

29 May 2008

Recommendation

**Buy\***

Upside

**44.6%**

Fair value

**QAR182.59**

Current Price

**QAR126.30\*\***

EPS FY08f

**QAR8.94**

Reuters Code

**QNNS.QA**

Bloomberg Code

**QNNS.QD**

Market Cap

**QAR7.6 billion**

**US\$2.1 billion**

Enterprise Value

**QAR8.8 billion**

**US\$2.4 billion**

Number of Shares Outstanding

**60,021,000**

Average Daily Turnover

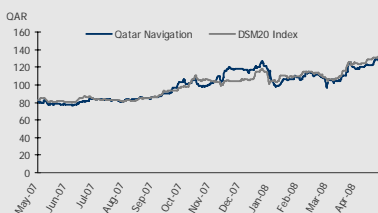
**QAR7.5 million**

Historic 52-week high/ low

**QAR129.60/76.64**

Shareholders' Structure

**100% | Free float  
(8% Foreign Ownership\*\*\*,  
92% Local Ownership)**



\* Refer to back cover for investment ratings

\*\* Closing of 29 May 2008.

\*\*\* 25% of Qatar Navigation total free float is open to non-Qatari citizens and institutions



## Qatar Navigation

Shipping and Logistics | Qatar

**"Steady, as She Goes"**

### A large group with diversified presence ...

Qatar Navigation Company (QN) is one of the few companies in Qatar which are exposed to growth in all aspects of the Qatari economy, with no particular exposure to a specific line of business. This, in itself, we believe, constitutes an advantage and a disadvantage at the same time. Diversification through a large number of business lines generally plays a major role in decreasing the overall operational risk; although the lack of focus created indicate a certain weakness in business strategy. At this point, however, and as we view the Qatari economy positively, we tend to regard QN's exposure through its different business segments favourably, given the overall healthy macroeconomic environment.

### ... with strong positions for some divisions, a significant investment portfolio ...

QN has seven operating divisions involved in: shipping agencies and cargo handling operations; marine transport; commercial activities; navigation freight services; ship repair and steel fabrications, and independent offshore services, in addition to a Dubai office offering different navigation services. We believe the strong margins generated by the shipping agencies and other offshore services will continue, despite fierce competition, due to QN's solid position in the Qatari ports, which can be sustained until the opening of the new port in Doha in 2013. QN also holds 15% of Qatar Gas Transport (Nakilat) and 15% of Qatar Shipping, two holdings that, we believe, will add value to QN, going forward.

### ... and a promising local economic environment

We forecast Qatar's strong economic growth to continue in the medium term, with a significant oil and gas, and petrochemicals industry sustaining an expansion in supporting industries. We are, therefore, positive about the business prospects and different opportunities available for QN in the local market, specifically, and the regional market, generally.

### We value Qatar Navigation at QAR182.59, 44.6% higher than the current market price

The valuation of Qatar Navigation is a three-part valuation incorporating: (a) a DCF value for the seven operational divisions of QN; (b) a value for the two largest investment holdings, namely Nakilat and Qatar Shipping; and (c) a peer comparison with international shipping and navigation companies. Our DCF valuation, including the proportionate market value of the company's main holdings, yielded QAR248.26 per share, while the peer comparison based on expected P/E ratios for 2008 and 2009, yielded QAR116.91 per share. By assigning equal weights to the DCF valuation, including the investments, on one hand, and the peer comparison, on the other, we arrive at a value per share of QAR182.59, 44.6% higher than the current market price of QAR126.30 per share. We assign Qatar Navigation a 'Buy' recommendation.

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### Selected Indicators

Year ended December 31st	2006A	2007A	2008F	2009F	2010F	2011F
Revenues (QAR mil.)	997	1,041	1,191	1,350	1,517	1,688
Revenues Growth (%)	19.4%	4.4%	14.5%	13.4%	12.3%	11.3%
Gross Profit (QAR mil.)	282	355	421	470	519	566
Gross Profit Margin (%)	28.3%	34.1%	35.4%	34.8%	34.2%	33.5%
EBITDA (QAR mil.)	239	298	357	399	440	482
EBITDA Margin (%)	24.0%	28.6%	30.0%	29.6%	29.0%	28.5%
Net Income (QAR mil.)	246	438	536	631	747	920
EPS Pre-App. (QAR)	4.10	7.30	8.94	10.52	12.44	15.33
P/E (x)	31.1	17.5	14.3	12.1	10.2	8.3
P/B (x)	1.8	1.3	1.2	1.1	1.1	1.0
P/CF (x)	41.5	25.7	25.2	20.1	18.5	16.7
EBITDA Interest Cov. (x)	6.1	5.0	4.3	3.6	3.3	3.3
Total Debt/Equity (x)	0.2	0.2	0.3	0.3	0.4	0.4

