



# Qatar Telecom, Qtel

## Initiation of Coverage

Target Price	Market Price	Recommendation	Upside Potential	Investment Grade
QAR143.6	QAR95.3	Strong Buy	50.7%	Growth

### Share Data

Report Date	March 30, 2008
Company Abbreviation	Qtel
Sector	Telecommunication
Traded Markets	DSM, ADX, LSE
Report Reason	Initiation
Valuation Methodology	DCF
Previous Report Date	NA
Previous Target	NA
Exchange Rates	USD1/QAR3.64
Stock Currency	QAR
Reuters Code	QTEL.QA, QTEL.AD
Outstanding Shares (mln)	146.7
Par Value/Share (QAR)	QAR10
Financial Year Ending	December
Mkt. Cap (QAR mln)	13,977
Weight to (PEMI)	NA
Price Low – High (QAR) (52Wk.)	91 – 214
Relative Performance (52Wk.)	-0.5%

### Shareholders

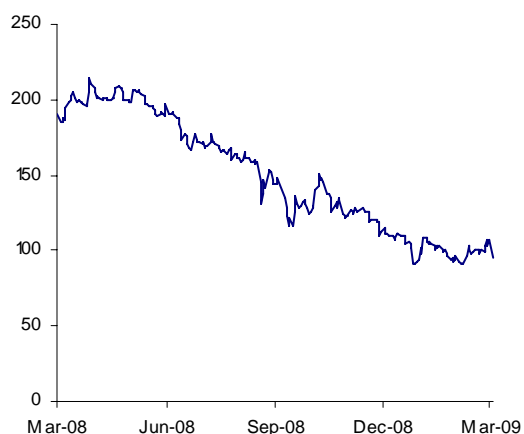
### Ownership Stake

Qatar Government	55%
Public — Free Float	45%

### Prime Research Department

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### Stock Performance Chart (QAR/Share)



Qtel has grown over the years as a monopoly in Qatar, where signs of mobile saturation have lately become evident, and launched its international acquisitions campaign in FY05 with the purchase of the second mobile license in Oman, Nawras. The company continued expanding in 2007 purchasing a 25% stake in Asia Mobile Holdings of Singapore (former holder of stake in Indonesia's Indosat), a 51% stake in Kuwait's National Mobile Telecommunications Company (Wataniya), a 15-year mobile license in Iraq (Asiacell), and a share in ATCO Clearwire for the purpose of launching Wi-MAX services in Jordan and Pakistan. The company followed by acquiring a 40.8% stake in Indonesia's second largest mobile operator, Indosat, from Asia Mobile Holdings in June 2008 and increased its stake to the 65% ownership limit in early 2009.

In FY08, as much as 73% of Qtel group's revenue was generated outside Qatar with Indosat contributing 21% to group revenue versus the 27% contributed by Qtel Qatar. The next highest revenue generators were Wataniya Kuwait with 15%, Asiacell with 14% and Nedjma with 9%.

Group revenue jumped 139% in FY07 after the acquisition of Wataniya and surged another 93% in FY08 on the acquisition of Indosat and EBITDA grew simultaneously by 84% in FY07 and 96% in FY08. Net profit rose only 36% y-o-y to reach QAR2.3 billion in FY08 partly due to Indosat's income tax liabilities and the significant interest expense of QAR1.6 billion paid on the group's total debt position of QAR27.9 billion during FY08. Qtel group was recently rated "stable" from all three major agencies: Moody's (A1), Standard & Poor's (A-) and Fitch (A+).

We expect a steady CAGR of 10.4% in revenue for Qtel group between FY09-FY13 on the back of slower but steady growth in the underpenetrated markets in which the company operates. EBITDA is forecast to grow in parallel at CAGR 9.6% to reach QAR15.3 billion as a high EBITDA margin of 45% is maintained in FY13 (47% in FY08). The company's net profit is expected to grow at a CAGR 10% over our 5-year forecast horizon helped by reduced royalty payments but partly offset by the large interest payments on the QAR27 billion of debt (QAR1.6 billion in financing costs during FY08, expected at QAR2.47 billion in FY09). Qtel group's royalty payment to the government of Qatar has been reduced from 25% of group net profit to 12.5% of Qtel Qatar's net profit plus 1% of revenue. We expect group revenue to grow by 20% in FY09 to QAR24.5 billion and net profit to rise 6.6% to QAR2.4 billion.

Our sum-of-the-parts valuation suggests a target price of QAR143.6 per share for Qtel Group providing investors with 50.7% upside potential from the current price of QAR95.3.

Fiscal Year	2007a	2008a	2009f	2010f	2011f
Revenues	10,543	20,319	24,459	27,314	29,585
Growth	139%	93%	20%	12%	8%
EBITDA Margin	47%	47%	46%	46%	46%
Net Income	1,674	2,277	2,429	2,946	3,430
EPS (QAR)	11.42	15.53	16.56	20.09	23.39
EPS Growth	4.6%	36.0%	6.6%	21.3%	16.4%
DPS (QAR)	2.73	10.00	8.28	10.04	11.69
Book Value / Share (QAR)	44.32	80.57	89.58	100.50	113.22
P/E (x)	8.35	6.14	5.76	4.74	4.08
Dividend Yield	2.86%	10.49%	8.69%	10.54%	12.27%
P/BV (x)	2.15	1.18	1.06	0.95	0.84

Please refer to the disclaimer on the last page

Figures are in QAR mln unless stated otherwise Source: Company Historical & Prime Estimates

## Qtel Group

*GSM mobile services were introduced in Qatar in 1994 and internet was available in 1996*

Qtel was established in 1987 as the Qatar Public Telecommunications Corporation exclusively providing integrated telecommunications services in the state of Qatar. The company launched its first public payphone and nationwide paging services in 1991 and its cablevision services in 1993. GSM mobile services followed in 1994 and internet was available in 1996. In 1998, Qatar Public Telecommunications Corporation was transformed into Qatar Telecom (Qtel) Q.S.C. listing its stock on the Doha Stock Market and the London Stock Exchange in 1999. In the year 2000, Qtel launched its mobile prepaid service Hala and listed its stock on the Bahrain and Abu Dhabi Stock Exchanges in 2001 and 2002, respectively. Broadband internet was available throughout Qatar starting 2002 and the company underwent organizational restructuring the following year before starting its international expansion initiative in 2005 with the launch of the second mobile operator in Oman, Nawras.

*Qtel has grown over the years as a monopoly in Qatar where signs of mobile saturation have lately become evident and its expansion initiatives started with Nawras in 2005*

Qtel has grown over the years as a monopoly in Qatar where signs of mobile saturation have lately become evident and its expansion initiatives didn't end with Nawras. The year 2007 witnessed several large acquisitions including the purchase of a 25% stake in Asia Mobile Holdings of Singapore, a 51% stake in Kuwait's National Mobile Telecommunications Company (Wataniya), a 15-year mobile license in Iraq (Asiacell), and a share in ATCO Clearwire, a company specialized in providing high bandwidth wireless services, for the purpose of launching WiMAX services in Jordan and Pakistan. The company followed by acquiring a 40.8% stake in Indonesia's second largest mobile operator, Indosat, from Asia Mobile Holdings in June 2008 and increased its stake to the 65% ownership limit in early 2009. Qtel's acquisitions have exposed the company to the following countries:

Table 1: **Qtel Subsidiaries**

Country	Company Name	Qtel (Effective) Stake	Wataniya Stake
Qatar	<b>Qtel</b>	100%	-
Oman	<b>Nawras</b>	55.6%	-
Iraq	<b>Asiacell</b>	30%	-
Indonesia	<b>Indosat</b>	65%	-
Jordan *	<b>Wi-Tribe Jordan</b>	77.5%	-
Pakistan *	<b>Wi-Tribe Pakistan</b>	77.5%	-
Kuwait	<b>Wataniya</b>	52.5%	100%
Algeria	<b>Nedjma</b>	37.3%	71%
Tunisia	<b>Tunisiana</b>	26.3%	50%
Saudi Arabia	<b>PTC Bravo</b>	29.2%	55.6%
Maldives	<b>Wataniya Maldives</b>	52.5%	100%
Palestine *	<b>Wataniya Palestine</b>	29.9%	57%

Source: Qtel

\* Excluded from the valuation due to lack of data

We valued Qtel group using the sum-of-the-parts method, valuing each of its subsidiaries independently using a DCF valuation and adding up their respective contributions to the group based. Wataniya group was valued independently using the same method and Qtel group's stake (52.5%) of the resulting value was added in the final summation (page 31).

### Subsidiaries' Contribution to Qtel Group

*73% of Qtel group's revenue was generated outside Qatar in FY08 with Indosat contributing as much as 21% to group revenues versus the 27% contributed by Qtel Qatar*

Qtel's international subsidiaries are significant contributors to the group's top and bottom-line, unlike its next door neighbor, Etisalat, whose consolidated international operations still contribute less than 10% of group revenues. For instance, 73% of Qtel group's revenue was generated outside Qatar in FY08 with Indosat contributing as much as 21% to group revenues versus the 27% contributed by Qtel Qatar. Indosat's contribution in FY09 will be even greater after the stake increase and we estimate that it will reach ca. 30%. The next highest revenue generators were Wataniya Kuwait with 15%, Asiacell with 14% and Nedjma with 9%. These top five operations contributed 85% of the group's revenue in FY08 with the remainder distributed among Nawras, Tunisiana and the remaining small operations.

*Qtel Qatar is the largest contributor with 35% (QAR3.4 billion) followed by Indosat with 21%, Wataniya Kuwait with 17% and Asiacell with 15%*

*Indosat was responsible for adding 37 million subscribers to the group in FY08 (64% of the total) as well as the single largest CAPEX of QAR4.1 billion (55% of the total) and is expected to continue investing heavily over the coming 2-3 years*

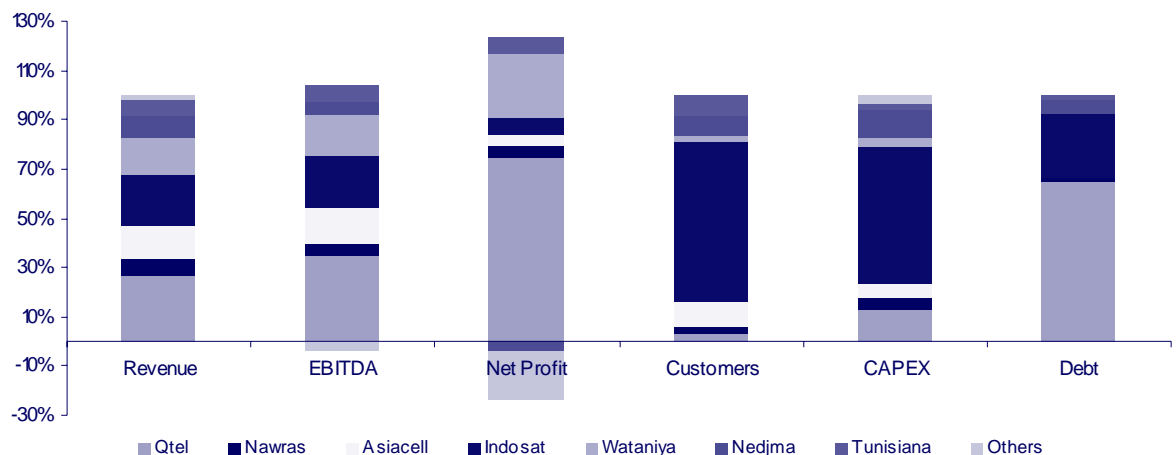
*Qtel Qatar held as much as QAR18.1 billion in debt (65% of group debt) as at the end of FY08 and Indosat held QAR7.2 billion (26%)*

In terms of EBITDA, Qtel Qatar is the largest contributor with 35% (QAR3.4 billion) followed by Indosat with 21%, Wataniya Kuwait with 17% and Asiacell with 15%. Qtel Qatar is by far the largest contributor to the group's net profit adding 75% of the total followed by Wataniya Kuwait with 26%. Despite contributing as much as 9% of revenues, the Algerian operation Nedjma is in its fourth unprofitable year (net loss of QAR125 million) despite showing very strong revenue CAGR of 45.7% since FY06, but we expect it to break even in 2010.

Indosat was responsible for adding 37 million subscribers to the group in FY08 (64% of the total) as well as the single largest CAPEX of QAR4.1 billion (55% of the total) and is expected to continue investing heavily over the coming 2-3 years since this will be the key driver of subscriber growth in the under-penetrated mobile market of Indonesia (penetration rate of 62%). Asiacell was the second largest contributor of mobile subscribers with 11% (6.1 million), followed by Nedjma with 9% (5.1 million). These three markets are the most lucrative for Qtel and are expected to play a key role in the group's future growth. Qtel Qatar continued investing in local mobile network expansion employing 13% of total CAPEX (second highest spend) as did Nedjma, investing QAR855 million (11% of the total).

Qtel's aggressive international expansion strategy would not have been possible without resorting to leverage, which was readily provided by financiers since the company rates as "stable" from all three major agencies: Moody's (A1), Standard & Poor's (A-) and Fitch (A+). Qtel Qatar held as much as QAR18.1 billion in debt (65% of group debt) as at the end of FY08 and Indosat held QAR7.2 billion (26%). The remaining operations are fueling infrastructure development in their respective countries with cash generated from operations. One point worth mentioning here is that despite the credit crisis, Qtel managed to secure a USD1.5 billion financing facility earlier this year for servicing its short-term debt of QAR7.8 billion maturing in 4Q09, demonstrating the confidence that financial institutions have in the company's ability to repay.

Figure 1: Contributions to Qtel Group by Subsidiary in FY08



Source: Qtel

## Qtel – Qatar

*Qtel paid 25% of the group's net profit as royalty to the Qatari Government in the past but the payment has been reduced to 12.5% of Qtel Qatar's net profit plus 1% of its revenue effective FY09 with the launch of Vodafone*

As the incumbent mobile, fixed, cable and internet provider in Qatar, Qtel has been serving the telecommunication needs of the country for over 20 years. Qtel provides its customers with popular high-end services such as satellite television, dial-up, WiFi, ADSL, 3G, mobile broadband and the mobile camera. The company has been one of the main beneficiaries of the rapid economic growth in Qatar coupled with the highest GDP per capita in the GCC at USD52,308 and continues to grow with mobile penetration crossing the 100% mark in FY08 with a simultaneous 33% increase in subscribers. The Qatari operation was the single largest contributor to group revenue and EBITDA, supplying 27% of the former and 35% of the latter in FY08. The subsidiary's revenue grew 23% and EBITDA rose 11.6% y-o-y in FY08. Qtel paid 25% of the group's net profit as royalty to the Qatari Government in the past but the payment has been reduced to 12.5% of Qtel Qatar's net profit plus 1% of its revenue effective FY09 with the launch of Vodafone.

