

19 June 2008

Recommendation

Buy**

Upside

32%

Fair Value

AED26.67

Current Price

AED20.15*



Emirates Telecommunications Corporation (Etisalat)

Telecom Services Sector | United Arab Emirates

"Continued Consolidation"

EPS FY08e

AED1.40

Reuters Code

ETEL.AD

Bloomberg Code

ETISALAT UH

Market Cap

AED120.7 billion

US\$32.88 billion

Enterprise Value

AED112.84 billion

US\$30.74 billion

Number of Shares Outstanding

5,990 million

Shareholders' Structure

60.0% | Federal Government

40.0% | Free Float (UAE nationals)

NB. Foreign ownership is currently not allowed. Please refer to page 2 in the report

Average Daily Turnover

AED36.7 million

US\$10.0 million

52-Week high/low

AED22.05/12.89



* Closing of 18th June, 2008

** Refer to back cover for investment ratings.

Continued expansion and consolidation of overseas operations

Cash rich and aggressive, Etisalat has been expanding rapidly its overseas operations, increasing its revenue pool and offsetting the negative impact of competition in its domestic market. Throughout the past few years, Etisalat has succeeded in raising its profile significantly as an aggressive telecom player, outbidding a number of global and regional operators for various acquisitions. In 2007, Etisalat consolidated its position in Africa through the increase in its investments in its affiliate companies and has started to expand its reach in South East Asia by acquiring 15.97% of Excelcomindo Indonesia.

In addition to its domestic market, Etisalat currently manages and operates telecom companies in Egypt, Saudi Arabia, Sudan, Tanzania, Afghanistan, Indonesia, Nigeria, Pakistan, Benin, Burkina Faso, Central African Republic, Gabon, Niger, Togo and the Ivory Coast. Etisalat also has stakes in Qatar Telecom, Indonesia's Excelcomindo and Sudatel.

Technological development cornerstone for telecom sustainability

Given the dynamics of technological innovation and developments in the communications industry, multimedia convergence and mobile broadband and internet usage are all set to become the next battleground for operators. Although voice communication will remain the major revenue generator for operations in the medium term, data and value-added services will play a role in differentiating Etisalat and increasing the loyalty of its subscribers.

Etisalat has firmly positioned itself at the technological forefront, introducing the latest telecommunication technology in its domestic and overseas markets. Technology is the cornerstone that drives Etisalat and underpins its growth.

Expected growth in FY08

We forecast total consolidated revenue to reach AED27,095 million by the end of December 2008, a 27% annual growth. Meanwhile, we expect the operating income margin to decline, slightly, to 29% at the end of December 2008. We estimate net profits to reach AED8,381 million, a 15% annual growth, equivalent to an eps of AED1.40 per share

We estimate a target value of AED26.67, implying an upside potential of 32%

We calculated an arithmetic average using the fair values derived by both the sum of parts valuation and our comparative valuation method and arrived to a target value per share of AED26.67, implying an upside potential of 32% compared to the current market price of AED20.15 per share and, therefore, we are initiating our coverage of Etisalat with a **Buy** recommendation.

Analyst

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Selected Indicators

Year End December	FY06a	FY07a	FY08e	FY09e	FY10e	FY11e	FY12e
Revenues (AED million)	16,290	21,340	27,095	33,156	38,619	43,389	47,732
EBIT (AED million)	5,596	6,610	7,868	9,983	13,286	15,660	17,398
EBIT margin (%)	34.4	31.0	29.0	30.1	34.4	36.1	36.5
Net income (AED million)	5,860	7,297	8,381	10,715	13,801	16,418	18,018
EPS (AED)	0.98	1.22	1.40	1.79	2.30	2.74	3.01
P/E (x)	20.60	16.54	14.40	11.26	8.74	7.35	6.70
P/BV (x)	8.3	6.6	5.5	4.4	3.5	2.7	2.2
DPS (AED)	0.5	0.5	0.6	0.6	0.7	0.7	0.8
Dividend yield (%)	2.3	2.5	2.7	3.0	3.2	3.5	3.7

Source: Etisalat, Beltone Financial estimates

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Etisalat Executive Summary

UAE remains primary contributor to overall value

Etisalat's UAE unit remains the primary contributor to Etisalat's overall value with a respective weight of 88.8%. The UAE's growing expatriate population is driving, in particular, the mobile segment of Etisalat's operation, which constitutes the bulk of Etisalat's overall revenue. We forecast that Etisalat's focus on mobile net subscriber acquisition should become secondary, as we believe that it will focus more on providing value-added services to retain its high net-worth customers and sustain its mobile ARPU. Throughout our forecast period, we believe that internet and broadband subscribers will be the next revenue growth driver, with broadband subscribers capturing the bulk of this growth.

Etisalat's UAE unit remains primary contributor to value

Competition in the local market

Despite skepticism concerning sustained mobile subscriber growth at a time when penetration rate in the UAE was already 130% at the end of 2006, with the launch of du, the second mobile operator in February 2007, quarterly net mobile subscriber additions for the total market almost doubled, reaching an approximate 570,000 per quarter during 2007, compared to an average of 247,000 subscribers per quarter in 2006. We do not expect to witness a price war between the two UAE operators in the short term, given the significantly smaller scale of operations that 'du' manages, compared to Etisalat. Given that the level of technology deployed by both operators is similar, we believe that the quality and diversity of bundled services and promotions will be the base for competition in the short term.

We do not expect to witness a price war between the two UAE operators

Consolidation of international operations

Throughout 2007, Etisalat increased its stakes in most of its international operations, enabling it to fully consolidate them into its financial statements which, we believe, will increase the value of Etisalat in the medium to long term. In the short term, however, we expect Etisalat's operational performance to decrease or slow down, as most of these operations are still loss-making.