Source: Qatar Navigation Consolidated Figures, Beltone Financial estimates

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## Qatar Navigation – Overview

### Spreading the Net

Qatar Navigation Company (QN) is one of the few companies in Qatar which is exposed to growth in all aspects of the Qatari economy, with no particular exposure to a specific business line so as to create a certain concentration risk. This, in itself, we believe, constitutes an advantage and a disadvantage at the same time. Diversification generally plays a major role in decreasing the overall operational risk, although the lack of focus created indicate a certain weakness in business strategy. At this point, however, and as we view the Qatari economy positively, we regard QN's exposure through its different business segments rather favourably, given the overall promising environment (see our Qatari macro note 'Its Not the Size...Its the Vision' published 23<sup>rd</sup> April, 2008).

*Qatar Navigation is a diversified conglomerate, however, with no focus on a specific line of business*

### Strengths

- Booming Qatari economy supporting the group's different operations
- Dominating position in handling services in Doha's main port until 2013
- Diversification of the different divisions due to exposure to a wide range of industries
- Significant holdings of major companies, including Nakilat, constituting a regular source of income
- High financial flexibility and adequate leverage position currently

### Weaknesses

- Lack of strategic focus creating some sort of inefficiency
- Fierce competition in handling services in Dubai may affect QN's Dubai operations
- Human resources management to continue to be a major challenge to QN and the local economy
- Expected weak coverage ratios in the medium term

### Future growth drivers

We believe that growth, in the future, will continue to be driven by the major business segments and major investments; some more than the others. In particular, the group's 15% stake in Qatar Gas Transport (Nakilat) should add significant value to QN, given the strategic role played by Nakilat in transporting Qatar's Liquefied Natural Gas (LNG). QN's management is currently discussing a plan to streamline the group's operations and focus on the main drivers of revenues and profitability. However, there is currently no intention to divest any of the current business divisions or the smaller companies under the umbrella of the group, given management's belief even in its start-up operations. In addition, state support, as well as key strategic relationships with Qatar's main industrial companies, will continue to play a main role in securing future and/or alternative business opportunities for the company.

*Growth will be fueled by the strong economy, the increasing industrial activity, and the important investments held by the company*

### Our view

We may disagree with management's keenness in maintaining some businesses that are, to a large degree, unrelated to the core operations labeled under 'Navigation operations'. However, as we expect most of the business lines to exhibit strong performance, backed by the strong local economy, we view Qatar Navigation positively in the medium term. We would like to see, a few years down the line, a more articulated strategy and more concentrated operations, as the overall economy evolves.

### Recent developments

Qatar Navigation's recent rights issue, which added 13.22 million shares, was 6 times oversubscribed. The issue was priced at QAR60, and raised QAR793 million in total, to finance the company's commitments towards investing in associated firms, mainly the 50% obligation in Qatar Gas Transport's (Nakilat) share capital, and refinancing a portion of the outstanding debt. The effects of this were an increase in share capital from QAR468.0 million to QAR600.2 million, which should be clear in Q2 2008.

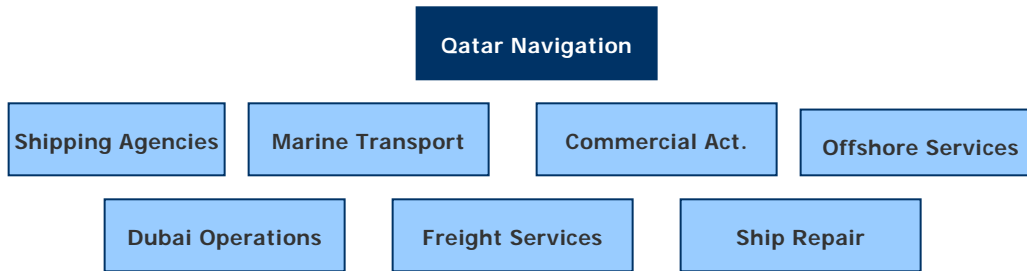
# Qatar Navigation – Operations

## Diversified presence

Qatar Navigation Company (QN) mainly operates in the marine industry, encompassing a wide range of shipping and logistical services. The company is also involved in commercial activities which include marine services, in addition to other lines of businesses like automobiles, construction equipment, and travel and tourism services. The following is a brief description of the group's different operations.