## Competition

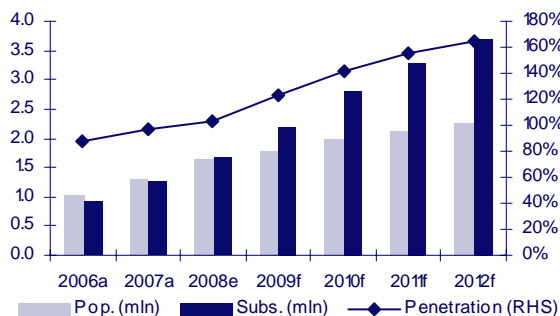
*The Vodafone-led consortium paid a staggering QAR7.72 billion (USD2.1 billion) for the mobile license and only QAR10 million (USD2.7 million) for the fixed line and WiMax licenses*

A consortium formed by the world's largest telecommunications provider, Vodafone, and the Qatar Foundation won the bid for the second mobile license in Qatar in June 2008 and was later awarded the second fixed line and WiMax license in September. The consortium paid a staggering QAR7.72 billion (USD2.1 billion) for the mobile license and only QAR10 million (USD2.7 million) for the fixed line and WiMax licenses. Vodafone is expected to launch mobile services before the end of 1H09 and fixed line services later in the year. The Vodafone consortium planned on conducting an IPO during 2008, offering 40% of the company to the public and 15% to institutional investors, but these plans were scrapped last October due to the financial crisis, which has forced the postponement of almost all IPOs in the region.

*We do not expect a price war to take place in Qatar since that would not be to any of the operators' advantage; instead, competition will be on the basis of quality and added-value services. Vodafone is facing a highly penetrated mobile market in Qatar on one hand (103% penetration in FY08, expected at 124% in FY09) balanced out by a very high GDP per capita (USD58,951) and small population (1.6 million) on the other. The opportunities provided by the fixed line and internet segments are also considerable, but Vodafone will need at least one year to be infrastructure-ready.*

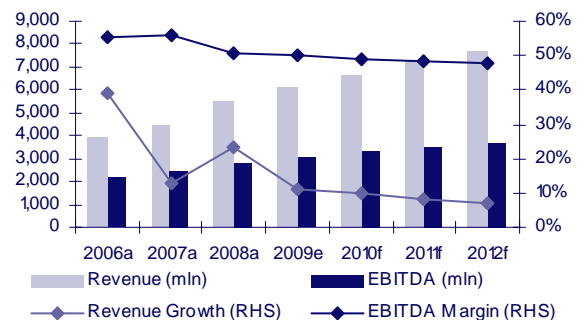
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Figure 2: Qatar's Population and Mobile Subscribers



Source: EIU, Qtel, Prime estimates

Figure 3: Qtel Qatar's Revenue and EBITDA (QAR)



Source: Qtel, Prime estimates

## Economy

*Qatar's Nominal GDP has been growing at CAGR 29.3% since FY04 and is expected to continue at a 5-year CAGR of 7.1%*

Natural gas exports remain the main driver of the Qatari economy with Nominal GDP expected to have recorded a 25% increase y-o-y in FY08, reaching USD85 billion on the back of high energy prices. However, this increase is expected to be followed by a significant decline in FY09 due to the steep slump in energy prices over the past 9 months, which is expected to result in a -11.8% drop to USD75 billion. Qatar's Nominal GDP has been growing at CAGR 29.3% since FY04 and is expected to continue at a 5-year CAGR of 7.1%. The population has been growing at CAGR 15.6% since FY03 and we expect growth of CAGR 8.2% going forward to reach 2.41 million in FY13 (48.2% increase over the FY08e). GDP per capita is estimated at USD52,308 at FY08 end placing Qatar at the highest spot in the region while inflation is expected to drop from 16.1% in FY08 to 8.8% in FY09 and 6% in FY13.

Table 2: Qtel Qatar's Key Indicators

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	1,300	1,625	1,788	1,966	2,104	2,251
Population Growth	24.8%	25.0%	10.0%	10.0%	7.0%	7.0%
Nominal GDP Growth	20.9%	25.0%	-11.8%	20.0%	10.0%	10.0%
Inflation	13.8%	16.1%	8.8%	10.0%	8.0%	7.0%
<b>Fixed Line Penetration</b>	<b>18%</b>	<b>15%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>
<b>Mobile Penetration</b>	<b>97%</b>	<b>103%</b>	<b>123%</b>	<b>142%</b>	<b>156%</b>	<b>165%</b>
<b>Internet Penetration *</b>	<b>17%</b>	<b>16%</b>	<b>18%</b>	<b>20%</b>	<b>22%</b>	<b>25%</b>
<b>Qtel Qatar</b>						
<b>Fixed Line Subscribers</b>	<b>237</b>	<b>247</b>	<b>257</b>	<b>268</b>	<b>282</b>	<b>297</b>
Growth	4%	4%	4%	5%	5%	5%
Fixed Line Market Share	100%	100%	99%	99%	98%	97%
ARPL	468	498	513	529	545	561
<b>Mobile Subscribers</b>	<b>1,264</b>	<b>1,680</b>	<b>1,940</b>	<b>2,179</b>	<b>2,394</b>	<b>2,588</b>
Growth	37%	33%	15%	12%	10%	8%
Mobile Market Share	100%	100%	88%	78%	73%	70%
ARPU	199	193	187	183	180	176
<b>Internet Subscribers</b>	<b>87</b>	<b>105</b>	<b>124</b>	<b>148</b>	<b>175</b>	<b>205</b>
Growth	24%	21%	18%	20%	18%	17%
Internet Market Share	100%	100%	97%	95%	93%	92%
<b>Vodafone</b>						
<b>Mobile Subscribers</b>	-	-	<b>260</b>	<b>619</b>	<b>882</b>	<b>1,119</b>
Growth	-	-	-	138%	43%	27%
Mobile Market Share	-	-	12%	22%	27%	30%

Source: IMF, Qtel, Prime Estimates

\* Internet penetration numbers assume 2.5 users per line

## Telecom Market

*Qatar has an estimated fixed line penetration of only 15% and internet penetration of 16%*

Qatar has an estimated fixed line penetration of only 15% and internet penetration of 16% (assuming 2.5 users per internet line). Fixed lines have been growing at CAGR 6.7% since FY05 and are expected to continue at CAGR 5.7% between FY09-FY13 to reach 327,000 subscribers, whereas internet subscribers have been increasing at a faster pace of CAGR 22.4% since FY07 and are expected to continue at CAGR 19.8% to reach 260,000 by FY13 with associated penetration of 27%. Vodafone is expected to achieve a fixed line and internet market share of 8% and 21% by FY12, respectively. We don't see Qtel's ARPL coming under significant pressure in the future since competition from Vodafone on the fixed line front may take several years to become significant and ARPL is estimated to have increased by 8.1% in FY07 and 6.4% in FY08.

*The country's mobile penetration has grown at CAGR 8.6% since FY06 culminating at 103% in FY08 and expected to reach a justifiable 170% in FY13 after the introduction of competition this year*

The country's mobile penetration has grown at CAGR 8.6% since FY06 culminating at 103% in FY08 and expected to reach a justifiable 170% in FY13 after the introduction of competition this year, close to that of the UAE (currently 173%) where demographics are not so different. Mobile subscribers have grown at CAGR 32.8% since FY06 and are expected to continue at a 5-year CAGR of 19.5% with the help of a more competitive landscape and a resilient economy, reaching 4.1 million in FY13 versus the current 1.68 million (144% increase). Vodafone is expected to capture market share swiftly, obtaining 12% in its first year of operations and controlling 30% by FY12. It is difficult to forecast an ARPU for Vodafone but we expect it to turn out in the range of 50%-70% of Qtel's ARPU, which is among the highest in the GCC at QAR193 (USD53) as of FY08 despite dropping ca. -3.2% y-o-y.

Table 3: Qtel Qatar's Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>5,477</b>	<b>6,076</b>	<b>6,670</b>	<b>7,211</b>	<b>7,716</b>
Revenue Growth	23%	11%	10%	8%	7%
<b>EBITDA</b>	<b>2,765</b>	<b>3,028</b>	<b>3,280</b>	<b>3,497</b>	<b>3,689</b>
EBITDA Margin	50%	50%	49%	48%	48%
Net Profit Margin	25%	27%	33%	33%	39%
<b>CAPEX</b>	<b>1,004</b>	<b>974</b>	<b>945</b>	<b>917</b>	<b>889</b>
CAPEX/Revenue	18%	16%	14%	13%	12%
<b>Discounted Free Cash Flows</b>	-	<b>2,587</b>	<b>1,288</b>	<b>1,272</b>	<b>1,291</b>
<b>Total Shareholder Value</b>					<b>9,572</b>
<b>Value per Qtel Share (QAR)</b>					<b>65.3</b>

Source: Qtel, Prime Estimates

## Past Performance

*Revenue grew at CAGR 23.6% per annum between FY05-FY08 rising from QAR2.84 billion in FY05 to QAR5.47 billion in FY08*

Revenue grew at CAGR 23.6% per annum between FY05-FY08 rising from QAR2.84 billion in FY05 to QAR5.47 billion in FY08 as Qatar's economy witnessed rapid growth and mobile penetration rose from 53% to an estimated 103% in the respective years. EBITDA grew in parallel at CAGR 19% between FY05-FY08 with EBITDA margin remaining healthy at 50% in FY08 despite dropping from 57% in FY05 as calling prices were gradually reduced with ARPU dropping from QAR225 (USD62) in FY05 to QAR193 (USD53) in FY08 (14% drop). Net profit margin dropped from 44% in FY06 to 28% in FY07 and 25% in FY08 due to interest payments related to a large debt position of QAR18 billion.

## Future Assumptions

*We expect steady growth at CAGR 8.4% in revenue for Qtel Qatar between FY09-FY13 on the back of sustained growth in mobile subscribers*

We expect steady growth at CAGR 8.4% in revenue for Qtel Qatar between FY09-FY13 on the back of sustained growth in mobile subscribers, despite the lower share of mobile additions (estimated at ca. 45%) that the company will get with the presence of a competitor and the anticipated decline in ARPU at CAGR -2.2% per annum over the same period. Revenue is expected to grow by 49% in FY13 over QAR5.5 billion in FY08 and EBITDA is forecast to grow in line to QAR3.9 billion in FY13 as a high EBITDA margin of 47.1% is maintained (50% in FY08). The company's net profit margin is expected to grow from 25% in FY08 to 38% in FY13 after the royalty payments are significantly reduced in FY09 and as the outstanding debt of QAR18 billion gets amortized, reducing the significant interest expenses being charged. CAPEX in FY08 amounted to QAR1 billion as the company invested in expanding its networks (both mobile and fixed) and we expect more spending going forward with CAPEX/Revenue dropping from 16% in FY09 to 12% in FY12.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 7% and a terminal growth rate of 3.5% we conclude a DCF value of QAR65.3 per Qtel share from Qtel Qatar.



## Nawras – Oman

*Nawras managed to sign up 1.51 million subscribers by FY08, translating into a 47% market share in less than 4 years of operations*

Nawras (55.6% owned by Qtel Group) was launched in March 2005 as the second operator in the Sultanate of Oman, breaking the monopoly of incumbent Omantel. Nawras focused on providing an excellent service to its customers and managed to sign up 1.51 million subscribers by FY08, translating into a 47% market share in less than 4 years of operations. Nawras was the first to launch 3.5G services in 2007 and continues to invest in both mobile and fixed line infrastructure (mobile network covers 96% of the population), planning to focus on constructing its own fiber optic network after being awarded the second fixed line license in November 2008. The company is also preparing to go public since its license requires a sale of stake by 2010. Nawras was responsible for 7% of group revenue, 5% of EBITDA and 5% of net profit in FY08. Revenue for this operation reached QAR1.32 billion in FY08 with an EBITDA margin of 39%.

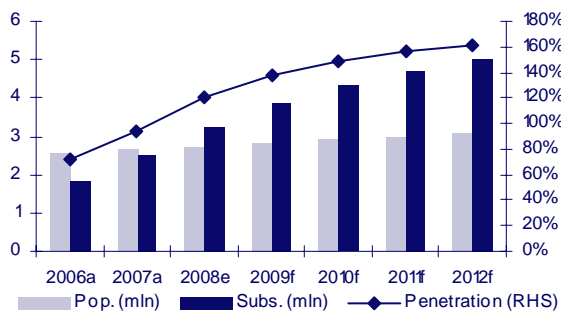
## Competition

Oman currently has two mobile operators: Government-owned Omantel (59% market share as of FY07; 53% expected in FY08) and Qtel's Nawras. In July 2008, the Omani government (owning a 70% stake in Omantel) attempted to sell 25% of Omantel to international investors in a move aimed at improving the operator's performance, but this plan was cancelled in December 2008 in light of the financial crisis which has brought down company valuations and made the sale less attractive.

*The Omani government recently sold six 5-year Mobile Virtual Network Operator (MVNO) licenses*

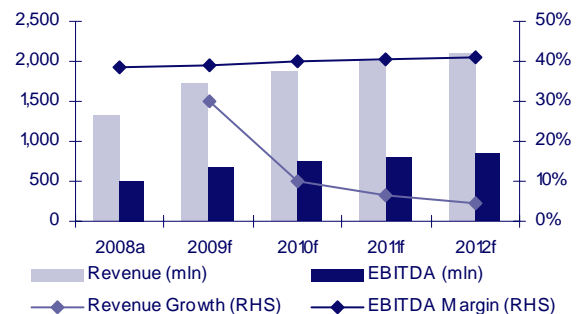
The Omani government recently sold six 5-year Mobile Virtual Network Operator (MVNO) licenses. MVNO's work by purchasing mobile bandwidth on an existing operator's network in bulk at wholesale prices and reselling the service to the public, gaining a small margin in the process. The effect of these activities will be pressure on prices and deterioration in ARPU, as well as an increase in market size and penetration. Incumbent Omantel's fixed line monopoly was also broken in November 2008 when the second fixed line license was awarded to Nawras. Nawras plans on investing in fixed line infrastructure development throughout the country, capitalizing on the low fixed line and internet penetrations in the Sultanate (10% and 38% FY08e, respectively).

Figure 4: Oman's Population and Mobile Subscribers



Source: IMF, BMI, Qtel, Prime estimates

Figure 5: Nawras' Revenue and EBITDA (QAR)



Source: Qtel, Prime estimates

## Economy

*Oman's nominal GDP has been advancing at CAGR 18.5% per annum since FY03 and is expected to continue at CAGR 6.8% until FY13*

Oil and gas exports remain the main drivers of the Omani economy with nominal GDP expected to record a staggering 39.4% increase y-o-y in FY08, reaching USD56.3 billion on the back of high oil prices (IMF estimates). Oman's nominal GDP has been advancing at CAGR 18.5% per annum since FY03 and is expected to continue at CAGR 6.8% until FY13. Development in the industrial and non-hydrocarbons sectors is also taking place with a focus on the manufacturing and tourism sectors. Oman's population has been growing at CAGR of 1.7% since FY03 but BMI expects stronger growth of CAGR 3.1% going forward to reach 3.15 million in FY13 (16.7% increase over the FY08e). GDP per capita is estimated at USD20,859 in FY08 placing Oman just below Saudi Arabia (USD21,220) while inflation is expected to drop from 11.2% in FY08 to 9% in FY09 and 5% in FY13.