The stake increase enables full financial consolidation

Strong cash position

Prior to 2006, Etisalat had no debt on its financial statements, generating all of its cash needs internally. However, with Etisalat's increased focus on its international operations, management adopted an external financing policy to fund its growth strategy in these countries. On the other hand, despite Etisalat's new debt policy, net debt/EBITDA remains negative, implying much more room for additional debt capacity and improved weighted average cost of capital.

Adopt external financing policy to fund growth

Foreign stock ownership ban

Currently, Etisalat is in discussions with both the UAE government and the capital market authorities to change it to a corporation governed by commercial law. If Etisalat obtains approval to change to a corporation licenced by commercial law, then it would become eligible for foreign ownership. Currently, only UAE nationals are allowed to trade the stock. In the event that the foreign ownership ban is lifted, we anticipate a rise in turnover and share price.

Etisalat in discussions to allow foreign ownership of its stock

Forecast 2008 highlights

We forecast total consolidated revenue to reach AED27,095 million by the end of December 2008, a 27% annual growth. Meanwhile, we expect the operating income margin to decline slightly to 29% at the end of December 2008, equivalent to an operating income of AED7,868million, from a reported operating income margin of 31% at the end of December 2007. We forecast that minority interest would remain positive during 2008, albeit a reduced absolute value, since we believe that Etisalat's international operations would still be mostly in loss-making, and that losses should turn around after December 2009. We estimate net profits to reach AED8,381million, a 15% annual growth, equivalent to an EPS of AED1.40 per share.

We forecast total revenue to reach AED27,095 million and net profits to AED8,381million by December 2008

Buy Recommendation, with a target value of AED26.67

We calculated an arithmetic average using the fair values, derived by both the sum of parts valuation and our comparative valuation method, and arrived at a target value per share of AED26.67, implying an upside potential of 32% versus the current price of AED20.15 per share and, therefore, a Buy recommendation. Our sum of parts valuation yielded a fair value of AED32.19 per share, which is 60% higher than the current trading price. Our comparative valuation, derived a value of AED21.16 per share, reflecting a 5% increase over current market prices. In our base scenario, we have assumed that federal royalties would remain at 50% throughout our entire forecast period, until further notice, however, if we decrease federal royalties from 50% to 40% gradually throughout our forecast period from 2008 to 2012, therefore, our target value would increase to AED29.95 per share, which is 49% higher than current trading prices, and thus a **Buy** recommendation.

*We arrived at a target value of **AED26.67** per share, an upside of 32% versus current price of AED20.15 per share*

Valuation Summary

Sum of Parts Valuation

Our sum of parts valuation yielded a fair value of AED32.19 per share, which is 60% higher than the current trading price of AED20.15 per share, based on our base case scenario, where Etisalat would be paying federal royalty fees of 50% throughout our entire forecast period. We have valued the major operations using a DCF analysis and utilized both the cost method and market method for Etisalat's other operations.

In our second scenario, we assumed that federal royalty fees would gradually decrease to 40% by December 2011, in line with the previously announced decision by the TRA to cut federal royalty fees to 40% with the entrance of du in the market. Our target value would increase to AED29.95 per share, which is 49% higher than current trading prices, and thus a **Buy** recommendation.

Figure 1 | Sum of Parts Valuation (Base case scenario: Etisalat pays federal royalty fees of 50%)

Operation	Country	EV	Stake	Etisalat EV	Weight
Major Operations		AED million			
Etisalat UAE	UAE	171,188	100%	171,188	88.8%
Etisalat Misr	Egypt	2,288	66%	1,510	1.2%
Mobily	Saudi Arabia	1,864	26%	489	1.0%
Canar	Sudan	1,075	82%	881	0.6%
Zantel	Tanzania	185	51%	94	0.1%
Afghanistan	Afghanistan	99	100%	99	0.1%
Atlantique Telecom	West Africa	2,522	82%	2,068	1.3%
Excelcomindo	Indonesia	341	16%	55	0.2%
EMTS	Nigeria	148	40%	59	0.1%
PTCL	Pakistan	3,973	26%	1,043	2.1%
Other Operations					
UT Technologies LLC				50	0.0%
Thuraya Satellite				724	0.4%
Qatar Telecom QSC (1 million shares)				193	0.1%
Sudan Telecom Company limited (US\$)				50	0.0%
Dubai Global Sukok FZCO				129	0.1%
Wings FZCO				92	0.0%
Emirates-Sudan Bank (2.5 million shares)				9	0.0%
New ICO Global Communications				0	0.0%
Net Cash				7,849	4.1%
DCF Valuation				32.19	

Source: Beltone Financial Estimates

Comparative Valuation – P/E Ratio

Our comparative valuation, derived a value of AED21.16 per share, reflecting a 5% increase over current market price of AED20.15 per share, and therefore a Buy recommendation.

Figure 2 | Peer Valuation

	2008f	2009f
Hutchison Telecommunications International	39.2	27.3
Bharti Airtel	23.9	18.1
Reliance Communication Ventures Ltd.	23.1	17.8
Vypelkom OAO (JSC Vimpel-Communications)	22.7	17.2
China Mobile Ltd	17.9	15.3
Maroc Telecom	17.8	16.9
Cosmote Mobile Telecomm. SA	17.0	14.5
Pakistan Telecommunications Limited (PTC Ltd)	16.3	10.1
MTN Group	16.3	13.3
Emirates Telecom (Etisalat)	13.7	10.7
Etihad Etisalat (Mobily)	13.5	10.9
Oman Telecom	13.3	15.0
Partner Communications Co Ltd	13.3	11.7
Qatar Telecom (Qtel)	11.0	8.1
PT Excelcomindo Pratme (TBK)	10.4	10.2
Mobinil	10.3	10.9
Telecom Egypt	10.2	8.4
Saudi Telecom (STC)	9.9	10.7
Turkcell	9.3	8.0
Average P/E	14.71	12.15

Source: Bloomberg

Forecast Valuation

Etisalat UAE Forecasts

Mobile and broadband to drive growth

We believe strongly that the trend of shifting from fixed line to mobile will continue, as the level of services offered by Etisalat to its mobile subscribers grows in diversity and sophistication. We expect Etisalat to maintain its commitment to enhancing its technology infrastructure, which will help maintain its relatively high mobile ARPU and support its growing broadband subscriber base. We anticipate that the provision of data and multimedia services will be an important revenue growth driver, going forward, for Etisalat, particularly with the UAE's increased level of business start-ups and strength of economy, making high speed data provision a necessity for further sustained economic growth.