*Qatar Navigation is involved in marine operations, besides other non-marine services*

**Figure 1 | Qatar Navigation's Operations**



*QN has basically seven different operational divisions*

Source: QN, Beltone Financial

### 1- Shipping Agencies and Cargo Handling Operations (19% of revenues in 2007)

Representing about 19% of the company's total revenues in 2007, and one of the strongest contributions to profitability, these operations are the keystone of the business of Qatar Navigation. This segment includes:

A. Shipping Agencies:

QN offers a wide range of services including handling of containers, loading and off-loading of cargo, and settlement of claims on behalf of the vessels calling at the Doha, Mesaieed and Ras Laffan ports. QN currently holds the agencies of about 65-70% of the companies attending to the Qatari ports.

B. Cargo Handling operations

The group handles a wide variety of cargo, be it general or specialised, including oil and related products vessels. This division constitutes the highest margins for QN, as the company enjoys exclusivity for the handling services at the Doha port until 2013, when the new port is estimated to be ready for operations. Among the group's major clients are Qatar Fertiliser Company (QAFCO), Qatar Steel Company (QASCO), Qatar Fuel Additives Company (QAFAC), Qatar Petrochemical Company (QAPCO), Qatar Chemical Company (QCHEM) and Qatar Vinyl Company.

*With 19% of total revenues, and a 48% NPM, this division controls 70% of the Qatari agencies business and has almost exclusive rights to cargo handling operations in the Doha port*

C. Ship Services

Qatar Navigation acts as an agent for the major vessels serving the main oil drilling and engineering construction companies working on projects for the Qatari petroleum and gas companies. These include Qatar Petroleum, Qatar Gas, Ras Gas, Qatar Dredging company, and Maersk Oil, amongst others.

D. Special Projects and Contracts

The company supports local and international companies by providing the necessary resources, including both sophisticated equipment and specialised manpower, for specific projects. This division complements the previous three divisions, although on a larger scale, and upon demand.

**2- Marine Transport (18% of revenues in 2007)**

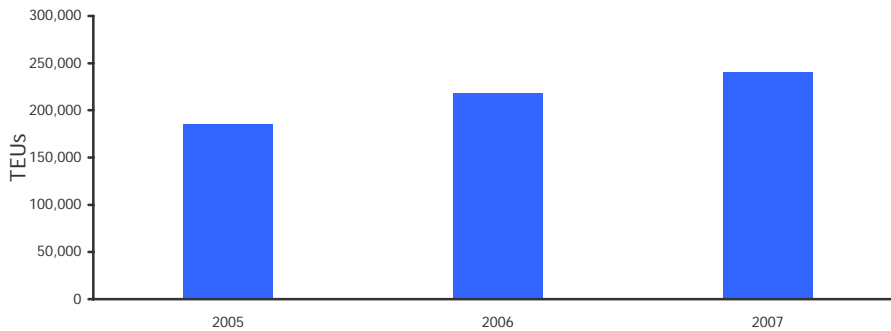
Dominating most of the marine traffic between Qatar and the UAE, this division contributed 18% of total group sales in 2007. The Marine Transport division is likely to be one of the main divisions which should continue to witness strong growth in the medium to long term. Qatar Navigation ranks as the first feeder operator in the region, with 78% of the total container traffic in 2007 (down from about an 80% market share in 2006, and a 90% market share in 2005). The Marine transport division currently has:

- 19 marine vessels (including fully cellularised container vessels and open-top barges)
- Exclusive transport contracts of QAPCO and Q-CHEM exports

*QN controlled 78% of the total container traffic going through Qatar in 2007, and has ordered 4 new ships to expand its services*

The following graph shows the total carryings' growth over the past three years:

**Figure 2 | Total carryings in TEUs**



Source: QN

Qatar Navigation has, under development, 4 new container ships with a capacity of 1,015 TEUs (Twenty-foot Equivalent Units) each. The total cost of the vessels is estimated to be around US\$100 million, which will be mostly debt financed. QN already holds a letter of intent from Qatar National Bank (QNB) for a 7-year long-term loan, the first installment of which is to be paid with the delivery of the first ship, estimated to be in Q1 2009.

**3- Commercial Activities (20% of revenues in 2007)**

With 20% of Qatar Navigation's sales in 2007, this division is involved in a number of activities that can be divided into those related to marine services, and others that are not directly related to the broad sector operations.

**A. Navigation marine services**

Originally established to serve fishing and pleasure boats, QN's navigation centre is now providing a fully fledged facility for the maintenance and repair of various ships, as well as offering different marine equipment, spare parts and engines. The center was also the sole distributor of certain oils, lubricants and chemicals, besides other marine equipments in Qatar. Due to increased competition, we believe the exclusivity of this division is weakening with more service providers coming in the picture.