Table 4: **Nawras' Key Indicators**

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	2,650	2,700	2,800	2,900	3,000	3,100
Population Growth	4.1%	1.9%	3.7%	3.6%	3.4%	3.3%
Nominal GDP Growth	13.0%	39.4%	6.2%	8.7%	7.1%	7.4%
Inflation	5.9%	11.2%	9.0%	7.0%	5.5%	5.0%
<b>Fixed Line Penetration</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>11%</b>
<b>Mobile Penetration</b>	<b>94%</b>	<b>120%</b>	<b>137%</b>	<b>149%</b>	<b>157%</b>	<b>162%</b>
<b>Internet Penetration *</b>	<b>34%</b>	<b>38%</b>	<b>42%</b>	<b>46%</b>	<b>49%</b>	<b>53%</b>
<b>Nawras</b>						
<b>Mobile Subscribers</b>	<b>1,017</b>	<b>1,511</b>	<b>1,841</b>	<b>2,090</b>	<b>2,276</b>	<b>2,415</b>
Growth	78%	49%	22%	14%	9%	6%
Mobile Market Share	41%	47%	48%	48%	48%	48%
ARPU	-	73	71	70	68	67
<b>Omantel</b>						
<b>Mobile Subscribers</b>	<b>1,480</b>	<b>1,733</b>	<b>1,911</b>	<b>2,045</b>	<b>2,145</b>	<b>2,220</b>
Growth	19%	17%	10%	7%	5%	3%
Mobile Market Share	59%	53%	50%	47%	46%	44%

Source: IMF, Qtel, Prime Estimates

\* Internet penetration numbers assume 2.5 users per line

## Telecom Market

*Oman has an estimated fixed line penetration of only 10% and internet penetration of 38%*

Oman has an estimated fixed line penetration of only 10% and internet penetration of 38% (assuming 2.5 users per internet line). Fixed lines have been growing at CAGR 1.6% since FY06 and are expected to continue at CAGR 4.4% between FY09-FY13 to reach 345,000 on the back of stronger population growth, whereas internet subscribers have been increasing at a faster pace of CAGR 13.4% and are forecast to continue at CAGR 11.7% to settle at 723,000 by FY13 with associated penetration of 57%. Nawras is expected to achieve a fixed line and internet market share of 7% and 15% by FY13, respectively, but we did not include these segments in our valuation due to low pricing visibility and the minor effect that they will have on the aggregate top line.

*The country's mobile penetration has grown at an estimated CAGR 31.2% over the past 3 years culminating at 120% in FY08 and expected to reach 167% in FY13 after the introduction of additional service providers*

The country's mobile penetration has grown at an estimated CAGR 31.2% over the past 3 years culminating at 120% in FY08 and expected to reach 167% in FY13 after the introduction of additional service providers this year in the form of six MVNO operators. Mobile subscribers have grown at CAGR 34.5% since FY06 and are expected to continue at CAGR 10.1% between FY09-FY13 with the help of a growing population and vibrant economy, reaching 5.25 million versus the current estimated 3.24 million (62% increase). MVNO's are expected to capture 11% of the mobile market by FY13 and Nawras is expected to defend its 46% market share. Nawras' ARPU is expected to drop from the current QAR71 to QAR66 by FY13 due to price pressure, but we predict that the company will make up some of the lost revenue from the wholesale of bandwidth to MVNO's, which will mitigate the effect of a lower ARPU on revenue.



Table 5: Nawras' Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>1,318</b>	<b>1,715</b>	<b>1,885</b>	<b>2,008</b>	<b>2,094</b>
Revenue Growth	-	30%	10%	7%	4%
<b>EBITDA</b>	<b>508</b>	<b>671</b>	<b>750</b>	<b>811</b>	<b>858</b>
EBITDA Margin	39%	39%	40%	40%	41%
Net Profit Margin	8%	9%	11%	13%	15%
<b>CAPEX</b>	<b>337</b>	<b>320</b>	<b>304</b>	<b>289</b>	<b>260</b>
CAPEX/Revenue	26%	19%	16%	14%	12%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-154</b>	<b>-79</b>	<b>-21</b>	<b>31</b>
<b>Total Shareholder Value</b>					<b>283</b>
<b>Value per Qtel Share (QAR)</b>					<b>1.06</b>

Source: Qtel, Prime Estimates

## Past Performance

Revenue recorded QAR1.3 billion in FY08 as mobile penetration in the Sultanate grew to an estimated 120% and EBITDA margin was 39% for the year. The company continued to invest in infrastructure development, spending QAR337 million in FY08 on its mobile network, which now has 96% population coverage. Nawras was responsible for 7% of group revenue, 5% of EBITDA and 5% of net profit in FY08.

## Future Assumptions

*We expect growth at CAGR 10.3% in revenue for Nawras between FY09-FY13 on the back of sustained growth in mobile subscribers and the contribution from fixed line services*

We expect growth at CAGR 10.3% in revenue for Nawras between FY09-FY13 on the back of sustained growth in mobile subscribers and the contribution from fixed line services, despite the lower share of mobile additions (ca. 46%) that the company is expected to receive with the presence of competition from MVNO's and the anticipated decline in ARPU at CAGR -2% per annum over the same period. Revenue is expected to grow by 63% in FY13 to QAR2.15 billion from QAR1.3 billion in FY08 and EBITDA is forecast to grow in parallel to QAR893 million as EBITDA margin improves to 42% in FY13 from the current 39%. The company's net profit margin is expected to grow from 8% in FY08 to 17% in FY13 as interest on the QAR560 million of debt is reduced. CAPEX in FY08 amounted to QAR337 million as the company invested in expanding its mobile network and we expect spending to focus more on fixed line infrastructure since wireless network coverage is 96%, and thus CAPEX/Revenue will drop slowly from 19% in FY09 to 12% in FY12.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 7%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR1.06 per Qtel share from Nawras.

## Asiacell – Iraq

*Qtel formed a new company called Asiacell for Communications LLC in August 2007 after a consortium in which Qtel owns a 30% stake won a 15-year license at a cost of QAR4.55 billion (USD1.25 billion) to build and operate a GSM network in Iraq*

Wataniya Group initially owned the first GSM mobile operator in Iraq, Asia-Cell Telecommunications Co. Ltd., but the regulatory authority did not renew the operator's license in December 2006, forcing the company to close down and file for voluntary liquidation of assets. Following that, and after the Qtel acquisition of Wataniya, Qtel formed a new company called Asiacell for Communications LLC in August 2007 after a consortium in which Qtel owns a 30% stake won a 15-year license at a cost of QAR4.55 billion (USD1.25 billion) to build and operate a GSM network in Iraq. This newly formed company would use the assets of Wataniya's discontinued operation Asia-Cell Telecommunications.

Asiacell owns the only fully integrated North-to-South network in Iraq and provides a wide range of mobile services including GPRS, SMS, MMS and voice mail to its subscribers. With Iraq's fixed line infrastructure compromised during the war, the focus has been primarily on the mobile sector and an increase in market share (34% as of FY08e). Asiacell was responsible for 14% of group revenue, 15% of EBITDA and 5% of net profit in FY08. Revenue for this operation reached QAR2.85 billion in FY08 with EBITDA margin of 50%.

## Competition

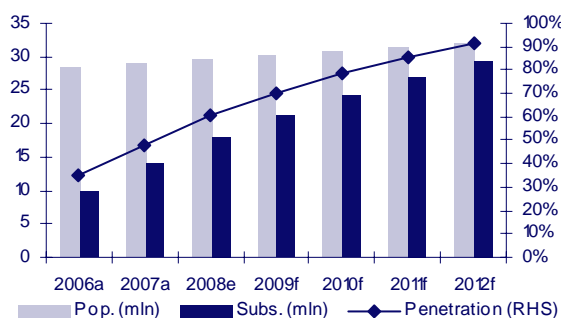
Kuwait's Zain (formerly MTC) also operates in Iraq controlling an estimated 50% of the mobile market as of FY08. In 2008, Zain pioneered the launch of its "One Network" service whereby its customers are charged local Zain mobile rates while roaming in countries where the operator is active (Kuwait, Bahrain, Iraq, Jordan, Lebanon and Saudi Arabia in the Middle East as well as 16 African countries). This offer has certainly provided Zain with a special edge and cemented the operator's position as a force to be reckoned with in the region. Stiff competition and the drive to increase mobile penetration (only 60% as of FY08e) are having a negative effect on prices but a great deal of growth in subscribers should be expected over the coming years.

The Iraqi telecommunications market is regulated by the National Communications and Media Commission (NCMC) and has since granted at least 4 fixed wireless licenses in an attempt to address the extremely low fixed line penetration (only 4.7% in FY07 according to BMI) that has resulted from the war, during which fixed line infrastructure was severely damaged. Coupled with low PC penetration, this has also led to low internet penetration (only 1.1% in FY07 according to BMI), but with this situation comes great opportunity for the development of these sectors as Iraq becomes more politically stable.

*The mobile market in Iraq is characterized by a high percentage of prepaid subscribers and two dominant operators (Zain and Asiacell), controlling an estimated 84% of the market as of FY08*

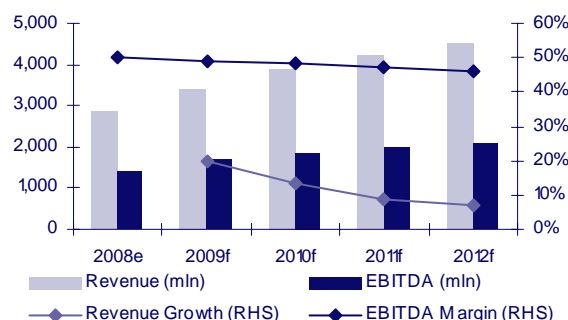
The mobile market in Iraq is characterized by a high percentage of prepaid subscribers and two dominant operators (Zain and Asiacell), controlling an estimated 84% of the market as of FY08, after Zain acquired Orascom Telecom's operator Iraqna in December 2007 for USD1.2 billion. A third mobile operator, Korek Telecom, launched its operations in August 2007.

Figure 6: Iraq's Population and Mobile Subscribers



Source: IMF, BMI, Qtel, Prime estimates

Figure 7: Asiacell's Revenue and EBITDA (QAR)



Source: Qtel, Prime estimates

## Economy

Iraq is still exhibiting a high degree of political instability making it a less than ideal place to do business. Nevertheless, revenues from oil production (currently at 2.3 million b/d) and the lifting of sanctions mean that the government has the required resources to rebuild the country and its economy. The population of Iraq is estimated at 29.7 million as of FY08 along with GDP expected to reach USD97.6 billion, demonstrating a 43.1% jump y-o-y (BMI estimates). Iraq's population is expected to grow at CAGR 2% between FY09-FY13 reaching 32.7 million in the terminal year with a corresponding GDP per capita of USD3,605.

Table 6: **Asiacell's Key Indicators**

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	29,100	29,700	30,300	30,900	31,500	32,100
Population Growth	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%
Nominal GDP Growth	16.8%	43.1%	-4.8%	2.4%	9.1%	8.3%
<b>Mobile Penetration</b>	<b>48%</b>	<b>60%</b>	<b>70%</b>	<b>78%</b>	<b>85%</b>	<b>91%</b>
<b>Asiacell</b>						
<b>Mobile Subscribers</b>	<b>4,290</b>	<b>6,106</b>	<b>7,551</b>	<b>8,807</b>	<b>9,883</b>	<b>10,816</b>
Growth	57%	42%	24%	17%	12%	9%
Mobile Market Share	31%	34%	36%	36%	37%	37%
ARPU	-	39	38	37	35	35
<b>Zain</b>						
<b>Mobile Subscribers</b>	<b>7,287</b>	<b>8,988</b>	<b>10,434</b>	<b>11,689</b>	<b>12,766</b>	<b>13,698</b>
Growth	128%	23%	16%	12%	9%	7%
Mobile Market Share	52%	50%	49%	48%	47%	47%

Source: IMF, BMI, Qtel, Prime Estimates

## Telecom Market

*The country's mobile penetration has grown at CAGR 53% over the past 3 years culminating at 60% in FY08 and expected to reach 96% in FY13 as operators expand and enhance their mobile coverage*

The country's mobile penetration has grown at CAGR 53% over the past 3 years culminating at 60% in FY08 and expected to reach 96% in FY13 as operators expand and enhance their mobile coverage. Mobile subscribers have grown at CAGR 56.1% since FY06 and are expected to continue at CAGR 12% between FY09-FY13, reaching 31.5 million versus the current estimated 17.9 million (76% increase). Asiacell is expected to increase its market share from the current 34% to 37% in FY13 while growing its subscriber base by 90%. ARPU erosion is a normal phenomenon in large markets such as Iraq and we foresee a 12% drop in Asiacell's ARPU to QAR34 (USD9.4) by FY13 from the current QAR39 (USD10.7).

Table 7: Asiacell's Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>2,846</b>	<b>3,414</b>	<b>3,862</b>	<b>4,204</b>	<b>4,509</b>
Revenue Growth	-	20%	13%	9%	7%
<b>EBITDA</b>	<b>1,427</b>	<b>1,678</b>	<b>1,859</b>	<b>1,980</b>	<b>2,075</b>
EBITDA Margin	50%	49%	48%	47%	46%
Net Profit Margin	4%	7%	10%	13%	16%
<b>CAPEX</b>	<b>450</b>	<b>445</b>	<b>441</b>	<b>436</b>	<b>432</b>
CAPEX/Revenue	16%	13%	11%	10%	10%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-171</b>	<b>-27</b>	<b>77</b>	<b>148</b>
<b>Total Shareholder Value</b>					<b>2,044</b>
<b>Value per Qtel Share (QAR)</b>					<b>4.18</b>

Source: Qtel, Prime Estimates

## Past Performance

Revenue recorded QAR2.85 billion in FY08 as mobile penetration in Iraq grew to an estimated 60% from 48% in FY07 and EBITDA margin was strong at 50% for the year. The company continues to invest moderately in infrastructure development, spending 16% of revenues in FY08 on mobile network expansion and development. Asiacell was responsible for 14% of group revenue, 15% of EBITDA and 5% of net profit in FY08.