We believe that the trend of shifting from fixed to mobile will continue

Figure 3 | Mobile versus fixed line penetration

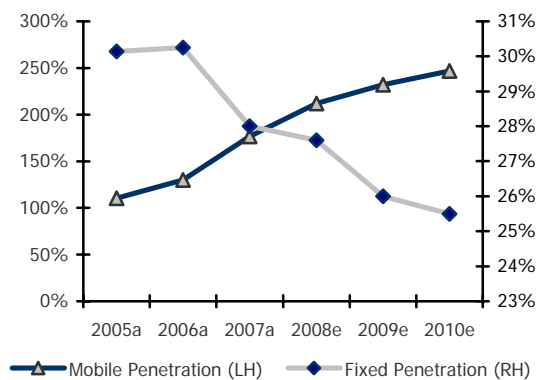
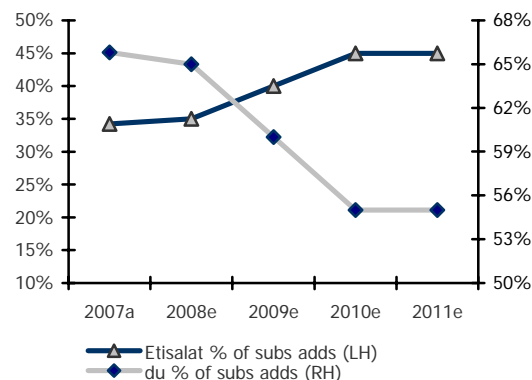


Figure 4 | Market share of mobile subscriber additions



Source: Etisalat Annual Report, Beltone Financial estimates

Continued room for mobile subscriber growth

Despite skepticism concerning sustained net mobile subscriber additions at a time when the penetration rate in the UAE was already 130% at the end of 2006, with the launch of du, the second mobile operator in February 2007, quarterly net mobile subscriber additions for the total market almost doubled, reaching an approximate 570,000 per quarter during 2007, compared to an average of 247,000 subscribers per quarter in 2006.

Strong mobile subscriber growth will be triggered by the UAE's rapidly growing population and increased inflow of expatriates, which, in turn, means high demand for international telecommunication services. In 2008, the TRA announced that both Etisalat and du are required to report 'active subscribers', with 'active subscribers' defined as customers who have received or initiated a call within a three month period. Accordingly, it is possible that previously reported subscriber numbers were 'inflated', since there was no definition set by the country's Telecommunications Regulatory Authority (TRA) for subscriber measurement at the time, which could imply that there is a large portion of inactive subscribers included in reported numbers, double-counted SIM cards, in addition to tourist mobile lines. Given 'inflated' subscriber numbers, we believe there is room for increases in the level of active subscribers.

Mobile subscriber growth triggered by growing population and increased inflow of expatriates

Competition between both operators

We do not anticipate a price war between the two operators in the short term, given the significantly smaller scale of operations that du manages, compared to Etisalat. We assume that the focus on mobile net subscriber acquisitions should become secondary to Etisalat, as we believe that it will focus more on providing value-added services to retain its high net-worth customers and sustain its mobile ARPU. In terms of market share of net subscriber additions, du enjoyed the majority at the end of 2007, acquiring almost 66% of total net mobile additions in the UAE market. We expect this trend to continue in the short term, with du maintaining the upper hand in net subscriber additions, given that it should be expected to focus in the medium term on building its subscriber base. After 2011, we expect the market share of net mobile subscriber additions for both Etisalat and du to split equally.

We believe Etisalat will focus more on providing value-added services

Given that the level of technology deployed by both operators is similar, we believe that the quality and diversity of bundled services and promotions will be the base for competition in the short term.

Quality and diversity base for competition

Mobile ARPU to continue northbound

Etisalat's monthly mobile ARPU calculation reflects stability, however, based on our estimates, Etisalat's blended monthly ARPU has been strengthening since 2005. We expect ARPU to continue growing throughout our forecast period, albeit at a slower rate of growth as usage increases and the active base for subscribers continues to grow.

Figure 5 | Forecast mobile subscribers and ARPU (AED)

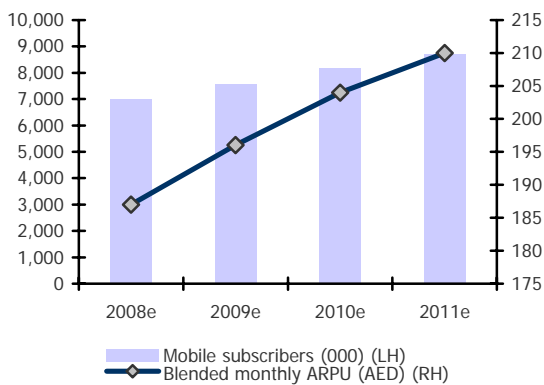
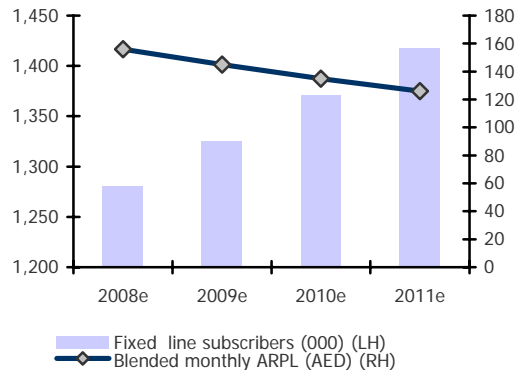


Figure 6 | Forecast fixed subscribers and ARPL (AED)



Source: Etisalat Annual Report, Beltone Financial estimates

Fixed line revenue lagging behind

Since 2005, revenue from fixed line operations has been declining, as the preference for mobile use has increased. We expect revenues from the fixed line operations to continue dropping throughout our forecast period and Etisalat's market share to drop from a current 100% to almost 80% towards the end of our forecast period, since both du and Etisalat operate in different areas in the UAE and addressable subscribers are not intersected. Etisalat is allowed to operate freely across the UAE, with the exception of free zone areas in Dubai.