*Commercial Activities comprise a diversified group of activities involving marine and non-marine services*

**B. Other activities and services**

These basically include three separate business lines: trading agencies, automobiles, and a travel and tourism office. QN's trading agencies provide trucks, trailers, heavy equipment and cranes to cater for Qatar's booming construction and building materials sector. Its import base is geographically diverse, with brands such as Hino Motory, Doosan Daewoo and Hanwoo TNC topping the list of providers. Other activities include the dealership of the Chinese Chery passenger cars, and a travel agency encompassing a wide range of tourist services. We do not see a reason as to

why this group of operations should offer a competitive advantage for Qatar Navigation. However, given the demand for the services provided, be it construction equipment, passenger cars or even tourism services, we believe these operations could be sustained at decent, albeit weaker margins, compared to the rest of the group. Inter-company sales constitute another reason why this division is adding value to other parts of the business, including Navigation Freight Services.

#### 4- Navigation Freight Services (5% of revenues in 2007)

Contributing only 5% of total revenues in 2007, this business segment provides complete logistical solutions, including ocean freight, air freight, packaging, and other handling services, in addition to a workshop with an increasing capacity to meet additional demand. During 2007, the division handled 1.2 million tonnes of cargo, mostly heavy weights, up from about 700,000 tonnes of cargo a year earlier. QN has a large fleet of heavy trucks, cranes and other lifting equipment to cater for the services provided. We believe that competition is fierce when it comes to providing handling services, especially since Qatar is an attractive market with a high level of activity, at the moment. We see, however, enough demand emerging in the local market to sustain current operations. Moreover, the company has contracts with large groups and specific projects, including QASCO, QAPCO, Q-Chem, Tenaris pipes, Nexans France and Dawoo Jaz Project, amongst others.

#### 5- Ship Repair and Steel Fabrication (3% of revenues in 2007)

Currently, a minor contributor to total sales (3% in 2007), this shipyard has currently a floating dock with a 3,300 tonne lifting capacity and a mechanical ship lift with 700-tonne capacity. The yard also boasts 5 berths, and a 135 meter long dock. Moreover, a new floating dock with an 8,500 tonne lifting capacity was added recently, with the ability to lift 25,000 tonne capacity ships, and extends 150 meters. This division also performs non-marine activities including steel fabrication, manufacturing of steel wires, and other related services. The table below summarises the work performed by the department during the past three years.

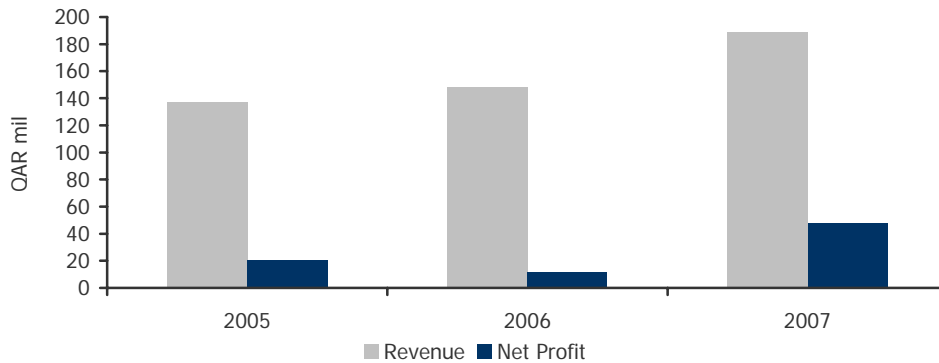
	2005	2006	2007
Number of vessels repaired on the floating dock	22	25	25
Number of vessels repaired on ship lift/ mechanical lift	35	36	36
Other repair and maintenance services of vessels	162	175	175
Other services performed	Assembly of 800 meters test floating pipes for oil transport	Assembly of 300 meters of floating hoses for crude oil transport	Assembly of 300 meters of floating hoses for crude oil transport

**6- Offshore services (Halul Offshore Services Co) (18% of revenues in 2007)**

Qatar Navigation currently owns 50% of Halul Offshore services through a joint venture with Qatar Shipping. Halul's main activities involve chartering of vessels, supply of diving personnel and equipment, among other offshore services. Halul's revenues grew by 28% in 2007 while profitability improved three folds during the same year. These operations contributed about 18% of QN's total revenues in 2007.

*Offshore services are part of a JV between Qatar Navigation and Qatar Shipping*

**Figure 3 | Revenues versus Net profit growth of Halul Offshore**



Source: QN

It should be noted that QN's separate offshore service vessels (two anchor handling and supply vessels serving QP in Qatar and Zakher Marine in Egypt) will be transferred to Halul Offshore Company. These recorded a revenue of QAR 8.5 million in 2007, and will be seen as part of Halul's sales starting in 2008. We see Halul's business growing strongly in the medium term on the back of growing demand for sophisticated services, as well as its main diving contract with QP, which is renewed every five years on a tender basis. We see some margin pressures, eventually, because of price competition in chartering, as well as increased overall costs.