## Future Assumptions

*We expect growth at CAGR 10.8% in revenue for Asiacell over our 5-year forecast horizon ending in FY13 on the back of sustained growth in mobile subscribers due to relatively low penetration*

We expect growth at CAGR 10.8% in revenue for Asiacell over our 5-year forecast horizon ending in FY13 on the back of sustained growth in mobile subscribers due to relatively low penetration, despite the increased competition from new (smaller) operators and the anticipated decline in ARPU at CAGR -2.6% over the same period. Revenue is expected to grow by 67% in FY13 over QAR2.85 billion in FY08 and EBITDA is forecast to rise in parallel to QAR2.1 billion while EBITDA margin dips to 45% in FY13 from the current 50%. The company's net profit margin is expected to grow from 4% in FY08 to 18% in FY13 as other non-operating costs are controlled. We expect slightly lower spending on wireless networks going forward with CAPEX/Revenue dropping slowly from 13% in FY09 to 10% in FY13.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 10%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR4.18 per Qtel share from Asiacell.

## PT Indosat – Indonesia

PT Indosat began operations in 1967 as a foreign investment company providing international communication services in Indonesia but was later acquired by the government of Indonesia in 1980 and continued providing international calling, data and leased line services until the mid-90's where it began offering mobile services as well. Indosat's stocks were listed on the Jakarta and Surabaya Stock Exchanges in Indonesia as well as the New York Stock Exchange in 1994. After the acquisition of PT Satelit Palapa Indonesia in 2001, the company became the second largest mobile provider in Indonesia after incumbent Telkom. At the end of 2002, the government of Indonesia sold its 41.94% investment in Indosat to Asia Mobile Holdings (AMH), a subsidiary of Singapore Technologies Telemedia.

*Qtel purchased AMH's interest in Indosat during June 2008 giving Qtel a 40.81% stake in Indosat, including management control*

Qtel holds a 25% stake in AMH and purchased AMH's interest in Indosat during June 2008 giving Qtel a 40.81% stake in Indosat, including management control. Qtel also won regulatory approval in January 2009 to up its stake to the 65% limit permitted, offering to buy the additional shares at a price of IDR7,388 per share (deal concluded in February 2009). Today, Indosat offers mobile, fixed line/fixed wireless and internet services in Indonesia and maintains its position as the second largest mobile operator in the country. Indosat was responsible for 21% of group revenue, 21% of EBITDA and 7% of net profit in FY08. Revenue grew by 13% y-o-y to reach QAR6.26 billion in FY08 with a corresponding EBITDA margin of 50%.

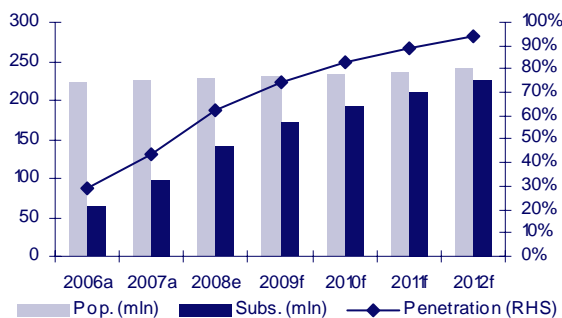
## Competition

*Recent price cuts enforced by the government have exerted pressure on revenue and placed smaller operators at risk*

Indosat holds a 26% market share and is facing stiff competition from incumbent Telkom (44% market share as of FY08e), Etisalat's Excelcomindo (17% market share as of FY08e) and several smaller operators. Recent price cuts enforced by the government have exerted pressure on revenue and placed smaller operators at risk, but this did not prevent Indosat from recording 13% y-o-y growth in revenue (Indosat's ARPU dropped 26.8%). Despite that, the Indonesian mobile market remains lucrative with mobile penetration estimated to be as low as 62% in FY08 and population standing at 227.8 million. There has also been concern over spectrum being insufficient to support the entry of new operators to the market.

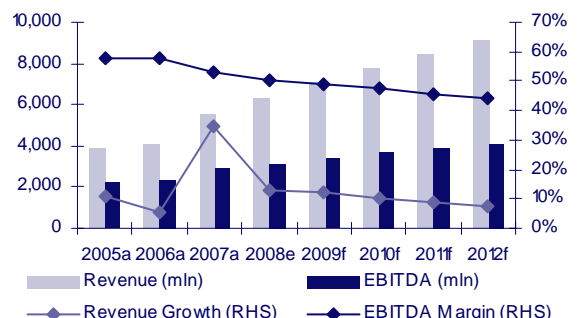
Indonesia's terrain poses a significant constraint on fixed line network expansion, which has led fixed line operators like Indosat's StarOne and Telkom's Flexi to invest in fixed wireless networks (WiMax) in order to reach rural areas. Speculation that major cities are reaching mobile saturation is a further incentive for such expansionary initiatives.

Figure 8: Indonesia's Population and Mobile Subscribers



Source: IMF, BMI, Qtel, Prime estimates

Figure 9: Indosat's Revenue and EBITDA (QAR)



Source: Qtel, Prime estimates

## Economy

*Indonesia's nominal GDP is expected to continue growing at CAGR 9.7% between FY09-FY13 settling at USD788 billion*

Indonesia's nominal GDP has grown at CAGR 16.8% since FY03 to reach an estimated USD497 billion in FY08 (GDP per capita of USD2,142) and is expected to continue at CAGR 9.7% between FY09-FY13 settling at USD788 billion. Population growth has been steady at 1.3% and is estimated to continue at this pace going forward to reach 243 million by FY13 while inflation is expected to ease from the current 9.8% in FY08 to 8.8% in FY09 and 4.7% in FY13.

Table 8: Indosat's Key Indicators

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	224,905	227,829	230,790	233,791	236,830	239,909
Population Growth	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Nominal GDP Growth	18.8%	14.8%	11.2%	9.9%	9.2%	9.0%
Inflation	6.2%	9.8%	8.8%	7.0%	5.9%	5.2%
<b>Fixed Line Penetration</b>	<b>7.9%</b>	<b>8.8%</b>	<b>9.5%</b>	<b>10.1%</b>	<b>10.6%</b>	<b>11.1%</b>
<b>Mobile Penetration</b>	<b>43%</b>	<b>62%</b>	<b>74%</b>	<b>83%</b>	<b>89%</b>	<b>94%</b>
<b>Internet Penetration *</b>	<b>14%</b>	<b>16%</b>	<b>18%</b>	<b>20%</b>	<b>21%</b>	<b>22%</b>
<b>Indosat</b>						
<b>Mobile Subscribers</b>	<b>24,545</b>	<b>37,272</b>	<b>45,545</b>	<b>51,463</b>	<b>56,022</b>	<b>59,897</b>
Growth	47%	52%	22%	13%	9%	7%
Mobile Market Share	25%	26%	27%	27%	27%	27%
ARPU	14.5	10.6	9.8	9.4	9.2	9.1
<b>Telkomsel</b>						
<b>Mobile Subscribers</b>	<b>47,900</b>	<b>62,376</b>	<b>71,201</b>	<b>77,996</b>	<b>83,432</b>	<b>87,754</b>
Growth	35%	30%	14%	10%	7%	5%
Mobile Market Share	49%	44%	42%	40%	40%	39%
<b>Excelcomindo</b>						
<b>Mobile Subscribers</b>	<b>15,469</b>	<b>23,786</b>	<b>29,193</b>	<b>32,919</b>	<b>35,725</b>	<b>38,109</b>
Growth	62%	54%	23%	13%	9%	7%
Mobile Market Share	16%	17%	17%	17%	17%	17%

Source: IMF, BMI, Indosat, Prime Estimates

\* Internet penetration numbers assume 2.5 users per line

## Telecom Market

*The country's mobile penetration has grown at CAGR 41.4% over the past 3 years culminating at 62% in FY08 and expected to reach 98% in FY13 as a result of an increasingly competitive environment*

The country's mobile penetration has grown at CAGR 41.4% over the past 3 years culminating at 62% in FY08 and expected to reach 98% in FY13 as a result of an increasingly competitive environment. Mobile subscribers have grown at CAGR 43.3% since FY06 and are expected to continue at CAGR 10.9% over our 5-year forecast horizon, reaching 238.5 million subscribers in FY13 versus the current 142.3 million (68% increase). Indosat is expected to hold on to second place with a 26% market share in FY13, while growing its subscriber base from the current 37.2 million (52% y-o-y growth) to 63.1 million in FY13.

ARPU fell 26.8% y-o-y from QAR14.5 (USD3.9) in FY07 driving us to anticipate an additional 8% drop this year to QAR9.8 (USD2.6) and a decline to QAR9 by FY13. Fixed line revenue grew 11% y-o-y and revenue from the data and internet segment grew by an impressive 26% y-o-y leading us to forecast growth of CAGR 10% per annum for fixed lines and CAGR 15% per annum for data and internet going forward.



Table 9: Indosat's Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>6,265</b>	<b>7,053</b>	<b>7,789</b>	<b>8,484</b>	<b>9,125</b>
Revenue Growth	13%	13%	10%	9%	8%
<b>EBITDA</b>	<b>3,130</b>	<b>3,430</b>	<b>3,682</b>	<b>3,892</b>	<b>4,054</b>
EBITDA Margin	50%	49%	47%	46%	44%
Net Profit Margin	10%	7%	6%	7%	8%
<b>CAPEX</b>	<b>4,100</b>	<b>3,690</b>	<b>2,952</b>	<b>1,476</b>	<b>1,329</b>
CAPEX/Revenue	65%	52%	38%	17%	15%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-926</b>	<b>-212</b>	<b>939</b>	<b>986</b>
<b>Total Shareholder Value</b>					<b>6,164</b>
<b>Value per Qtel Share (QAR)</b>					<b>27.3</b>

Source: Qtel, Indosat, Prime Estimates

## Past Performance

Revenue recorded QAR6.26 billion in FY08 as mobile penetration in Indonesia grew to an estimated 62% from 43% in FY07 and EBITDA margin was strong at 50% for the year. The company continues to invest heavily in infrastructure development, spending 65% of revenues (QAR4.1 billion) in FY08 as it expanded its mobile and fixed wireless networks' capacity and coverage. Indosat was responsible for 21% of group revenue, 21% of EBITDA and 7% of net profit in FY08.

## Future Assumptions

*We expect growth at CAGR 9.2% in revenue for Indosat between FY09-FY13 on the back of sustained growth in mobile subscribers as the company expands its network in rural areas attracting more subscribers*

We expect growth at CAGR 9.2% in revenue for Indosat between FY09-FY13 on the back of sustained growth in mobile subscribers as the company expands its network in rural areas attracting more subscribers, despite the presence of competition from new operators and the anticipated decline in ARPU at CAGR -2.8% per annum over the same period. Revenue is expected to grow by 55% in FY13 over QAR6.26 billion in FY08 and EBITDA is forecast to grow in parallel to QAR4.1 billion while EBITDA margin drops to 43% in FY13 from the current 50% due to continued price-based competition. The company's net profit margin is expected to drop from 10% in FY08 to 9% in FY13 as income tax and financing costs continue to exert pressure on the bottom line, which will still manage to grow by 40% over the period. We expect continued spending over the next two years at least with CAPEX/Revenue dropping from 52% in FY09 to 38% in FY10 and 12% in FY13.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 10%, a terminal growth rate of 3.5% and a beta of 1.0 we conclude a DCF value of QAR27.3 per Qtel share from Indosat. This implies a share price target of IDR3,378 for Indosat shares, which is 29% below the market price of IDR4,725 (as of 27-Mar-09).

## Wataniya Group

*Wataniya has since grown to become a large regional player with wireless mobile operations in North Africa, Saudi Arabia, Palestine and the Maldives*

During 2007, Qtel purchased a majority 51% stake in the Wataniya Group, which was launched in Kuwait in 1999 as part of the Kuwait Projects Company (KIPCO), one of the largest diversified holding companies operating in the Middle East and North Africa, ending incumbent MTC's (now Zain) monopoly over the Kuwaiti mobile market. Wataniya has since grown to become a large regional player with wireless mobile operations in North Africa, Saudi Arabia, Palestine and the Maldives, serving more than 10.9 million subscribers as of FY08 and generating in excess of QAR6.3 billion in revenues (EBITDA margin of 42.7%). Throughout its history, Wataniya's main objective has been to provide innovative technology and products, focusing on mobile rather than integrated services.

Wataniya International was set up in 2004 with the responsibility of managing global expansion, identifying synergies and providing technical assistance to operators within the group. Wataniya's first investment outside Kuwait came in 2002 with the acquisition of a 50% stake in Tunisian operator Tunisiana, followed in 2003 by the purchase of the third mobile license in Algeria (operator Nedjma) as part of a consortium and a mobile license in Iraq. In 2005, Wataniya was awarded a mobile license in the Maldives and a license to exclusively provide push-to-talk services in Saudi Arabia (operator Bravo). In 2006 an entry into Palestine was made with a successful bid for the second mobile license. Wataniya's stocks were initially listed on the Kuwait Stock Exchange and were subsequently listed on the Qatar Stock Market. Wataniya's operations are spread over the following countries:

Table 10: **Wataniya Subsidiaries**

Country	Operator	Wataniya Stake
Kuwait	<b>Wataniya</b>	100%
Algeria	<b>Nedjma</b>	71%
Tunisia	<b>Tunisiana</b>	50%
Saudi Arabia	<b>PTC Bravo</b>	55.6%
Maldives	<b>Wataniya Maldives</b>	100%
Palestine	<b>Wataniya Palestine</b>	57%

Source: Wataniya

### Subsidiaries' Contribution to Wataniya Group

*Nedjma and Tunisiana contributed 27% and 21% of total revenue in FY08*

Wataniya's international subsidiaries are significant contributors to the group's top-line being responsible for 52% of group revenue in FY08 with Nedjma and Tunisiana contributing 27% and 21% of the total, respectively. However, PTC Bravo and Wataniya Maldives remain relatively small at 3% and 1% respectively.

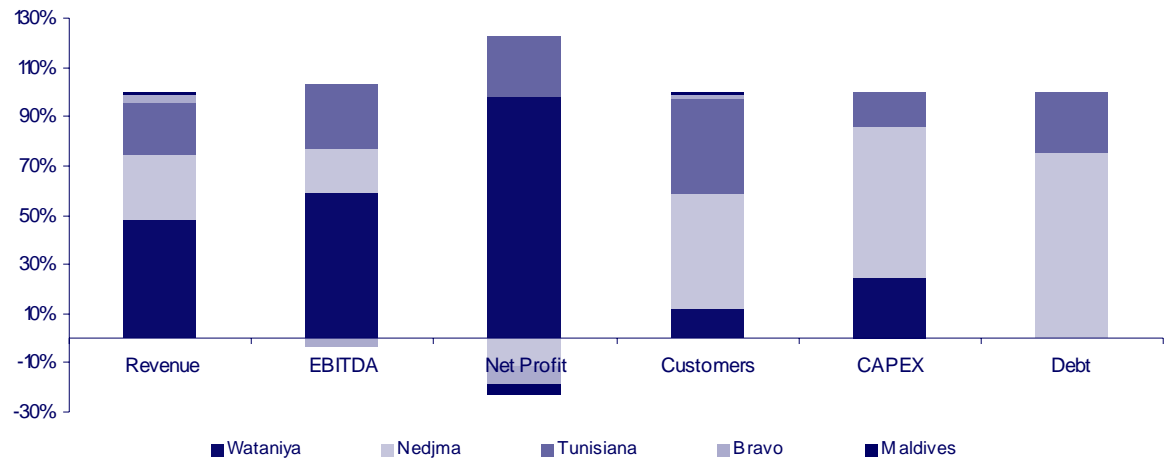
*Wataniya Kuwait is also by far the largest contributor to net profit being responsible for 98% of the total, while Tunisiana added 25% and the remaining operations remain loss-making*

In terms of EBITDA, Wataniya Kuwait is the largest contributor with 59% (QAR1.6 billion) followed by Tunisiana with 25% and Nedjma with 18%. Wataniya Kuwait is also by far the largest contributor to net profit being responsible for 98% of the total, while Tunisiana added 25% and the remaining operations remain loss-making (Nedjma -11%, Bravo -8% and Wataniya Maldives -4%). Despite that, Nedjma has been demonstrating strong revenue growth of CAGR 45.7% since FY06 and its net-loss is influenced by interest payments on its QAR1.48 billion of debt (break even expected in FY10).