Throughout 2007, Etisalat continued its strategy of network convergence with the rollout of its Next Generation Networks (NGN), with the next phase of 'fibre to the home' remaining to be rolled out across the UAE in the short term. We do not expect that Etisalat's "smart home" initiative, which allows homeowners to utilise services that were previously restricted to mobiles only, will impact fixed line subscriber growth significantly. We believe that the larger benefit from this network rollout will be accrued in the form of higher data and internet revenue, which could be included in the overall calculation of fixed monthly ARPL.

We believe benefits from NGN would be higher data & internet revenue

Broadband and internet poised for further growth

We believe that internet and broadband will be the next revenue growth driver throughout our forecast period, with broadband subscribers capturing the bulk of the growth, since 52% of the UAE population is under the age of 29. This demographic age group tends to be sophisticated in terms of technology use and could become the engine for increased broadband penetration. One of the strong obstacles standing in the way of broadband subscriber growth in the UAE and other Arab countries is limited due to current cost levels, however, we believe that, with the rollout of Etisalat's NGN, network efficiency will improve and costs should start declining, in turn, making the service more affordable for subscribers. (Refer to our section on decipher the benefits of FTTH)

Broadband subscribers are the next revenue growth driver throughout our forecast period

Other hurdles for broadband growth include content restriction, otherwise known as internet filtering and the usage of Voice over Internet Protocol (VoIP). According to a case study conducted by OpenNet Initiative, almost 15.4% of the total number of websites it tested were blocked in the UAE, leading to a conclusion that the UAE suffers from over-blocking, thus preventing its citizens from accessing a considerable amount of material unrelated to the UAE's expressed goals.

To date, the TRA has also maintained its position to ban VoIP services in the UAE, allowing it only through the licenced telecom operators. We believe that the endorsement of VoIP will promote broadband penetration, especially given that a significant 78% of the total population in the UAE are expatriates, who could use the inexpensive voice over internet applications to make international calls, rather than be charged exorbitant amounts for international calls. However, the flipside to the endorsement of VoIP would be the decrease of international call revenues for telecom operators.

Figure 7 | Revenue and growth (AED mn)

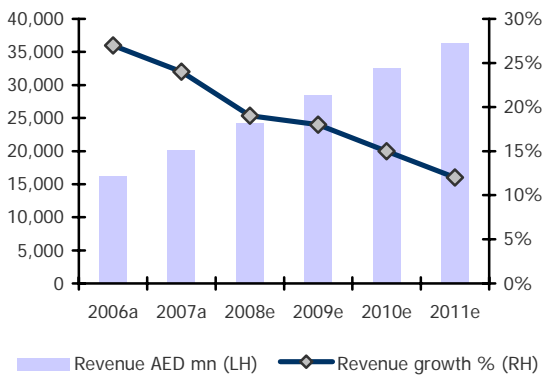
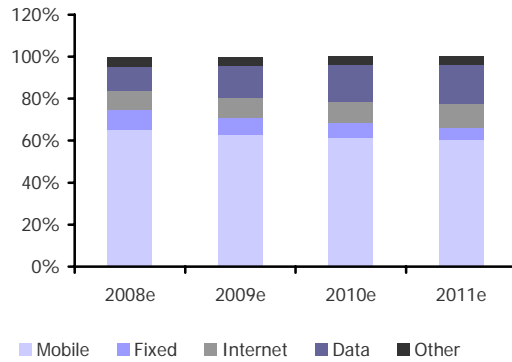


Figure 8 | Forecast revenue breakdown



Source: Etisalat Annual Report, Beltone Financial estimates

Revenue set to increase

Currently, Etisalat has the ability to offer quad-play services, by providing mobile, fixed, broadband and multimedia access, however, services have not been made available through a single network as yet, whereby multimedia services are provided through a different network cable. Although Etisalat does not report customer churn numbers, we expect that, in the short term, following the complete migration to NGN, customer retention will strengthen, since bundled packages should become the new marketing tool for Etisalat, providing Etisalat’s entire product portfolio to its customers on a single network with a single connection.

Quad-play services yet to be available through a single network

As noted earlier, we do not expect a price war to erupt between both operators, and with churn rates expected to decline, the overall ARPUs and usage are expected to strengthen. We forecast total revenues from the UAE operation to reach AED24,074million at the end of December 2008, a 14% annual growth, driven by both subscriber growth and overall strengthening ARPUs. We forecast that voice revenues would continue to contribute to the bulk of overall revenues and estimate that fixed line revenue contribution will adopt a declining trend, in favour of internet and data revenues.

We forecast total revenues to grow by an annual 14% by year-end 2008

EBITDA margins to pick up

With Etisalat approaching the completion of its fibre-to-the-home (FTTH) network rollout, we believe that EBITDA margins are set to improve, particularly with regard to operational costs, since the cost of maintaining a fibre-based network is significantly less than copper-based networks (Verizon claims an approximate 40% OPEX savings in FTTH/PON, versus traditional copper DSL access networks).

Operational margins to improve with completion of FTTH

Combined with a strong top line growth and an improved cost of services, we expect to see EBITDA margins improving throughout our forecast period. In our forecasts, we estimated a slight improvement in 2008’s EBITDA margins, with a more notable improvement by year-end 2010.