*With the merger of QN's separate offshore activities, this division is set to witness growth in the medium term*

**7- Dubai Operations (17% of revenues in 2007)**

Qatar Navigation also has a presence in the UAE through a fully integrated Dubai office, which provides various shipping and agency services to different vessels. It basically mimics the model of the larger group, however, in Dubai. Moreover, QN has a warehouse in Jebel Ali free zone area catering to its clients' different needs. The Dubai operations contributed 17% to QN's total revenues in 2007. We expect this, however, to weaken in the medium term, as competition in Dubai is likely to toughen, compared to Qatar, where QN has its main base and market dominance.

*Dubai operations, although important, are facing fierce competition in the UAE*

**Investments**

In addition to its diversified operations, QN also holds significant investments in local companies, some of which the group had been a founding shareholder. These holdings, which represented roughly 70% of the group's total assets in 2007, are intended to act as a stable source of dividend income, as well as for long term capital appreciation. The most recent of these investments is a US\$50 million in the newly established United Arab Chemical Carriers, representing about 10.5% of the company's share capital. The original holdings include a 15% share in Qatar Gas Transport's (Nakilat) issued share capital (QN has recently fulfilled its commitment to invest the 50% balance of the uncalled share capital of Nakilat, amounting to QAR420 million), and a 15% share in Qatar Shipping, amongst other investments. Qatar Navigation has also invested in a 52-storey building, a commercial showroom, and a 34-villa compound to be completed in 2008. The tower will be used partially as new premises for the group.

*QN holds 15% of Nakilat and Qatar shipping, two important investments, which, besides others, account for a big bulk of the group's assets*

# Qatar Navigation – Financial Analysis and Valuation

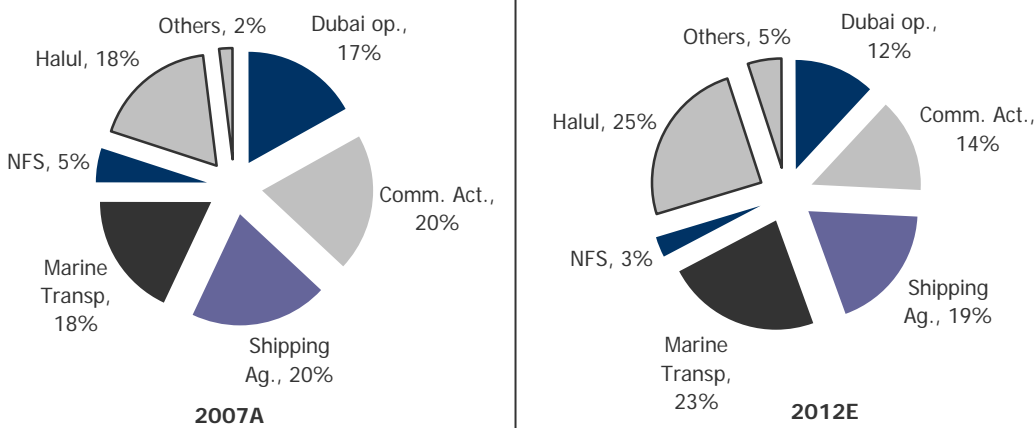
In order to be able to draw a conclusion as to the performance of Qatar Navigation, we have reviewed each business division separately. We acknowledge the existence of synergies that the collective ownership creates. However, we are only able to quantify the individual value of the separate business lines. Moreover, as we clarify below, we try to value the portfolio of long-term investments that QN holds separately, as being part of the strategic entity of the group.

## Financial Analysis and Projections

### Revenues

We see the revenue stream remaining as diversified, going forward for QN. We, however, expect some business divisions to contribute increasingly to the total sales, versus others, mainly as a result of the increased competition in the Qatari and UAE markets, where the group mainly functions. The figure below depicts the actual contribution of the different segments in 2007, versus what we believe would be the breakdown in 2012.

Figure 4 | Revenues Breakdown in 2007A versus 2012E



Source: QN, Beltone Financial estimates

We expect most of the business lines to maintain a stable contribution, with non-significant variances for the biggest part. We see, though, some divisions, including revenues from the JV Halul Offshore Services and Marine Transport, gaining some ground versus others, including Dubai operations and Commercial Activities as we detail below.