Nedjma was responsible for 47% (5.1 million subscribers) of the group's 10.9 million mobile subscribers, in FY08 making it the highest contributor, followed by Tunisiana with 39% of the total and Wataniya Kuwait with 12%. Nedjma was also the highest spender paying an estimated QAR855 million (62% of total) on CAPEX since infrastructure development is key to market share expansion in Algeria, and Wataniya Kuwait spent QAR330 million (24% of total) with the remaining 14% spent by Tunisiana.

Wataniya's international expansion strategy was financed mainly through internal cash with long-term debt kept below the QAR2.5 billion mark throughout the period. Wataniya Kuwait itself currently holds no long-term debt with the outstanding QAR1.8 billion (maturing in 4-5 years) being split between Nedjma (76%) and Tunisiana (24%). The company is currently sitting on QAR1.5 billion in cash and QAR2.1 billion in total debt fuelling speculation that it might use these resources to expand inorganically in the short-term.

Figure 10: Contributions to Wataniya Group by Subsidiary in FY08



Source: Qtel, Wataniya

## Wataniya – Kuwait

*Wataniya enjoyed a very high ARPU of USD53 in FY08*

Self-labeled the "Red Carpet Company" for providing its customers with a high-class treatment, Wataniya has grown to become a stiff competitor of incumbent Zain, controlling 43% of the mobile market as of FY08e (1.3 million subscribers) in this oil rich country where GDP per capita is among the highest in the world (USD46,393 in FY08e, second highest in GCC after Qatar). Wataniya boasts a high quality service and provides innovative products such as mobile broadband and mobile TV and continues to invest in infrastructure, being the first to launch a High Speed Data Packet Access (HSDPA) network covering the entire country. Wataniya enjoyed a very high ARPU of USD53 (-2.6% y-o-y) in FY08 but the emergence of the third operator in 2009, Saudi Arabia's STC, is expected to exert significant downward price pressure leading to mobile ARPU deterioration for both Wataniya and Zain. Wataniya Kuwait was responsible for 15% of group revenue, 17% of EBITDA and 26% of net profit in FY08. Revenue grew by 6.8% y-o-y to reach QAR3 billion in FY08 with a corresponding EBITDA margin of 53.2%.

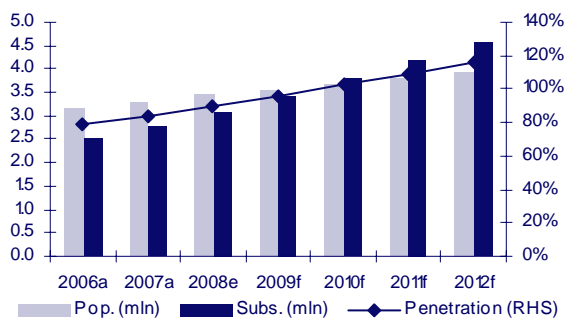
### Competition

*Saudi Arabia's STC won a bid for a 26% stake in the third mobile license in Kuwait (branded Viva) during November 2007 for a price of QAR3.3 billion (USD907.7 million)*

Saudi Arabia's STC won a bid for a 26% stake in the third mobile license in Kuwait (branded Viva) during November 2007 for a price of QAR3.3 billion (USD907.7 million). According to our calculation, mobile penetration in Kuwait stood at 82% at the end of FY07 so there is room for more growth in the segment. Viva started operations on December 3rd, 2008 and the company's CEO expects to capture as much as 300,000 subscribers within one year, equivalent to an estimated 9% market share. We expect price competition with the launch of Viva and a slight deterioration of Wataniya's very high mobile ARPU.

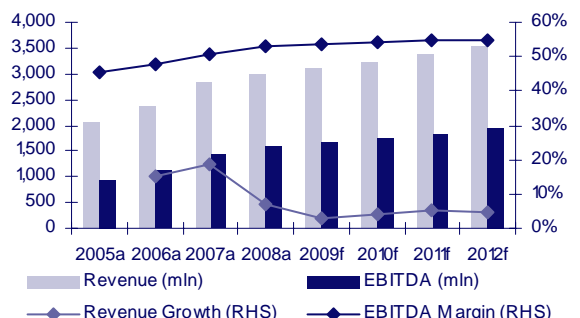
In 2008, Zain pioneered the launch of its "One Network" service whereby it customers are charged local Zain mobile rates while roaming in countries where the operator is active (Kuwait, Bahrain, Iraq, Jordan, Lebanon and Saudi Arabia in the Middle East as well as 16 African countries). This offer has certainly provided Zain with a special edge and cemented the operator's position as a force to be reckoned with in the region. It is worth noting, however, that Wataniya has been capturing a significant portion of incremental mobile subscriptions in Kuwait for several years, clinching 83% in FY06, 53% in FY07 and 38% in FY08e. Incumbent Zain controlled an estimated 56% of the mobile market in FY08 versus Wataniya's 43%, but newcomer Viva is expected to be aggressive while acquiring its customer base, probably resorting to price reductions due to the saturated nature of the market. Both Wataniya and Zain (at a larger scale) have diversified their operations spreading into high-growth emerging markets across the GCC, Africa and Southeast Asia.

Figure 11: Kuwait's Population and Mobile Subscribers



Source: IMF, BMI, Wataniya, Prime estimates

Figure 12: Wataniya Kuwait's Revenue and EBITDA (QAR)



Source: Wataniya, Prime estimates

### Economy

*Growth at CAGR of 5.7% in nominal GDP is expected between FY09-FY13*

Kuwait's nominal GDP has been growing at a very fast pace of CAGR 23.6% since FY04 and is expected to jump 43.2% y-o-y in FY08 to reach USD159.7 billion, influenced by record average oil prices during the year. Growth at CAGR 5.7% in nominal GDP is expected between FY09-FY13 in this oil-reliant economy with inflation expected to drop from an estimated 9% in FY08 to 4.5% in FY13 (IMF). Population growth is expected to slow down to CAGR 3.5% between FY09-FY13 compared to 6.2% between FY04-FY08, limiting potential subscriber growth in Kuwait and justifying Wataniya's and Zain's moves of diversifying their operations abroad.

Table 11: **Wataniya Kuwait's Key Indicators**

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	3,310	3,443	3,563	3,688	3,817	3,951
Population Growth	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%
Nominal GDP Growth	13.0%	43.2%	2.2%	7.3%	6.4%	6.0%
Inflation	5.5%	9.0%	7.5%	5.0%	4.6%	4.5%
<b>Mobile Penetration</b>	<b>84%</b>	<b>89%</b>	<b>96%</b>	<b>103%</b>	<b>109%</b>	<b>116%</b>
<b>Wataniya Kuwait</b>						
<b>Mobile Subscribers</b>	<b>1,198</b>	<b>1,314</b>	<b>1,420</b>	<b>1,541</b>	<b>1,668</b>	<b>1,798</b>
Growth	12%	10%	8%	9%	8%	8%
Mobile Market Share	43%	43%	41%	41%	40%	39%
ARPU	196	191	181	174	169	164
<b>Zain</b>						
<b>Mobile Subscribers</b>	<b>1,576</b>	<b>1,719</b>	<b>1,806</b>	<b>1,905</b>	<b>2,032</b>	<b>2,162</b>
Growth	8%	9%	5%	6%	7%	6%
Mobile Market Share	57%	56%	53%	50%	49%	47%
<b>Viva</b>						
<b>Mobile Subscribers</b>	-	<b>46</b>	<b>204</b>	<b>351</b>	<b>477</b>	<b>608</b>
Growth	-	-	345%	72%	36%	27%
Mobile Market Share	-	1%	6%	9%	11%	13%

Source: IMF, BMI, Wataniya, Prime Estimates

## Telecom Market

*The country's mobile penetration has grown at CAGR 4% over the past 3 years culminating at 89% in FY08 and expected to reach 122% in FY13 as increased competition leads to an increase in additions*

The country's mobile penetration has grown at CAGR 4% over the past 3 years culminating at 89% in FY08 and expected to reach 122% in FY13 as increased competition leads to an increase in additions. Mobile subscribers have grown at CAGR 8.9% since FY06 and are expected to continue at CAGR 10.1% between FY09-FY13, reaching 4.56 million versus the current estimated 3.08 million (61% increase).

Wataniya Kuwait's market share is expected to drop from the current 43% to 39% in FY13 while its subscriber base grows by 47% over the period. We believe that the current ARPU that Zain and Wataniya enjoy in Kuwait is too high and has only one way to go, namely down. The introduction of the third mobile operator, Viva, will also influence this deterioration and we foresee Wataniya's ARPU dropping from the current QAR191 (USD53) to QAR159 (USD44) by FY13, translating into a 17% drop.

Table 12: **Wataniya Kuwait's Financials and Valuation**

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>3,009</b>	<b>3,090</b>	<b>3,220</b>	<b>3,380</b>	<b>3,534</b>
Revenue Growth	7%	3%	4%	5%	5%
<b>EBITDA</b>	<b>1,600</b>	<b>1,658</b>	<b>1,742</b>	<b>1,844</b>	<b>1,945</b>
EBITDA Margin	53%	54%	54%	55%	55%
<b>CAPEX</b>	<b>330</b>	<b>313</b>	<b>298</b>	<b>283</b>	<b>269</b>
CAPEX/Revenue	11%	10%	9%	8%	8%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>759</b>	<b>725</b>	<b>695</b>	<b>661</b>
<b>Total Shareholder Value</b>					<b>9,779</b>
<b>Value per Qtel Share (QAR)</b>					<b>22.4</b>

Source: Wataniya, Prime Estimates

## Past Performance

Revenue recorded QAR3 billion in FY08 as mobile penetration in Kuwait grew to an estimated 89% from 84% in FY07 and EBITDA margin was strong at 53.2% for the year. The company invested moderately in infrastructure maintenance and minor upgrades, spending only 11% of revenues in FY08. Wataniya Kuwait was responsible for 15% of group revenue, 17% of EBITDA and 26% of net profit in FY08.

## Future Assumptions

*We expect growth of CAGR 4.1% in revenue for Wataniya Kuwait between FY09-FY13 on the back of slower growth in mobile subscribers due to saturation and a lower share of incremental subscribers*

We expect growth of CAGR 4.1% in revenue for Wataniya Kuwait between FY09-FY13 on the back of slower growth in mobile subscribers due to saturation and a lower share of incremental subscribers (estimated at ca. 30% in FY09 versus 38% in FY08) that the company is expected to receive with the presence of newly launched Viva (part of STC), which is expected to be aggressive in its customer acquisition, leading us to anticipate a decline in ARPU of CAGR -3.6% per annum for Wataniya Kuwait over the period as it competes. Revenue is expected to grow by 22% in FY13 over the current figure and EBITDA is forecast to grow in parallel to QAR2 billion as EBITDA margin rises to 55% in FY13 from the current 53.2%. We expect infrastructure spending to remain at current levels since coverage is adequate, with CAPEX/Revenue dropping slowly from 11% in FY09 to 7% in FY13.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 7%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR22.4 per Qtel share from Wataniya Kuwait.



## Tunisian – Tunisia

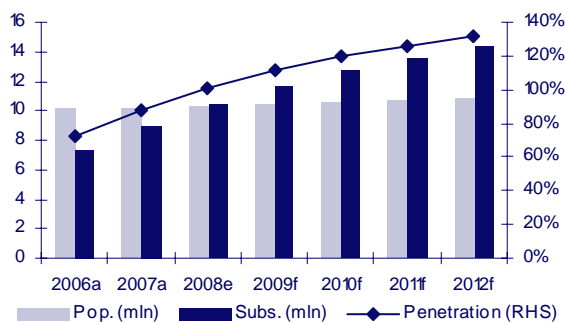
*Tunisian controls 41% of the market or 4.3 million subscribers as of FY08 end*

Tunisian launched operations in 2002 as the first private mobile operator in the country (second to government-owned Tunisie Telecom) in the form of a 50:50 joint venture between Orascom Telecom of Egypt and Wataniya. Tunisian controls 41% of the market (4.3 million subscribers in FY08) and provides advanced services such as GPRS, EDGE, push email, mobile broadband and credit card recharging for prepaid lines. The company has around 20 stores in service in addition to a strong distribution network and continues to invest in infrastructure to support its growing customer base, spending QAR476 million in FY08 on CAPEX. Tunisian's postpaid subscribers have been on the rise and its ARPU has been growing steadily over the past 3 years going from QAR48.4 (USD13.5) in FY06 to QAR51.6 (USD14.4) in FY08, a 6.6% increase. Tunisian was responsible for 7% of group revenue, 7% of EBITDA and 7% of net profit in FY08. Revenue grew by a strong 23% y-o-y to reach QAR2.6 billion in FY08 with a corresponding EBITDA margin of 52.3%.

### Competition

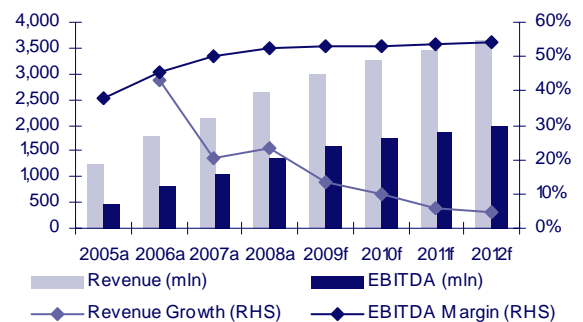
Government-owned Tunisie Telecom's monopoly was broken in 2002 with the launch of Tunisian, a 50:50 joint venture between Egypt's telecom giant Orascom Telecom and Wataniya. Tunisie Telecom provides integrated telecom services and its mobile market share has dropped to 60% in FY07 and is expected to remain so going forward over our forecast horizon.