Figure 9 | Forecast EBITDA and growth (AED mn)

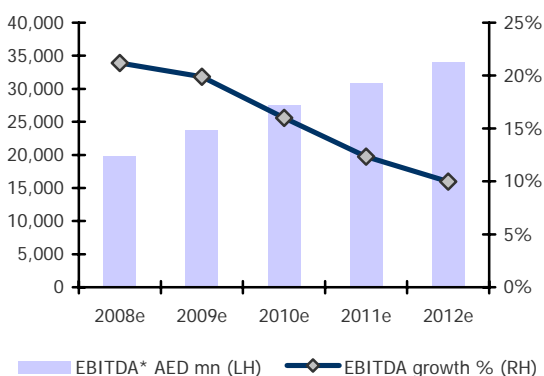
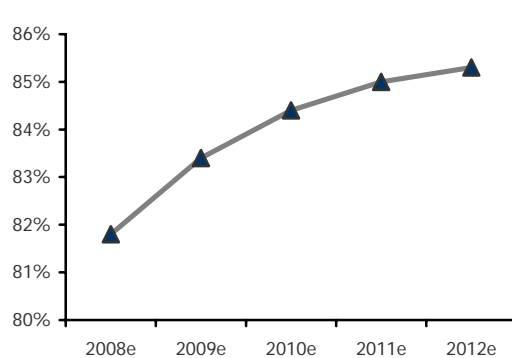


Figure 10 | Forecast EBITDA margin



Source: Beltone Financial estimates * EBITDA stated before deducting federal royalty fees

CAPEX requirements set to decline

We expect Etisalat to continue upholding its commitment to achieving technological leadership through its continuing efforts to upgrade its network infrastructure in order to extend the range of its triple/quad-play and other IP-based services. Currently, Etisalat's 3.5G network covers 97% of the UAE's populated areas, and besides Etisalat's current involvement in the completion of its FTTP network rollout, we do not foresee further heavy CAPEX requirements that would require an overhaul of the network. Accordingly, we expect CAPEX/revenues to decrease throughout our forecast period.

Figure 11 | Forecast CAPEX and growth (AED mn)

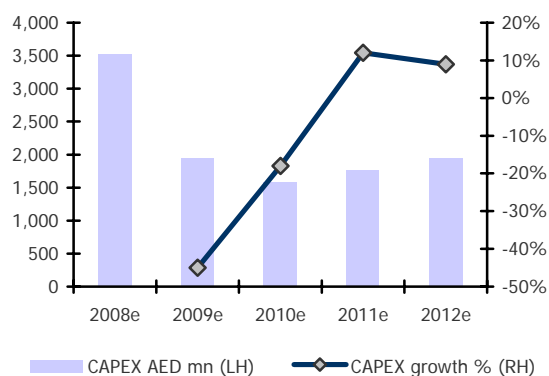
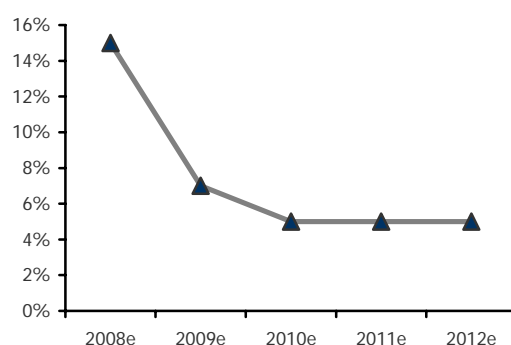


Figure 12 | Forecast CAPEX/Revenues



Source: Beltone Financial estimates

Valuation

Our estimated value for Etisalat's UAE operations is AED28.58 per share, based on a DCF valuation. We used a WACC of 10.7%, and a terminal growth rate of 3.5%. It should be noted that Etisalat pays a federal royalty fee of 50% for its consolidated operations, however, the TRA had announced at the beginning of 2007 that, with the entrance of du, federal royalty fees would be decreased to 40% of consolidated net profits over a three to four year period. At the year-end of December 2007, Etisalat had paid a royalty fee equivalent to 50%.

In our base scenario, our forecast assumptions include the 50% royalty fee payment until further update from the TRA is given. In another scenario we gradually reduced the payment of federal royalty fees to finally reach 40% by the end of December 2011, which yielded a fair value of AED29.95 per share (12% higher than our current fair value estimate at 50% fixed federal royalty payment)

Estimated value for UAE operations is AED28.58 per share based on a scenario of a 50% royalty fee

Figure 13 | UAE DCF analysis (base scenario 50% federal royalty fees throughout forecast period)

All figures in AED 000 unless stated otherwise	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Revenue	24,073,798	28,943,513	33,317,840	37,275,569	40,899,881
EBITDA Margin	82.3%	84.0%	85.0%	85.6%	85.9%
EBITDA	19,802,866	24,326,123	28,335,936	31,902,581	35,137,423
Federal Royalty fees	-9,901,433	-12,163,061	-14,167,968	-15,951,290	-17,568,711
NOPLAT	9,901,433	12,163,061	14,167,968	15,951,290	17,568,711
COPLAT	9,406,361	11,554,908	13,459,569	15,153,726	16,690,276
CAPEX	-1,685,166	-1,447,176	-1,665,892	-1,863,778	-2,044,994
Free Cash Flow	7,721,195	10,107,733	11,793,677	13,289,948	14,645,282
PV Free Cash Flow	7,374,523	8,718,815	9,187,710	9,350,517	9,303,432
Terminal Value					202,442,292
PV Terminal Value					127,252,593
Enterprise Value					171,187,590
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					28.58
Weight to total value					88.80%

Source: Beltone Financial estimates

Saudi Arabia's Mobily Forecasts (26.3% stake)

Etisalat reduces stake to 26.25%

In late March 2008, Mobily's founding shareholders, including Etisalat, sold 100 million shares, equivalent to 20% of the company's total outstanding shares in a secondary offering to a group of strategic Saudi investors. In compliance with a Royal decree, Mobily was obligated to increase its public float to 40% during the third year of its operational lifetime. As a result of this sale, Etisalat's stake decreased from 35.5% to 26.25%. The shares were sold at SAR55 per share, based on an average trading price, resulting in a total transaction value of SAR2.41 billion (AED2.37 billion) and an estimated capital gain after tax of AED1.9 billion (US\$0.87 billion).