**Dubai Operations.** We believe the decline in contributions will be as a result of the company not renewing any chartering agreements that comes to expiry within the next two years, besides fierce competition in Dubai, which may put some pressure on some existing lines of business.

**Commercial Activities.** We forecast a decrease in revenues from the navigation marine services centre, as some contracts are not renewed, and as new entrants gain further market share. We may see some restructuring in this division's activities, following the recently installed management team's new priorities. However, it remains rather early to determine whether this line of business will see further focus, or if new more profitable activities will be added.

**Shipping Agencies.** This division should remain one of the strongest divisions, despite the slightly declining contribution, as it has significant control over Doha's existing port and most of the existing agencies.

**Marine Transport.** Unlike the Dubai operations, the Qatari part of the business is where QN has a competitive advantage, due to the solid contracts with Qatar's main industrial and petrochemical

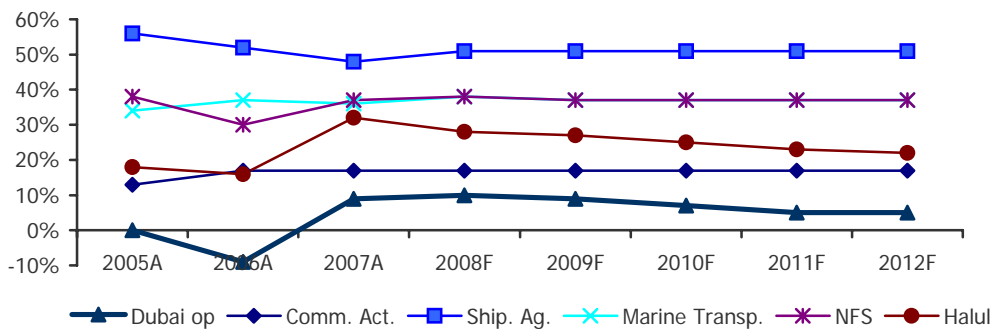
companies. This division transports most of the trade between Doha and Dubai, and due to the newly added four ships, should continue to grow at an average of 20% per annum in the medium term.

**Halul Offshore Services.** Qatar Navigation’s standalone offshore services will be merged in Halul’s business between 2008 and 2009. This will give the venture a further boost in revenues, besides the main contracts that the company already has. Halul operates the main diving contract of Qatar Petroleum, besides providing other sophisticated services, including the maintenance of undersea tubes and cables and other offshore services.

**Profitability**

We do not expect to see any significant improvement in margins for most divisions, as we believe competition will be strong, and we see most of the margins remaining flat. The figure below basically shows historical versus Beltone’s forecasts for future net profit margins for the main divisions.

**Figure 5 | Net profit margins of different divisions**



Source: Beltone Financial estimates

**Shipping Agencies.** Currently maintaining the highest group margins, we expect a sustained strong performance for this division, due to the unique, almost monopolistic position, that QN has with Doha’s port cargo handling, as well as the main agency contracts with Qatar’s biggest industrials.

**Marine Transport.** Due to the track record that QN has with groups including, QAPCO and Q-Chem, margins have been sustained at above 30% over the past few years, and with contracts being tied with the major companies at attractive prices, we expect this trend to continue.

**Halul Offshore Services.** Although a growing business, we forecast that margins will come under pressure, mainly as operational costs, including qualified labour costs, increase. The scarcity of qualified labour is a general problem faced in the region; one which is pushing costs upwards for most of the organisations.

**Commercial Activities.** The new management and internal restructuring could save margins in the longer term. However, most of the offered services will, at least, be able to sustain relatively stable profits.

**Dubai Operations.** We expect to see a minor improvement in margins, as the chartering contracts end with intentional non-renewal on the part of QN, and, going forward, a decline in operating and net profit margins due to increased costs, and as competitive pressures increase.

**Leverage**

QN’s total debt stood at QAR1.5 billion on March 31<sup>st</sup>, 2008 versus cash and equivalents of only QAR321 million. QN has, however, raised some QAR800 million from the recent rights issue. The company has also secured the financing for the four newly ordered ships and has a letter of intent from Qatar National Bank (QNB) for most of the USD100 million cost. We expect to see total debt to equity increasing to about 40% and staying at this level in the medium term. We remain, however, concerned by the weak coverage ratios, with EBITDA interest coverage reaching 4.3x in 2008.

## Valuation Summary

Qatar Navigation comprises a number of divisions involved in different lines of business, in addition to its important long-term portfolio of investments. We, therefore, value this group as sum-of-the-parts, using the DCF of the operational divisions, as the first part, and the market value of its portfolio of investments, as the second part. We, then, compare QN to a number of operating peers, mostly involved with navigation services, chartering of vessels and shipping agencies. The 3 approaches we use are briefly described below.