Figure 13: Tunisia's Population and Mobile Subscribers



Source: IMF, BMI, Wataniya, Prime estimates

Figure 14: Tunisian's Revenue and EBITDA (QAR)



Source: Wataniya, Prime estimates

### Economy

*Nominal GDP has been growing at CAGR 12.1% since FY03 and is expected to continue at CAGR 7% until FY13*

Tunisia's GDP is expected to record a strong 19.3% increase y-o-y in FY08, reaching USD41.8 billion. Nominal GDP has been growing at CAGR 12.1% since FY03 and is expected to continue at CAGR 7% until FY13. Tunisia's population has been growing at CAGR of 1.0% since FY03 but somewhat faster growth of CAGR 1.3% is expected going forward with population reaching 11 million in FY13 (7% increase over FY08). GDP per capita is estimated at USD4,033 in FY08 while inflation is expected to drop from 5.1% in FY08 to 2.7% in FY13.

### Telecom Market

*The country's mobile penetration has grown at CAGR 21.3% over the past 3 years culminating at an estimated 101% in FY08 and expected to reach 137% in FY13 as steady growth continues*

The country's mobile penetration has grown at CAGR 21.3% over the past 3 years culminating at an estimated 101% in FY08 and expected to reach 137% in FY13 as steady growth continues. Mobile subscribers have grown at CAGR 22.7% since 2006 and are expected to continue at CAGR 7.7% between over our 5-year forecast horizon, reaching 15.2 million in FY13 versus the current estimated 10.5 million (45% increase). Tunisian is expected to hold on to a market share of 40% going forward while growing its subscriber base by 44% to 6.1 million in FY13. We expect Tunisian's ARPU to remain stable at QAR52 (USD14.4) by FY13.

### Past Performance

Revenue jumped 23% y-o-y to QAR3 billion in FY08 as mobile penetration in Tunisia grew to an estimated 101% from 88% in the previous year and EBITDA margin remained strong at 52.3%. The company invested minimally in infrastructure maintenance and upgrades, spending 14% of revenues in FY08. Tunisian was responsible for 7% of group revenue, 7% of EBITDA and 7% of net profit in FY08.

Table 13: Tunisia's Key Indicators

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	10,225	10,358	10,493	10,629	10,768	10,908
Population Growth	1.0%	1.3%	1.3%	1.3%	1.3%	1.3%
Nominal GDP Growth	13.1%	19.3%	5.1%	7.5%	7.7%	7.3%
Inflation	3.1%	5.1%	4.5%	3.5%	3.2%	2.9%
<b>Mobile Penetration</b>	<b>88%</b>	<b>101%</b>	<b>111%</b>	<b>119%</b>	<b>126%</b>	<b>132%</b>
<b>Tunisia</b>						
<b>Mobile Subscribers</b>	<b>3,652</b>	<b>4,257</b>	<b>4,733</b>	<b>5,138</b>	<b>5,503</b>	<b>5,831</b>
Growth	19%	17%	11%	9%	7%	6%
Mobile Market Share	41%	41%	41%	40%	40%	40%
ARPU	49	52	53	53	53	52
<b>Tunisie Telecom</b>						
<b>Mobile Subscribers</b>	<b>5,400</b>	<b>6,285</b>	<b>7,000</b>	<b>7,607</b>	<b>8,154</b>	<b>8,647</b>
Growth	-	16%	11%	9%	7%	6%
Mobile Market Share	60%	60%	60%	60%	60%	60%

Source: IMF, BMI, Wataniya, Prime Estimates

## Future Assumptions

*We expect growth of CAGR 7.5% in revenue for Tunisia between FY09-FY13 on the back of continued growth in mobile subscribers with ARPU holding steady at QAR52 (USD14.5) over the period*

We expect growth of CAGR 7.5% in revenue for Tunisia between FY09-FY13 on the back of continued growth in mobile subscribers with ARPU holding steady at QAR52 (USD14.5) over the period (ARPU grew 6% y-o-y in FY08 as the company attracted more post-paid subscribers). Revenue is expected to grow by 44% in FY13 over the current QAR2.6 billion and EBITDA is forecast to grow at an even faster pace of 50% crossing the QAR2 billion mark as EBITDA Margin improves to 55% in FY13 while the company realizes benefits from scale. The company's net profit margin is expected to grow from 21% in FY08 to 28% in FY13 as financing costs on its QAR592 million of debt come down. We expect CAPEX spending to drop from the current 14% to 9% in FY13.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 8%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR5.48 per Qtel share from Tunisia.

Table 14: Tunisia's Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>2,635</b>	<b>2,989</b>	<b>3,277</b>	<b>3,474</b>	<b>3,645</b>
Revenue Growth	23%	13%	10%	6%	5%
<b>EBITDA</b>	<b>1,379</b>	<b>1,578</b>	<b>1,745</b>	<b>1,867</b>	<b>1,975</b>
EBITDA Margin	52%	53%	53%	54%	54%
Net Profit Margin	21%	23%	24%	25%	27%
<b>CAPEX</b>	<b>375</b>	<b>367</b>	<b>360</b>	<b>353</b>	<b>346</b>
CAPEX/Revenue	14%	12%	11%	10%	9%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>279</b>	<b>334</b>	<b>359</b>	<b>371</b>
<b>Total Shareholder Value</b>					<b>4,782</b>
<b>Value per Qtel Share (QAR)</b>					<b>5.48</b>

Source: Wataniya, Prime Estimates

## Nedjma – Algeria

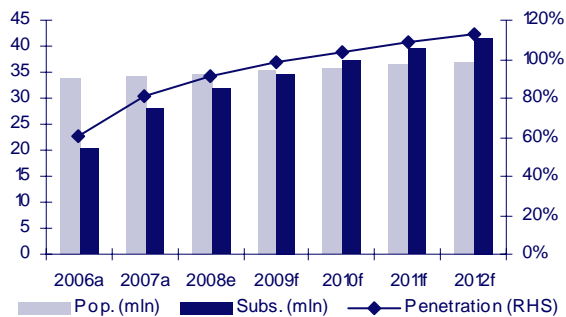
*Nedjma was responsible for 9% of group revenue, 5% of EBITDA and reduced the group's net profit by 4% in FY08*

Wataniya purchased the third mobile license in Algeria in 2003 through a consortium in which it owned 71% and services were launched in 2004 under the brand name Nedjma, which controlled 16% of the mobile market (4.54 million subscribers) by the end of FY07. Nedjma continues to enhance its infrastructure in anticipation of future growth, covering more than 87% of the population by FY07 and focusing on increasing brand awareness through its marketing campaigns. Nedjma also has a network of dedicated shops and enjoys a solid position in this unsaturated mobile market (81% penetration in FY07, expected at 94% in FY08) exhibiting low ARPU. Nedjma was the first operator to introduce prepaid roaming and GPRS in the country and has increased its network capacity to maintain a high-quality service. Nedjma was responsible for 9% of group revenue, 5% of EBITDA and reduced the group's net profit by 4% in FY08 after reporting a loss of QAR91 million. Revenue grew by a strong 28% y-o-y to reach QAR1.7 billion in FY08 with a corresponding EBITDA margin of 29%.

### Competition

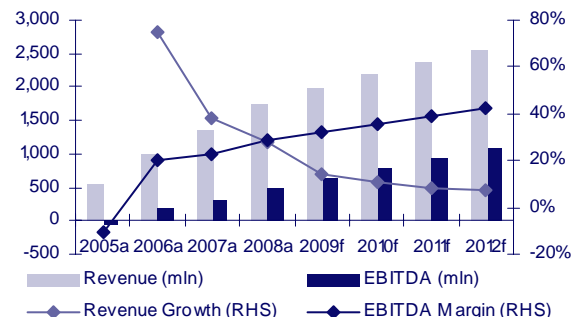
Nedjma was the third and last mobile operator to enter the Algerian market, which is dominated by Orascom Telecom's Djazzy (47% FY08e market share) and Mobilis (37% FY08e market share). Competition in the market led to some price cuts in FY06 and FY07 resulting in an abundance of prepaid subscribers. However, Nedjma's ARPU grew by 12% in FY08 to reach QAR28 (USD7.9) from QAR25 (USD7) in FY07.

Figure 15: Algeria's Population and Mobile Subscribers



Source: IMF, BMI, Wataniya, Prime estimates

Figure 16: Nedjma's Revenue and EBITDA (QAR)



Source: Wataniya, Prime estimates

### Economy

*Nominal GDP has been growing at CAGR 20.2% since FY03 and is expected to continue at CAGR 4.3% until FY13*

Algeria's GDP is expected to have recorded a strong 27.6% increase y-o-y in FY08, reaching USD171.3 billion. Nominal GDP has been growing at CAGR 20.2% since FY03 and is expected to continue at CAGR 4.3% until FY13. Algeria's population has been growing at CAGR of 1.8% since FY03 but somewhat slower growth of CAGR 1.5% is expected going forward with population reaching 37.5 million in FY13 (7.7% increase over FY08). GDP per capita is estimated at USD4,922 in FY08 while inflation is expected to drop from 4.3% in FY08 to 2.9% in FY13.

### Telecom Market

*The country's mobile penetration has grown at CAGR 30% over the past 3 years culminating at an estimated 91% in FY08 and expected to reach 117% in FY13 as steady growth continues*

The country's mobile penetration has grown at CAGR 30% over the past 3 years culminating at an estimated 91% in FY08 and expected to reach 117% in FY13 as steady growth continues. Mobile subscribers have grown at CAGR 32.4% since FY06 and are expected to continue at CAGR 6.7% over the coming 5 years, reaching 43.8 million versus the current estimated 31.7 million (38% increase). Nedjma is expected to boost its market share from 16% in FY08 to 17% in FY13 while growing its subscriber base by 46% to 7.46 million in FY13. We expect Nedjma's ARPU to increase from QAR28 (USD7.9) in FY08 to QAR31 (USD8.5) at the end of FY13.

### Past Performance

Revenue jumped 28% y-o-y to QAR1.7 billion in FY08 as mobile penetration in Tunisia grew to an estimated 91% from 81% in the previous year and EBITDA margin increased from 23% to 29%. The company invested heavily in infrastructure development, expanding its network to cover more areas and spending 49% of revenues in FY08 (QAR854 million).

Table 15: Nedjma's Key Indicators

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	34,400	34,800	35,322	35,852	36,390	36,935
Population Growth	1.8%	1.2%	1.5%	1.5%	1.5%	1.5%
Nominal GDP Growth	14.9%	27.6%	-0.1%	6.0%	5.0%	5.2%
Inflation	3.6%	4.3%	4.1%	3.7%	3.3%	3.0%
<b>Mobile Penetration</b>	<b>81%</b>	<b>91%</b>	<b>98%</b>	<b>104%</b>	<b>109%</b>	<b>113%</b>
<b>Nedjma</b>						
<b>Mobile Subscribers</b>	<b>4,488</b>	<b>5,114</b>	<b>5,652</b>	<b>6,161</b>	<b>6,618</b>	<b>7,053</b>
Growth	50%	14%	11%	9%	7%	7%
Mobile Market Share	16%	16%	16%	17%	17%	17%
ARPU	25.1	28.2	29.1	29.7	30.0	30.3
<b>Djezzy</b>						
<b>Mobile Subscribers</b>	<b>13,382</b>	<b>14,938</b>	<b>16,164</b>	<b>17,181</b>	<b>18,096</b>	<b>18,966</b>
Growth	-	12%	8%	6%	5%	5%
Mobile Market Share	48%	47%	47%	46%	46%	45%
<b>Mobilis</b>						
<b>Mobile Subscribers</b>	<b>10,127</b>	<b>11,683</b>	<b>12,910</b>	<b>13,926</b>	<b>14,842</b>	<b>15,711</b>
Growth	-	15%	10%	8%	7%	6%
Mobile Market Share	36%	37%	37%	37%	38%	38%

Source: IMF, BMI, Wataniya, Prime Estimates

## Future Assumptions

*We anticipate a rise in ARPU at CAGR 1.6% per annum over the next five year due to the acquisition of higher paying clients (12% y-o-y increase in ARPU in FY08)*

We expect growth of CAGR 9.6% in revenue for Nedjma between FY09-FY13 on the back of sustained growth in mobile subscribers supported by increased network coverage and with the help of an anticipated rise in ARPU at CAGR 1.6% per annum over the same period due to the acquisition of higher paying clients (12% y-o-y increase in ARPU in FY08). Revenue is expected to grow by 58% in FY13 over QAR1.7 billion in FY08 and EBITDA is forecast to grow in parallel by a large 146% to QAR1.2 billion as EBITDA Margin improves to 45% in FY13 from the current 29%. The company's net profit is expected to turn positive in FY10 with the margin going from -7% in FY08 to 22% in FY13 as financing costs incurred by the QAR1.5 billion in debt are reduced. We expect more CAPEX spending until FY11 at which time CAPEX/Revenue is expected to drop from 25% in FY10 to 11% as major CAPEX ends.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 9%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR0.31 per Qtel share from Nedjma.

Table 16: Nedjma's Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>1,733</b>	<b>1,973</b>	<b>2,194</b>	<b>2,380</b>	<b>2,562</b>
Revenue Growth	28%	14%	11%	9%	8%
<b>EBITDA</b>	<b>499</b>	<b>639</b>	<b>784</b>	<b>927</b>	<b>1,076</b>
EBTIDA Margin	29%	32%	36%	39%	42%
Net Profit Margin	-7%	-2%	5%	11%	17%
<b>CAPEX</b>	<b>855</b>	<b>726</b>	<b>545</b>	<b>272</b>	<b>218</b>
CAPEX/Revenue	49%	37%	25%	11%	9%
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-674</b>	<b>-333</b>	<b>-3</b>	<b>125</b>
<b>Total Shareholder Value</b>					<b>191</b>
<b>Value per Qtel Share (QAR)</b>					<b>0.31</b>

Source: Wataniya, Prime Estimates

## PTC Bravo – Saudi Arabia

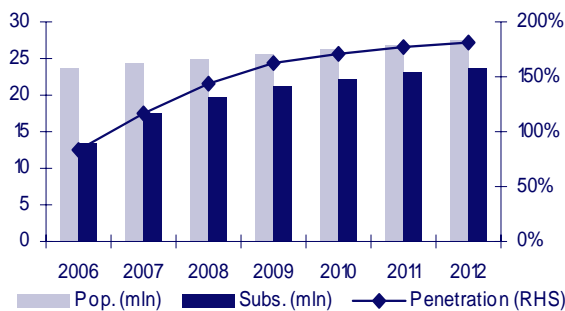
The Public Telecommunications Company, branded Bravo, was established in Saudi Arabia in 2005 as the exclusive Push-to-Talk service provider in the Kingdom, providing a range of services to a primarily business-oriented clientele. By 2006, the company's flexible network covered all major cities and highways in the Kingdom and its services included GPS location tracking, bar code scanning and wireless data transfer. Bravo was responsible for 0.9% of group revenue in FY08 and reduced the company's EBITDA by QAR82 million and net profit by QAR86 million. However, revenue grew by a strong 66% y-o-y to reach QAR187 million in FY08 with a corresponding EBITDA margin of -44%.