Etisalat sold 100 million shares, in a secondary offering

We believe that, in the absence of legal obstacles, Etisalat will try to increase its stake in Mobily by buying through the open market, since we believe that the selling price undervalued the potential of Mobily, as it was significantly lower than our fair target value for Mobily of SAR88.73 per share (refer to our Mobily report dated January 29th, 2008).

Mobily announced its plans for a capital increase of 40% to SAR7 billion, through the issuance of 200 million new shares. The capital increase will take place with a ratio of 4 new shares for every 10 shares owned by a shareholder of Etihad Etisalat. The timing of the capital increase will depend on the procedures of the Saudi Capital Market Authority, as well as the extraordinary general assembly to approve of the capital increase.

Competition in the second half of 2008

Zain, the third mobile entrant in the Saudi market, has announced the launch of its 'One Network' that will allow mobile customers to make phone calls and SMS at local rates and receive incoming calls free-of-charge across Bahrain, Iraq, Jordan and Sudan. Zain's Saudi Arabian operation will join the One Network on commencement of commercial services in the second half of 2008, while other Zain operations in the region will join the service, subject to governmental and regulatory approvals. The launch of the 'One Network' scheme, we expect will undoubtedly attract a significant number of subscribers in the GCC markets in which Zain runs its operations, since roaming costs, which are quite expensive, could be made and received at the local charge rate. The initiation of this scheme should give Zain's Saudi operations a good head start in the Saudi market by the time it launches its operations. In order to offset the negative impact that this scheme will have on both STC's and Mobily's subscribers, we believe that both operators will try to roll-out a number of promotional packages to try and retain their existing subscriber base which, in turn, would pull ARPU's down. We believe that ARPUs could start to follow a modest declining pattern in a best case scenario, or fall sharply, if Zain inaugurates its entrance into the Saudi market by resorting to an additional price war. We believe that Saudi Arabia's penetration rates should cross 100% before the end of 2008 and could reach saturation levels thereafter. By the end of our forecast period, we believe that Mobily's market share could stabilise at 40%.

Zain's launch of the 'One Network' should give it a head start in the Saudi market

Technology rollout

Mobily began the first phase of its second 3.5G network expansion, in order to keep abreast with the latest available 3.5G technologies, and expand its network coverage to reach new cities across the country. Mobily had already allocated almost SAR1 billion for this expansion, which commenced in 2007. Since mid-2006, Mobily has established its 3G network, attracting more than 2 million subscribers in different 3G services. In addition, Mobily is also expanding its national fibre-optic network, regionally and globally, as part of a consortium that includes Etisalat of the United Arab Emirates and Etisalat Misr in Egypt. The cable itself is expected to cost US\$150 million and will run from Fujairah in the United Arab Emirates, across Saudi Arabia, passing through Jeddah, and through the Suez Canal and Alexandria in Egypt, to Italy and entering Europe through France. The cable itself will allow more internet and voice traffic to originate and terminate in the region, translating into faster web browsing speeds and more cost effective international and regional calling rates in the long term.

Mobily began the first phase of its 3.5G network expansion

We remain positive on Mobily's outlook

We still remain positive on the Saudi telecommunications market, with its strong macroeconomic factors, including improving GDP per capita levels, rising income and its relatively young and fast-growing population, which should maintain healthy net subscriber additions and relatively high ARPU levels. Mobily has been a major success story for Etisalat and in three and a half years, Etisalat achieved a capital gain of AED1.9 billion on its initial investment in Mobily on the shares disposed in the secondary offering. Mobily remains a strategic investment for Etisalat, and management retains a long-term objective to increase shareholding in the company, if allowed, at a later stage.

Positive outlook for Saudi telecommunications market

Valuation

Our estimated value for Etisalat's Mobily operations is AED0.31 per share, based on a DCF valuation. We used a WACC of 10.9%, based on a risk free rate of 4.9% and a terminal growth rate of 5.0%. According to the shareholder agreement, Etisalat is set to receive US\$10 million per annum (AED36.7 million) worth of management fees from Mobily for a period of seven years. The agreement is renewable.

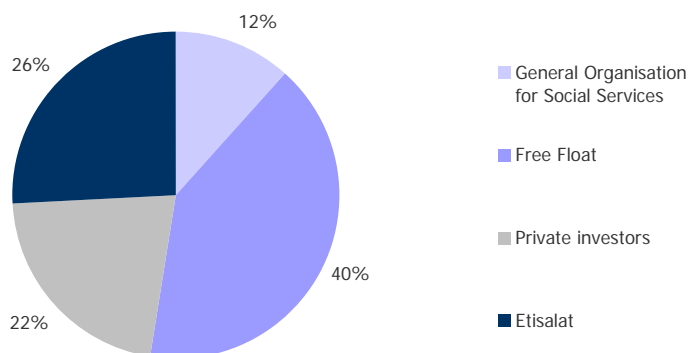
Figure 14 | Mobily DCF analysis

All figures in AED 000 unless stated otherwise	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	15,131	17,258	18,557	19,688	20,612
Monthly ARPU (US\$)	13.42	11.41	10.27	9.75	9.27
Revenue	9,752,649	10,356,067	10,713,069	11,111,505	11,779,973
EBITDA Margin	35.8%	34.9%	36.5%	36.9%	37.4%
EBITDA	3,490,103	3,610,875	3,905,098	4,101,199	4,409,315
NOPLAT	3,518,549	4,115,249	4,445,921	4,678,687	5,034,699
COPLAT	3,163,150	4,148,854	4,530,985	4,711,132	4,940,774
CAPEX	-983,512	-983,512	-983,512	-983,512	-2,458,780
Free Cash Flow	2,179,638	3,165,342	3,547,473	3,727,620	2,481,994
PV Free Cash Flow	2,080,716	2,698,506	2,709,320	2,550,418	1,520,856
Terminal Value					4,695,096
PV Terminal Value					2,996,702
Enterprise Value (AED 000)					14,556,517
Less Net Debt					8,084,255
Equity Value to Etisalat (AED 000)					1,698,969
Net Equity Value to Etisalat **					1,863,913
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.31
Weight to total value					0.97%