### Discounted Cash Flow Valuation

Our main assumptions for the DCF valuation include the following:

- 1) Continuing operations for all divisions except for the off-shore activities to be merged under the JV
- 2) A WACC of 8 – 9% through our forecast period ending in 2012, and a perpetual growth rate of 5%
- 3) No restructuring of operations is to take place changing the main entities described in the report
- 4) Company to continue holding its long-term investment portfolio until the end of the forecast period

Our DCF valuation yielded a fair value of QAR232.36

### Investments Valuation

As we have explained throughout the report, QN is not only a group offering navigation and shipping services, but also it is a company that has a significant portfolio of investments constituting most of its balance sheet. We, therefore, give QN credit for its 2 most important holdings, that is Nakilat and Qatar Shipping. This adds an incremental value of QAR15.90 per share.

### Peer Comparison

To arrive at the comparison-based valuation, we calculated the P/E ratios for 2008 and 2009 for Qatar Navigation's peer highlighted below. The comparison-based valuation yielded a fair value of QAR116.91. However, we note that the peers differ in size from QN, in addition to the fact that the operations of each company vary widely from that of another.

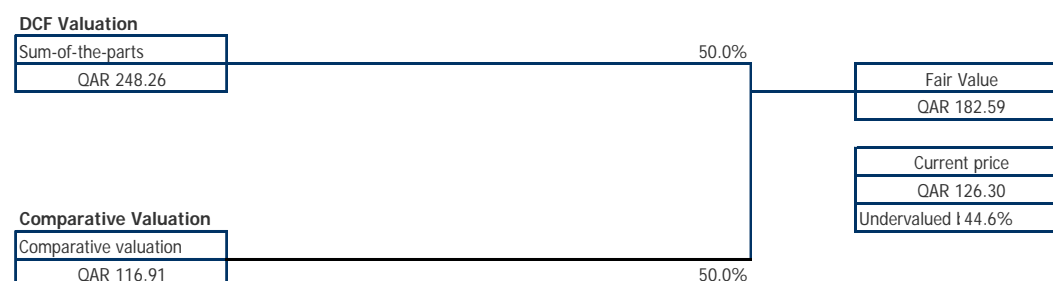
**Figure 6 | Comparison-based valuation**

Peers*	Country	P/E ratio 08E	P/E ratio 09E
Regional Container Lines		7.94	7.88
Orient Overseas		8.83	6.43
Great Eastern Shipping Company		8.67	6.68
Maersk		11.54	9.40
China Shipping Container Lines		11.82	10.89
Pakistan International Containers		11.83	10.49
Far East Shipping Company		24.44	18.59
Cosco Shipping Company		20.12	18.15
<b>Average P/E ratio</b>		<b>13.15</b>	<b>11.06</b>
<b>Qatar Navigation eps</b>		<b>8.94</b>	<b>10.52</b>
<b>QN Comparative Valuation (QAR)</b>		<b>117.48</b>	<b>116.35</b>

Source: Beltone Financial estimates, Bloomberg estimates

\*Peers' closing prices as at 15 May, 2008

## Summary



## Appendix I – Summary Financial Statements

### Income Statement

All figures in QAR 000	2006A	2007A	2008F	2009F	2010F	2011F	2012F
Revenues	996,818	1,040,589	1,190,990	1,350,106	1,516,806	1,688,243	1,865,341
COGS	-714,994	-685,748	-769,700	-879,790	-998,101	-1,122,041	-1,241,606
<b>Gross Profit</b>	<b>281,824</b>	<b>354,841</b>	<b>421,290</b>	<b>470,316</b>	<b>518,706</b>	<b>566,202</b>	<b>623,735</b>
General & Administrative Expenses	-42,622	-57,079	-64,232	-71,211	-78,709	-84,449	-90,414
<b>EBITDA</b>	<b>239,202</b>	<b>297,762</b>	<b>357,058</b>	<b>399,105</b>	<b>439,996</b>	<b>481,753</b>	<b>533,321</b>
<b>EBIT</b>	<b>186,541</b>	<b>238,123</b>	<b>298,356</b>	<b>338,055</b>	<b>374,685</b>	<b>416,442</b>	<b>468,010</b>
Net Interest Expense	-39,123	-59,163	-12,397	-31,256	-23,614	-18,658	-14,229
Other income	138,993	262,245	325,358	409,242	508,862	654,782	857,930
<b>Profit Before Taxes</b>	<b>260,379</b>	<b>450,639</b>	<b>536,325</b>	<b>631,204</b>	<b>746,532</b>	<b>920,054</b>	<b>1,162,720</b>
<b>Net income</b>	<b>246,129</b>	<b>437,939</b>	<b>536,325</b>	<b>631,204</b>	<b>746,532</b>	<b>920,054</b>	<b>1,162,720</b>