### Other Operators

*iDEN is designed by Motorola to provide users with wireless Push-to-Talk as well as cellular services with high quality and privacy characteristics*

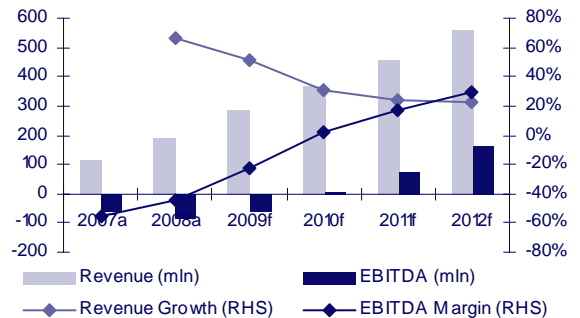
The Saudi market has three mobile operators besides Public Telecommunications Company (Bravo), namely incumbent Saudi Telecommunications Company (STC), Etihad Etisalat (Mobily) and newly launched Zain Saudi. However, these operators do not directly compete with Bravo since it is more focused on businesses being the sole provider for wireless communications using the Integrated Digital Enhanced Network (iDEN) technology. iDEN is designed by Motorola to provide users with wireless Push-to-Talk as well as cellular services with high quality and privacy characteristics. Using a single Motorola handset, Bravo provides its customers with cellular connection to other mobile and fixed lines, SMS and data transfer services placing the company in a class of its own.

Figure 17: Saudi Arabia's Population and Mobile Subscribers



Source: IMF, STC, Mobily, Wataniya, Prime estimates

Figure 18: Bravo's Revenue and EBITDA (QAR)



Source: Wataniya, Prime estimates

## Telecom Market

*Bravo is expected to boost its market share from 0.4% in FY08 to 1.1% in FY13 while growing its subscriber base by 282% to 570,000 in FY13*

The Kingdom's mobile penetration has grown at CAGR 37.2% over the past 4 years culminating at an estimated 145% in FY08 and expected to reach 182% in FY13 as steady growth continues with competition buzzing since Zain Saudi launched its operations in 4Q08. Mobile subscribers have grown at CAGR 40.6% since FY05 and are expected to continue at CAGR 7.6% between FY09-FY13, reaching 51.9 million versus the current estimated 35.9 million (44% increase). Bravo is expected to boost its market share from 0.4% in FY08 to 1.1% in FY13 while growing its subscriber base by 282% to 570,000 in FY13. Bravo has exhibited strong subscriber growth growing its subscriber base from only 12,000 in FY05 to 149,000 in FY08 with y-o-y grow of 62% in the latter year. Bravo's ARPU increased 2.1% in FY08 to reach QAR105 (USD29) but we expect it to decrease slightly over coming years reaching QAR97 (USD27) in FY13 as it lures in more customers with discounts.

Table 17: **Bravo's Key Indicators**

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	24,289	24,897	25,519	26,157	26,811	27,615
Population Growth	2.5%	2.5%	2.5%	2.5%	2.5%	3.0%
Nominal GDP Growth	7.1%	38.3%	7.7%	12.0%	10.2%	9.9%
Inflation	4.1%	11.5%	10.0%	8.0%	7.0%	6.0%
<b>Mobile Penetration</b>	<b>117%</b>	<b>145%</b>	<b>162%</b>	<b>172%</b>	<b>177%</b>	<b>180%</b>
<b>Bravo</b>						
<b>Mobile Subscribers</b>	<b>92</b>	<b>149</b>	<b>223</b>	<b>296</b>	<b>373</b>	<b>466</b>
Growth	35%	62%	49%	33%	26%	25%
Mobile Market Share	0.3%	0.4%	0.5%	0.7%	0.8%	0.9%
ARPU	102	105	106	104	101	99

Source: IMF, BMI, Wataniya, Prime Estimates

## Past Performance

Revenue jumped 66% y-o-y to QAR187 million in FY08 as the company penetrated into the corporate market and EBITDA margin was enhanced from –55% in FY07 to –44%. The company's exact spending bill in FY08 has not been disclosed so we estimate that QAR50 million will be spent annually over our 5-year forecast horizon.

## Future Assumptions

*We expect growth of CAGR 28.9% in revenue for Bravo between FY09-FY13 on the back of increased demand for its unique services from corporate customers and the fact that the targeted segment is underpenetrated*

We expect growth of CAGR 28.9% in revenue for Bravo between FY09-FY13 on the back of increased demand for its unique services from corporate customers and the fact that the targeted segment is underpenetrated. Bravo's ARPU grew by 2.1% y-o-y in FY08 to QAR105 but we expect deterioration at CAGR –1.4% per annum to QAR97 by FY13 as the company offers discounts to attract more subscribers. Revenue is expected to grow by 256% in FY13 over QAR187 million in FY08 and EBITDA is forecast to grow in parallel to QAR219 million as EBITDA margin improves to 33% in FY13 from the current –44%. The company's net profit margin is expected to grow from –46% in FY08 to 28% in FY13 as costs become more streamlined and financing costs on its estimated QAR150 million in debt is reduced.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 7%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR1.03 per Qtel share from Bravo. Our forecasts assume annual CAPEX of only QAR50 million, leading to a relatively high per share contribution for Bravo.

Table 18: **Bravo's Financials and Valuation**

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>187</b>	<b>282</b>	<b>368</b>	<b>455</b>	<b>556</b>
Revenue Growth	66%	51%	30%	24%	22%
<b>EBITDA</b>	<b>-82</b>	<b>-63</b>	<b>8</b>	<b>76</b>	<b>163</b>
EBTIDA Margin	-44%	-22%	2%	17%	29%
Net Profit Margin	-46%	-27%	-3%	12%	24%
<b>CAPEX</b>	<b>-</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-114</b>	<b>-48</b>	<b>2</b>	<b>52</b>
<b>Total Shareholder Value</b>					<b>807</b>
<b>Value per Qtel Share (QAR)</b>					<b>1.03</b>

Source: Wataniya, Prime Estimates



## Wataniya – Maldives

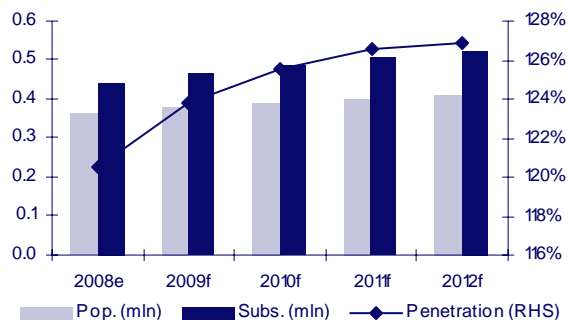
*Tourism is a major driver of the Maldivian economy with more than 600,000 visitors arriving each year*

Wataniya was awarded the second mobile license in the Maldives in February 2005 and within a year deployed a leading edge IP core network connecting more than 200 inhabited islands and providing EDGE high speed mobile internet access and MMS throughout the country. Wataniya also made its services more affordable to its customers at the same time maintaining a high quality service. Tourism is a major driver of the Maldivian economy with more than 600,000 visitors arriving each year, almost double the population of 355,000.

### Competition

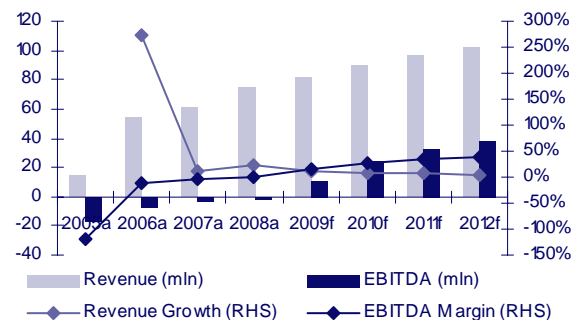
Wataniya Maldives is the second mobile operator and faces competition from incumbent Dhiraagu, which started operations in 1988 as the country's first fixed and mobile operator. An internet license was issued in May 2003 to a company named Focus making it the second ISP in the country. Dhiraagu controls approximately 77% of the mobile market as of March FY08.

Figure 19: Maldives' Population and Mobile Subscribers



Source: IMF, Wataniya, Prime estimates

Figure 20: Wataniya Maldives' Revenue and EBITDA (QAR)



Source: Wataniya, Prime estimates

### Economy

*Nominal GDP has been growing at CAGR 10.4% since FY03 and is expected to continue at CAGR 9.2% until FY13*

The Maldives' nominal GDP is expected to record a 10.8% increase y-o-y in FY08, reaching USD1.2 billion. Nominal GDP has been growing at CAGR 10.4% since FY03 and is expected to continue at CAGR 9.2% until FY13. The country's population has been growing at CAGR of 3% since FY03 and the IMF predicts a continuation at the same rate is expected with population reaching 424,000 thousand in FY13 (16% increase over FY08). GDP per capita is estimated at USD3,175 in FY08 while inflation is expected to hold at 6% going forward.

### Telecom Market

*Mobile penetration stood at an estimated 121% in FY08 and is expected to reach 127% in FY13 as steady economic growth driven by tourism continues*

Mobile penetration stood at an estimated 121% in FY08 and is expected to reach 127% in FY13 as steady economic growth driven by tourism continues. Mobile subscribers are expected to continue growing at CAGR 4% between FY09-FY13, reaching 538,000 from the current 441,000 million (22% increase). Wataniya Maldives is expected to boost its market share from 23% in FY08 to 32% in FY13 while growing its subscriber base by 70% to 173,000 in FY13. Bravo more than doubled its subscriber base from only 50,000 in FY05 to 101,639 in FY08 with strong y-o-y growth of 57% in the latter year driven by increased network coverage and tourist inflows. However, the company's ARPU dropped sharply by 22% at the same time to reach QAR61 (USD17) from QAR78.6 (USD22) in FY07 and we expect it to fall further reaching QAR51 (USD14.3) in FY13 as more discounts are used to attract subscribers.

Table 19: Wataniya Maldives' Key Indicators

(Thousands)	2007a	2008e	2009f	2010f	2011f	2012f
Population	355	366	377	388	400	412
Population Growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Nominal GDP Growth	15.7%	10.8%	10.2%	10.2%	9.7%	9.7%
Inflation	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Mobile Penetration	-	121%	124%	126%	127%	127%
<b>Wataniya Maldives</b>						
Mobile Subscribers	65	102	121	137	150	162
Growth	17%	57%	20%	13%	10%	8%
Mobile Market Share	-	23%	26%	28%	30%	31%
ARPU	79	61	56	54	53	52

Source: IMF, BMI, Wataniya, Prime Estimates

## Past Performance

Revenue rose 21.7% y-o-y to QAR74 million in FY08 as the company attracted more subscribers through an increased geographic coverage and EBITDA margin was enhanced from -4.3% in FY07 to -1.8%. The company's exact spending bill in FY08 has not been disclosed so we estimate that QAR25 million will be spent annually over our 5-year forecast horizon.

## Future Assumptions

*We expect growth of CAGR 7.4% in revenue for Wataniya Maldives between FY09-FY13 on the back of steady growth in mobile subscribers helped by continued tourist activity and due to strong acquisition of incremental subscribers*

We expect growth of CAGR 7.4% in revenue for Wataniya Maldives between FY09-FY13 on the back of steady growth in mobile subscribers helped by continued tourist activity in this exclusive location and due to strong acquisition of incremental subscribers (estimated to have captured 79% of mobile additions in FY08). However, ARPU dropped by -22% in FY08 and we foresee continued deterioration here as the company competes with incumbent Dhiraagu who controls 77% of the market. Revenue is expected to grow by 43% in FY13 over QAR74 million in FY08 and EBITDA is forecast to grow in parallel to QAR42.7 million as EBITDA margin improves to 40% in FY13 from the current -1.8%. The company's net profit margin is expected to grow from -64% in FY08 to 27% in FY13 as other operating expenses are controlled.

## Valuation

Utilizing a risk free rate of 6.9%, a market risk premium of 10%, and a terminal growth rate of 3.5% we conclude a DCF value of QAR0.06 per Qtel share from Wataniya Maldives.

Table 20: Wataniya Maldives' Financials and Valuation

(QAR Millions)	2008e	2009f	2010f	2011f	2012f
<b>Revenue</b>	<b>74</b>	<b>82</b>	<b>89</b>	<b>96</b>	<b>102</b>
Revenue Growth	22%	10%	9%	8%	6%
<b>EBITDA</b>	<b>-1</b>	<b>11</b>	<b>24</b>	<b>33</b>	<b>38</b>
EBTIDA Margin	-2%	13%	26%	34%	37%
Net Profit Margin	-64%	-30%	-4%	12%	18%
<b>CAPEX</b>	<b>-</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Discounted Free Cash Flows</b>	<b>-</b>	<b>-35</b>	<b>-14</b>	<b>-2</b>	<b>4</b>
<b>Total Shareholder Value</b>					<b>26.5</b>
<b>Value per Qtel Share (QAR)</b>					<b>0.06</b>

Source: Wataniya, Prime Estimates

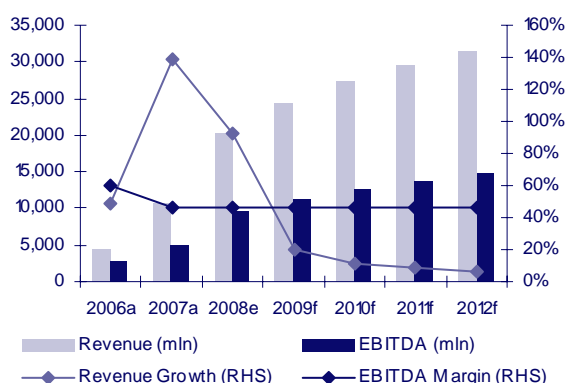
## Group Financial Performance

Qtel grew its balance sheet inorganically from QAR7.8 billion in FY06 to QAR47 billion in FY07 with the acquisition of a 51% stake in Wataniya and to QAR74 billion in FY08 with the acquisition of a 40.8% stake in Indosat. The group also increased its stake in Wataniya to 52.5% in FY08 and upped its share in Indosat to 65% in early FY09.

Group revenue jumped 139% in FY07 after the acquisition of Wataniya and surged another 93% in FY08 on the acquisition of Indosat. Qtel Qatar contributed 26.8% of group revenue in FY08 followed by 20.5% from Indosat and 15.1% from Wataniya Kuwait.