** Include management fees of US\$10 million for 7 years according to contract and is renewable

Source: Beltone Financial estimates

Figure 15 | Mobily shareholder structure



Source: Etisalat

Egypt's Etisalat Misr Forecasts (66.0% stake)

Etisalat Misr catalyses Egyptian mobile growth

Despite entering the Egyptian market with two existing and very strong players, Etisalat has succeeded in making a powerful impact on the Egyptian telecommunications market, acquiring 900,000 subscribers in its first week of operations, (300,000 from its pre-launch "Reserve Your Number" programme and another 600,000 in the following week of operations). Prior to its formal launch in May 2007, both Mobinil and Vodafone Egypt had been gearing up for the heightened competition, offering a variety of attractive packages, such as "per second billing" and "lifetime validity" to attract as many additional subscribers as possible.

Etisalat made a powerful impact on the Egyptian market

Strategy and plans

With approximately 3.1 million subscribers by year-end 2007, we estimate that Etisalat Misr will acquire a total of 8.27 million subscribers by 2010, equivalent to a 25.3% market share. Despite the high level of competition, Etisalat Misr acknowledges that ARPUs will continue to decline in the short term, however, we believe that Etisalat Misr will not try to compete on a price basis only and is likely to attempt to attract high net worth customers from both Mobinil and Vodafone, using higher quality services. In an effort to target high-end customers, we believe that Etisalat will try to target the corporate sector, using the latest technologies that the company can offer. In addition, with the formal launch of mobile number portability during the first quarter of 2008, Etisalat Misr should be able to capitalise on the potential of attracting unsatisfied customers from both Vodafone and Mobinil.

We estimate that Etisalat Misr will acquire 8 million subscribers by 2010

With the acquisition of the first international gateway licence in Egypt, Etisalat Misr became the first operator to end Telecom Egypt's (the incumbent) monopoly in offering international calls for its customers. The licence will allow Etisalat to provide international services to its subscribers only, bypassing Telecom Egypt's networks and avoiding the payment of costly interconnection fees.

Etisalat only operator providing international services for its subscribers

With the second fixed line licence auction expected to take place during the second half of 2008, we believe that Etisalat would be interested in bidding for it, since it will complement its mobile operations and aid in reducing operational costs, as it would be completely self-sufficient in terms of backbone infrastructure.

Etisalat may bid for the 2nd fixed license in Egypt

Technology rollout

In terms of market positioning, we believe that Etisalat is likely to aim at achieving technology leadership in Egypt, as the case is in all of the countries that it operates in. Etisalat Misr has already launched 2G and 3.5G (prepaid, postpaid and hybrid) services, and was the first operator to introduce 3.75G (HSPDA) services in Egypt. Etisalat expects that its network coverage will be completed by year-end 2008.

Etisalat aims for technology leadership in Egypt

CAPEX and leverage

In addition to the E£16.7 billion (US\$2.91 billion) already paid for the acquisition of the third mobile licence, Etisalat has spent another E£2 billion (US\$0.4 billion) on infrastructure establishment. By mid-2007, Etisalat had built 600 base stations and reached 1,500 base stations by year-end 2007. Etisalat intends to spend around another E£8 billion to E£10 billion (US\$1.47 – US\$1.83 billion) on future infrastructure development. With regard to the financing of these expansion plans, Etisalat will be utilising external financing, as detailed below.

On January 16th, 2007, Etisalat Misr entered into an agreement for a syndicated interest bearing bridge loan amounting to AED713.44 million (Tranche A) and AED293.92 million (Tranche B) with local banks in Egypt. In January 2008, Etisalat Misr settled Tranche A loans and cancelled the unused Tranche B loan.

In December 2007, Etisalat Misr signed a syndicated loan agreement comprising three portions. Portion A, represented a long-term loan facility amounting to AED1.4 billion, portion B represented a revolving credit facility of AED0.7 billion, and portion C comprised a long-term loan facility of US\$300 million. The syndicated loan is repayable, in full, within 37 months of the signature date. The syndicated loan bears an interest at mid-corridor plus 0.5% for the Egyptian Pound denominated portion and LIBOR plus 0.75% for the US\$ denominated loan. Etisalat Misr has already utilised an amount of AED497 million from portion A and US\$97 million from portion C. The syndicated loan is secured by commercial mortgages over Etisalat Misr's fixed assets, a pledge over its bank accounts' real estate mortgage and insurance assignment.

Valuation

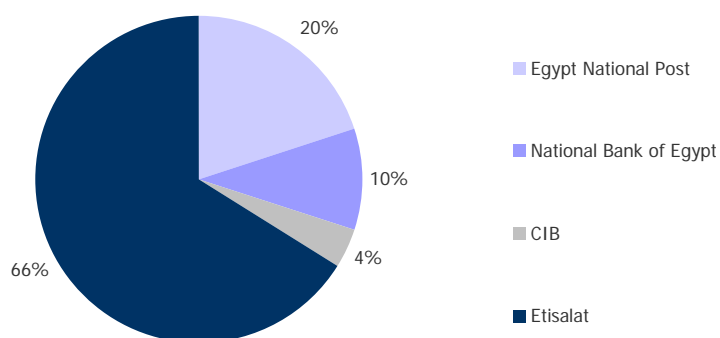
Our estimated value for Etisalat's Etisalat Misr operations is AED0.38 per share, based on a DCF valuation. We used a WACC of 11.4%, and a terminal growth rate of 5.0%.

