المجموعة المالية - هيرميس
EFG HERMES

AABAR PETROLEUM INVESTMENTS

3Q2007: Higher Production and Revenue but also Higher Costs

31 OCTOBER 2007

UAE | OIL AND GAS

ST Rec. : Neutral	Current Price*: AED 4.25
LT Rec. : Accumulate	LT Fair Value : AED 3.75

• Aabar reported 3Q2007 revenues (net of royalties) of AED457.3 million (up 83% Y-o-Y and 21% Q-o-Q), and ahead of our expectations. The company benefited from a combination of increased production levels at its main field (Jasmine), with the addition of two platforms coming on stream in 1H2007, and higher oil prices during the quarter.

• As a result of this increased production, with production reaching 19,932 barrels of oil per day (bopd) in 3Q2007 (up from 19,451 bopd in 2Q2007), depreciation and depletion for the quarter came in higher than anticipated at AED96 million. Depreciation is based on the units of production method, with the higher depreciation and depletion charge reflecting higher production levels

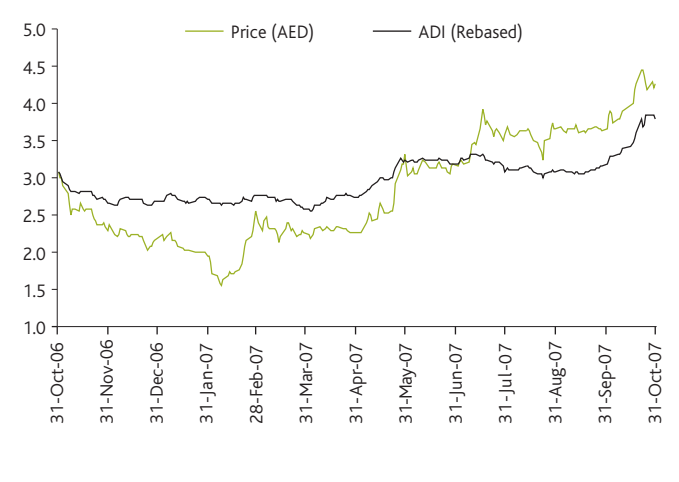
• This has led to a net operating profit of AED188.4 million for 3Q2007, which is slightly ahead, on an annualised basis, of our full year estimates. Meanwhile, net financing expenses of AED29.9 million, and contributions from other income of AED18.3 million, were both broadly in line with our expectations for the quarter.

• Minority interests of AED44.7 million for the period were higher than expected, and again reflected the fact that, while the company makes healthy profits on its operation in Thailand (through its 70%-owned Jasmine field), its Indonesian operations are far less profitable to date. Moreover, income tax expenses of AED118.8 million for 3Q2007 were considerably ahead of our expectations, again driven by increased production in Thailand.

• This has led to a net income figure of AED18.9 million for 3Q2007, slightly below our expectations for the quarter. These results again highlight the inherent volatilities in revenues and costs of E&P companies from quarter to quarter.

• Therefore, with revenues ahead of our expectations, but profits below our estimates for the third quarter, we maintain our full year forecasts for now and reiterate our ST Neutral/LT Accumulate recommendation. Our LT Accumulate recommendation is based on the view of Aabar's strength of operations in S.E. Asia and the anticipation of positive news flow in terms of possible new acquisitions after the company's recent divestment of Dalma.

FLASH NOTE



	2007e	2008e	2009e
EPS*	0.82	0.12	0.21
PER (x)	5.2	34.8	20.6
DPS	0.19	0.19	0.19
Div. Yield	4.4%	4.4%	4.4%
CFPS	1.1	0.4	0.5
PCF (x)	3.8	9.9	8.2
BVPS	2.6	2.7	2.8
PBV* (x)	1.6	1.6	1.5

*Attributable

Stock Data:	
Last Ex-Div Date	*AED0.05 on 13 May 07*
Mkt. Value (mn)	*AED3,825*
Shares (mn)	*900*
Av. Mthly Liqd. (mn)	*AED213.6*
52-Week High/ Low	*AED4.45 / 1.54*
Bloomberg / Reuters	*AABAR UH / AABAR.AD*
Est. Free Float	*77%*

*Prices as of 31 October 2007

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Table1: Summary of 3Q2007 Results versus FY2007e

(AED mn)	3Q2006a	2Q2007a	3Q2007a	Q-o-Q	Y-o-Y	FY2007e
Turnover	276.7	482.6	618.2	28.1%	123.4%	1,662.4
Royalties	(26.9)	(104.9)	(160.8)	53.3%	498.1%	(299.2)
Net Revenue	**249.8**	**377.7**	**457.3**	**21.1%**	**83.0%**	**1,363.2**
Cost of Sales	(86.7)	(93.3)	(98.0)	5.0%	13.0%	(300.0)
Gross Profit	**163.2**	**284.4**	**359.4**	**26.4%**	**120.3%**	**1,063.1**
Gross Profit Margin	65.3%	75.3%	78.6%			78.0%
SG&A	**(16.5)**	**(27.2)**	**(30.9)**	**13.7%**	**87.0%**	**(109.1)**
Other Operating Income	1.7	3.5	2.6	-24.9%	56.8%	16.6
EBITDAX*	**148.3**	**260.7**	**331.1**	**27.0%**	**123.2%**	**970.7**
Exploration Expenses	(12.6)	(13.8)	(46.7)	238.7%	270.2%	(156.8)
EBITDA	**135.7**	**246.9**	**284.4**	**15.2%**	**109.6%**	**814.0**
EBITDA Margin	54.3%	65.4%	62.2%			59.7%
Depreciation and Depletion	(16.3)	(87.1)	(96.0)	10.2%	489.2%	(278.1)
Net Operating Profit	**119.4**	**159.8**	**188.4**	**17.9%**	**57.8%**	**535.8**
Net Operating Profit Margin	47.8%	42.3%	41.2%			39.3%
Finance Income	10.7	2.9	3.0	3.0%	-71.9%	59.1
Finance Costs	(50.3)	(37.0)	(32.9)	-11.1%	-34.6%	(145.0)
Other Income	9.0	2.2	18.3	747.6%	103.8%	59.1
Profit Before Tax	**88.8**	**127.9**	**176.8**	**38.3%**	**99.2%**	**509.0**
Income Tax	(43.6)	(71.0)	(118.8)	67.5%	172.4%	(214.3)
Profit after Taxes	**45.1**	**56.9**	**58.0**	**1.9%**	**28.5%**	**294.7**
Minority Interest	(24.1)	(38.0)	(44.7)	17.8%	85.7%	(136.0)
Net Profit from Continuing Operating	21.1	19.0	13.3	-30.0%	-36.9%	158.7
Profit after Tax of Discontinued Operations	6.1	3.8	5.7	47.3%	-6.5%	0.0
Net Profit	**27.1**	**22.8**	**18.9**	**-17.0%**	**-30.1%**	**158.7**

*EBITDAX is EBITDA add back exploration expenses
Sources: Company financials and EFG-Hermes estimates

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