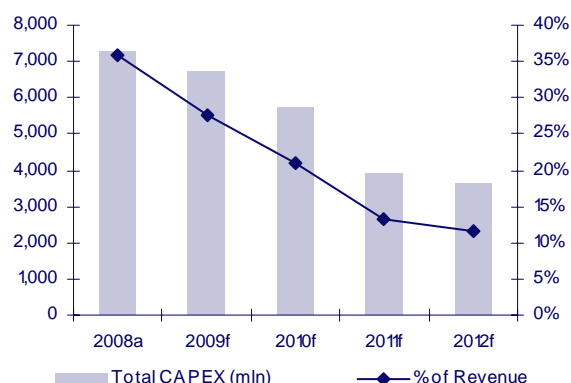
EBITDA grew simultaneously by 84% in FY07 and 96% in FY08 but EBITDA margin deteriorated from 60% in FY06 to 47% in FY08 as the acquisition of less profitable operations like Indosat (margin of 50%) and Wataniya (margin of 42%) weighed in on margins. Qtel Qatar also contributed the highest percentage of group EBITDA (34.6%) followed by Indosat (21.1%) and Wataniya Kuwait (16.6%).

Figure 21: Qtel Group's Revenue and EBITDA (QAR)



Source: Qtel, Prime estimates

Figure 22: Qtel Group's CAPEX (QAR)



Source: Qtel, Prime estimates

*Net Profit was dominantly provided by Qtel Qatar (74.9%) then Wataniya Kuwait (25.8%) and Indosat (7.2%)*

Net profit rose only 36% y-o-y to reach QAR2.3 billion in FY08 partly due to Indosat's income tax liabilities and the significant interest expense of QAR1.6 billion paid on the group's total debt position of QAR27.9 billion during FY08. Net Profit was dominantly provided by Qtel Qatar (74.9%) then Wataniya Kuwait (25.8%) and Indosat (7.2%) but all contributions from Indosat should increase in FY09 since the stake was hiked from 40.8% last year to 65% earlier this year. Indosat held QAR7.3 billion (25.9%) of the group's total debt and Qtel Qatar held 64.8%, which was used to finance acquisitions. Short-term debt worth QAR7.8 billion matures in FY09 and the company secured a credit facility worth USD1.5 billion to help repay the maturing portion.

CAPEX in FY08 totaled QAR7.5 billion as extensive major CAPEX continued in Indonesia (54.7% of the total) whereas the majority of the balance was spent on network enhancement in Qatar (13.4%) and expansion in Algeria (11.4%).

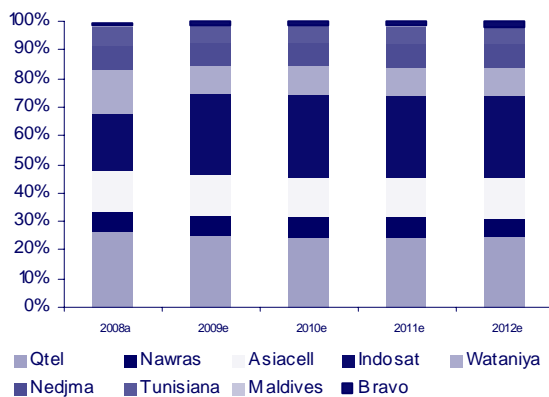
## Future Forecasts

*The company's net profit is expected to grow at CAGR 10% over our 5-year forecast horizon and net profit margin is forecast to remain stable at 11% in FY13 helped by reduced royalty payments to the government of Qatar but pressured by the large interest payments on the QAR27 billion of debt*

We expect steady growth of CAGR 10.4% in revenue for Qtel group between FY09-FY13 on the back of slower but steady growth in the underpenetrated markets in which the company operates (Indonesia, Iraq and North Africa). This compares to CAGR 90% between FY06-FY08, which was due to inorganic growth through the acquisition of Wataniya and Indosat. Revenue is expected to grow by 64% in FY13 to QAR33.3 billion over QAR20.3 billion in FY08 and EBITDA is forecast to grow in parallel at CAGR 9.6% to reach QAR15.3 billion as a high EBITDA margin of 45% is maintained in FY13 (47% in FY08). The company's net profit is expected to grow at CAGR 10% over our 5-year forecast horizon and net profit margin is forecast to remain stable at 11% in FY13 helped by reduced royalty payments to the government of Qatar (12.5% of Qtel Qatar's net profit plus 1% of revenue instead of 25% of group net profit) but pressured by the large interest payments on the QAR27 billion of debt (QAR1.6 billion in financing costs during FY08, expected at QAR2.47 billion in FY09). We expect spending to drop gradually going forward with CAPEX/Revenue sliding from 36% in FY08 to 27% in FY09 and 10% in FY13.

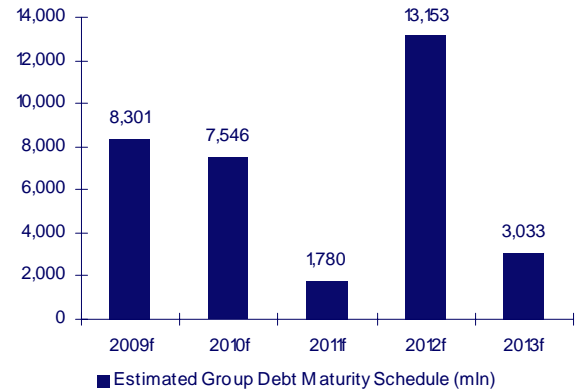
Debt worth QAR8.3 billion will be maturing in FY09 out of which QAR7.4 billion relates to Qtel Qatar. We expect Qtel Qatar to fully draw on the USD1.5 billion credit facility obtained on March 3rd, 2009 during the year and repay it in FY10 bringing the total maturing debt next year to QAR7.5 billion. However, the most significant repayment in terms of size is that of the QAR10.9 billion in debt held by Qtel Qatar and maturing in August 2012.

Figure 23: Revenue Contribution by Subsidiary



Source: Qtel, Wataniya, Prime estimates

Figure 24: Group Debt Maturity Schedule (QAR)



Source: Qtel, Prime estimates

## Group Valuation

We have valued Qtel Group using the sum-of-the-parts method, valuing all subsidiaries of Qtel Group and Wataniya Group separately, adding up the contributions to shareholder value that were obtained. Wataniya Group's sum-of-the-parts valuation is shown below followed by that of Qtel Group:

Table 21: **Wataniya Group Sum-of-the-Parts Valuation**

(QAR Millions)	DCF Value	Stake	Wataniya's Share	Per Share	% Contribution
Wataniya Kuwait	9,779	100.0%	<b>9,779</b>	<b>22.41</b>	76.5%
Tunisiana	4,782	50.0%	<b>2,391</b>	<b>5.48</b>	18.7%
Nedjma	191	71.0%	<b>136</b>	<b>0.31</b>	1.1%
PTC Bravo	807	55.6%	<b>449</b>	<b>1.03</b>	3.5%
Wataniya Maldives	27	100.0%	<b>27</b>	<b>0.06</b>	0.2%
<b>Total Value of Wataniya Group</b>			<b>12,781</b>	<b>29.3</b>	(KWD 2.21)
Number of Wataniya shares (millions)			436.4 shares		

Source: Prime Estimates

Wataniya Group's valuation suggests a target price of QAR29.3 (KWD2.21) per Wataniya share (58% upside potential as of 29-Mar-09) after dividing the total shareholder value of QAR12.8 billion by the 436.4 million outstanding shares. Wataniya Kuwait contributed 76.5% of this value followed by Tunisiana with 18.7%. Nedjma is still loss-making and its infrastructure spending will pay off in the long-term but free cash flows will remain weak, turning positive in FY12.

Table 22: **Qtel Group Sum-of-the-Parts Valuation**

(QAR Millions)	DCF Value	Stake	Qtel's Share	Per Share	% Contribution
Qtel Qatar	9,572	100.0%	<b>9,572</b>	<b>65.3</b>	45.5%
Wataniya Group	12,781	52.5%	<b>6,710</b>	<b>45.8</b>	31.9%
Indosat	6,164	65.0%	<b>4,006</b>	<b>27.3</b>	19.0%
Nawras	283	55.6%	<b>158</b>	<b>1.07</b>	0.7%
Asia Cell	2,044	30.0%	<b>613</b>	<b>4.18</b>	2.9%
<b>Total Value of Qtel Group</b>			<b>21,059</b>	<b>143.6</b>	
Number of Qtel shares (millions)			146.7 shares		

Source: Prime Estimates

*Qtel Qatar contributes 45.5% of the Qtel Group's shareholder value followed by 31.9% from Wataniya Group and 19% from Indosat*

Qtel Qatar contributes 45.5% of the Qtel Group's shareholder value, adding QAR65.3 per Qtel share, followed by 31.9% from the 52.5% stake in Wataniya Group, which adds another QAR45.8 to each Qtel share. Indosat's full valuation of QAR6.1 billion is equivalent to IDR3,378 per Indosat share (29% below market as of 27-Mar-09) and QAR27.3 per Qtel share, which makes up 19% of Qtel Group's total share price. Nawras's small contribution to the group is due to high anticipated CAPEX on fixed line infrastructure and a smaller amount on the mobile network, as well as a high debt position of QAR560 million as of FY08 end. However, Asiaticell holds little debt and has relatively low CAPEX requirements, thus the higher contribution of QAR4.18 per Qtel share or 2.9%.

Our sum-of-the-parts valuation suggests a target price of QAR143.6 per share for Qtel Group providing investors with 50.7% upside potential from the current price of QAR95.3.

## FINANCIAL STATEMENTS

(Figures in QAR millions)

Income Statement	2007a	2008a	2009f	2010f	2011f
Revenues	10,543	20,319	24,459	27,314	29,585
Growth	138.5%	92.7%	20.4%	11.7%	8.3%
Cost of Sales	5,618	10,685	13,119	14,651	15,869
<b>EBITDA</b>	<b>4,925</b>	<b>9,634</b>	<b>11,340</b>	<b>12,664</b>	<b>13,716</b>
Growth	84.5%	95.6%	17.7%	11.7%	8.3%
EBITDA Margin	46.7%	47.4%	46.4%	46.4%	46.4%
Depreciation & Amortization	1,845	4,153	5,401	6,899	7,945
<b>Operating EBIT</b>	<b>3,081</b>	<b>5,481</b>	<b>5,938</b>	<b>5,764</b>	<b>5,771</b>
Net Interest	-890	-1,315	-2,286	-1,572	-937
Other Income Net	148	-190	-168	-199	-225
<b>Pre Tax Income</b>	<b>2,339</b>	<b>3,975</b>	<b>3,484</b>	<b>3,993</b>	<b>4,609</b>
Pre-Tax Income Growth	4%	70%	-12%	15%	15%
Income Tax & Government Royalty	553	1,082	301	392	423
Effective Tax Rate	24%	27%	9%	10%	9%
<b>NPAT</b>	<b>1,786</b>	<b>2,893</b>	<b>3,183</b>	<b>3,602</b>	<b>4,187</b>
Growth	8.4%	62.0%	10.0%	13.1%	16.2%
Share of Associates	92	-51	-152	76	95
Minority Interest	204	565	603	731	851
<b>Net Income</b>	<b>1,674</b>	<b>2,277</b>	<b>2,429</b>	<b>2,946</b>	<b>3,430</b>
Growth	-1.1%	36.0%	6.6%	21.3%	16.4%

Balance Sheet	2007a	2008a	2009f	2010f	2011f
Cash & Marketable Securities	3,250	7,845	5,981	3,369	6,395
Trade Receivables-Net	2,105	3,862	4,158	4,097	4,438
Inventory	128	272	489	546	592
Other Current Asset	390	0	0	0	0
<b>Total Current Asset</b>	<b>5,873</b>	<b>11,980</b>	<b>10,628</b>	<b>8,013</b>	<b>11,425</b>
Net Fixed Assets	9,011	23,480	30,937	35,114	36,914
Other Assets	32,391	38,838	38,814	38,794	38,778
<b>Total Assets</b>	<b>47,275</b>	<b>74,298</b>	<b>80,379</b>	<b>81,921</b>	<b>87,116</b>
Short Term Bank Debt	721	7,820	4,166	6,099	5,680
Accounts Payable	7,162	9,709	12,229	13,930	15,390
Dividend Payable	400	1,467	1,214	1,473	1,715
Other Current Liabilities	1,713	3,235	3,968	4,488	5,010
<b>Total Current Liabilities</b>	<b>9,996</b>	<b>22,231</b>	<b>21,577</b>	<b>25,990</b>	<b>27,795</b>
Long-Term Debt	20,904	20,155	23,267	16,418	15,334
Other Long Term Liabilities	9,874	20,094	22,397	24,773	27,382
<b>Total Shareholders' Equity</b>	<b>6,500</b>	<b>11,817</b>	<b>13,138</b>	<b>14,740</b>	<b>16,606</b>
<b>Total Liabilities &amp; Sh. Equity</b>	<b>47,275</b>	<b>74,298</b>	<b>80,379</b>	<b>81,921</b>	<b>87,116</b>

Free Cash Flow Statement	2007a	2008a	2009f	2010f	2011f
<b>NOPLAT</b>	<b>2,354</b>	<b>4,352</b>	<b>5,449</b>	<b>4,876</b>	<b>5,026</b>
Non-Cash Items	1,845	4,153	5,401	6,899	7,945
<b>Gross Cash Flow</b>	<b>4,198</b>	<b>8,506</b>	<b>10,850</b>	<b>11,775</b>	<b>12,971</b>
Gross Investments	20,351	14,914	9,180	6,838	5,842
Non-Operating Cash Flow	152	(208)	(397)	(163)	(168)
<b>Free Cash Flow</b>	<b>(16,001)</b>	<b>(6,616)</b>	<b>1,273</b>	<b>4,773</b>	<b>6,961</b>
<i>Financing Cash Flow</i>					
Interest Income After-Tax	(102)	(273)	(181)	(4)	(110)
Investment Income After-Tax	(40)	(43)	(114)	(112)	(113)
Increase in Excess Cash, M. Sec. & Subs.	4,471	2,610	(3,193)	(2,916)	2,792
After-Tax Interest Expense	759	1,161	2,256	1,073	715
Decrease in Debt & Bonds	(20,977)	(6,350)	543	4,916	1,503
Provisions Used	(73)	(179)	0	0	0
Dividends Paid	204	965	2,070	1,946	2,324
Non-Appropriation Items	886	(100)	(107)	(129)	(151)
Shareholders Equity	(1,128)	(4,407)	0	0	0
<b>Total Financing Flow</b>	<b>(16,001)</b>	<b>(6,616)</b>	<b>1,273</b>	<b>4,773</b>	<b>6,961</b>

Source: Company Financials, Prime estimates



## Stock Recommendation Guidelines

Recommendation	Target-to-Market Price (x)
Strong Buy	$x > 25\%$
Buy	$15\% < x < 25\%$
Accumulate	$5\% < x < 15\%$
Hold	$-5\% < x < 5\%$
Reduce	$-15\% < x < -5\%$
Sell	$-25\% < x < -15\%$
Strong Sell	$x < -25\%$

Investment Grade	Explanation
Growth	3 Yr. Earnings CAGR $> 20\%$
Value	Equity Positioned Within Maturity Stage of Cycle
Income	Upcoming Dividend Yield $>$ Average LCY IBOR
Speculative	Quality Earnings Reflect Above Normal Risk Factor

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