Source: QN, Beltone Financial estimates

### Cash Flow Summary

All figures in QAR 000	2006A	2007A	2008F	2009F	2010F	2011F	2012F
Cash flow from operations	184,376	297,179	303,800	380,091	414,222	458,570	501,861
Cash flow from investment	3,620,249	-2,564,114	-658,535	-878,042	-795,445	-748,460	-818,401
Cash flow from financing	771,618	1,257,366	452,509	636,616	530,837	396,797	347,650

Source: QN, Beltone Financial estimates

### Financial Ratios

	2006A	2007A	2008F	2009F	2010F	2011F	2012F
<b>Profitability</b>							
Gross Profit Margin	28.3%	34.1%	35.4%	34.8%	34.2%	33.5%	33.4%
EBITDA margin	24.0%	28.6%	30.0%	29.6%	29.0%	28.5%	28.6%
Net Profit Margin	24.7%	42.1%	45.0%	46.8%	49.2%	54.5%	62.3%
ROA	4.9%	5.8%	6.3%	6.7%	7.3%	8.3%	9.7%
<b>Coverage</b>							
EBITDA interest coverage	6.1x	5.0x	4.3x	3.6x	3.3x	3.3x	3.3x
FFO interest coverage	5.1x	4.0x	3.3x	2.6x	2.3x	2.3x	2.3x
<b>Leverage</b>							
Total Debt/EBITDA	3.4x	4.7x	4.7x	5.6x	6.0x	6.1x	6.0x
Total Debt/Equity	0.2x	0.2x	0.3x	0.3x	0.4x	0.4x	0.4x

Source: QN, Beltone Financial estimates

**Balance Sheet**

All figures in QAR 000	2006A	2007A	2008F	2009F	2010F	2011F	2012F
Cash and cash equivalents	346,665	188,459	211,531	241,786	274,301	308,362	341,221
Net receivables	212,994	226,797	259,577	294,256	330,589	367,954	406,552
Inventories	69,893	96,314	112,711	125,404	139,343	154,137	168,267
Other current assets	227,650	244,267	260,830	286,055	295,417	310,710	329,020
<b>Total current assets</b>	<b>857,202</b>	<b>755,837</b>	<b>844,648</b>	<b>947,502</b>	<b>1,039,650</b>	<b>1,141,162</b>	<b>1,245,060</b>
Net Plant & Equipment	677,425	975,090	1,094,879	1,279,418	1,311,857	1,225,546	1,130,235
Investments	3,797,324	6,024,089	6,524,089	7,176,498	7,894,148	8,683,562	9,551,919
<b>Total assets</b>	<b>5,360,792</b>	<b>7,799,694</b>	<b>8,496,562</b>	<b>9,439,544</b>	<b>10,284,749</b>	<b>11,087,779</b>	<b>11,966,388</b>
Bank overdrafts	1,535	1,054,592	1,419,854	1,616,740	2,188,011	2,570,233	2,899,794
Current Portion of Long-term Debt	675,098	33,567	52,523	99,119	99,119	88,580	88,580
Other Current Liabilities	226,204	293,352	303,116	346,402	386,622	431,948	470,127
Total current liabilities	902,837	1,381,511	1,775,493	2,062,261	2,673,752	3,090,761	3,458,501
Borrowings	139,264	300,453	195,408	526,003	373,169	284,589	196,009
<b>Shareholders' Equity</b>	<b>4,284,927</b>	<b>6,074,413</b>	<b>6,474,786</b>	<b>6,790,388</b>	<b>7,163,654</b>	<b>7,623,681</b>	<b>8,205,041</b>
<b>Total Liab. and Equity</b>	<b>5,360,792</b>	<b>7,799,694</b>	<b>8,496,562</b>	<b>9,439,544</b>	<b>10,284,749</b>	<b>11,087,779</b>	<b>11,966,388</b>

Source: QN, Beltone Financial estimates

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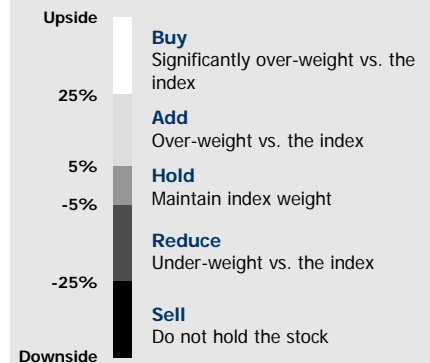
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