CEO, Engineer Taha Abd-Al Roba. (Emphasis added.)

Since the removal of Ahmed Diyya from the position of Chairman of SIMO’s Board of Directors, the company’s loss making position has improved, and losses have been minimized to 150,000 LE during 1999-2000, as company to 2 million LE during April-December 1998. (Emphasis added.)

Ahmed Hussein’s full name and some of the different permutations which appear to relate to translation and formal and abbreviated versions of his name are:

- Ahmed Dia Hussein
- Ahmed Diyya Hussein
- Ahmed Diyya

Ahmed Hussein disclosed in prior proxies and SEC filings that he was a director of SIMO.