Figure 16 | Etisalat Misr DCF analysis

<i>All figures in AED 000 unless stated otherwise</i>	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	8,235	12,962	16,277	18,704	20,368
Monthly ARPU (US\$)	5.7	5.6	5.5	5.6	5.7
Revenue	1,057,682	1,791,060	2,387,735	2,798,695	3,108,596
EBITDA Margin	-60.0%	-40.0%	15.0%	30.0%	45.0%
EBITDA	-634,609	-716,424	358,160	839,608	1,398,868
NOPLAT	-634,609	-716,424	358,160	839,608	1,119,094
COPLAT	-190,383	-214,927	250,712	587,726	783,366
CAPEX	-1,377,501	-1,377,501	-238,774	-279,869	-310,860
Free Cash Flow	-1,567,883	-1,592,428	11,939	307,856	472,507
PV Free Cash Flow	-1,493,389	-1,361,551	9,163	212,105	292,145
Terminal Value					9,053,502
PV Terminal Value					5,808,266
Enterprise Value					3,466,740
Enterprise Value to Etisalat					2,288,048
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.38
Weight to total value					1.19%

Source: Bellone Financial estimates

Figure 17 | Etisalat Misr shareholder structure



Source: Etisalat

Pakistan Forecasts (26.0% stake)

Pakistan Telecommunications Limited Company (PTCL)

Etisalat acquired a 26% stake of Pakistan Telecommunications Limited Company (PTCL) in April 2005, in an agreement which granted Etisalat's management control (53% voting rights), for US\$2.6 billion. Under the terms of agreement, Etisalat also charges PTCL an annual technical services fee ("know-how"), amounting to 3.5% of PTCL's gross consolidated revenues. In 2007, total service fees reached AED151 million, compared to AED42 million in 2006. The agreement is valid for five years starting 2006, and has a maximum limit of US\$50 million per annum.

About PTCL

Despite having to compete against 6 other fixed line operators, PTCL enjoys a virtual monopoly on Pakistan's land lines, with a dominant market share of 97% at the end of September 2007. The company also offers WLL services, and enjoys a commanding 59% market share through its PTCL V service. Mobile services are offered through its wholly-owned subsidiary Ufone. The company also provides various internet connections, including broadband and dial-up.

PTCL enjoys a virtual monopoly over fixed line

100 million subscribers before the end of 2009

Total mobile subscribers reached 77 million by December 2007, almost double the previous year's total mobile subscriber base of 34 million, and we believe the number of total subscribers will cross the 100 million benchmark before the end of 2009, to reach a mobile penetration rate of roughly 70%.

Price competition intensifies

Despite the potential that the Pakistani market has to offer through its attractive demographics (Asia's fourth-most populous country, an estimated population exceeding 162 million and an associated mobile penetration rate of less than 45% at the end of 2007) we believe that competition is now becoming too aggressive and that the revenue pool per operator is shrinking.

Competition is now becoming too aggressive...

With a total of six mobile operators in the market, competition has become exceptionally tough, in terms of pricing, leading to possible steep year-on-year declines in ARPU. At the end of December 2007, Pakistan's weighted blended monthly ARPU was less than US\$3.00, dropping from a weighted average of US\$3.80 in 2006. During the quarter to March 2007, the largest three mobile operators introduced a number of packages and lowered their tariffs to capture additional market share. Currently, Pakistan has one of the lowest call rates in the world.

... leading to possible steep year on year ARPU declines

Ufone lowered its tariff to Rs.1.98 (US\$0.03) per minute at the end of March 2007 from Rs.2.50 (US\$0.04) per minute at the end of December 2006. Telenor also lowered its off-net per minute tariff rate to Rs.1.90 (US\$0.03) per minute at the end of March 2007 from Rs.2.50 (US\$0.04) in December 2006. Mobilink also adjusted its prepaid tariff "Jazz" package to Rs.0.90 (US\$0.015) from a previous Rs.0.99 (US\$0.016).

Survival of the fittest

Existing mobile players, and especially new entrants to Pakistan's telecommunication market, are expected to invest over US\$5 billion to rollout new infrastructure, including optic fibre networks and sea cables. China Mobile (expected to launch operations during 2008) alone is expected to invest almost US\$1 billion to turn around Paktel, which it recently acquired. Consequently, with all these cash-rich mobile players rolling out the latest technological infrastructure, competition will be led by those who are able to derive the highest operational cost efficiency. We believe that the current top three mobile players will maintain their leadership position, however, we do not believe that the smaller companies, such as Instaphone, will be able to survive in this highly competitive market, which will ultimately lead to another foreign stake acquisition.

We do not believe small-scale mobile operators would survive

Despite PTCL's declining net profits and weakening operating margins, Etisalat had announced in mid-2007 that it was contemplating doubling its stake in PTCL in order to fully consolidate its operations. We do not believe that the full consolidation of PTCL will benefit Etisalat, since, due to intense competition, customer acquisition costs are set to increase, applying even higher pressure on margins.

We do not believe that a stake increase in PTCL would benefit Etisalat

Competition on fixed lines

PTCL has a dominant 98% market share of Pakistan's fixed line market. However, competition in the fixed line business has also intensified, with the award of 14 wireless local loop (WLL) licences in total, which led to significant tariff cuts and the rise in customer acquisition costs. In addition, the fixed line market is facing further pressure from the prevalent fixed-to-mobile substitution trend, which is causing lower fixed line usage.

Valuation

Our estimated value for Etisalat's PTCL operations is AED0.66 per share, based on a DCF valuation. We used a WACC of 11.2%, and a terminal growth rate of 5.0%. Under the terms of the agreement, Etisalat also charges PTCL an annual technical services fee ("know-how"), amounting to 3.5% of PTCL's gross consolidated revenues. In 2007, total service fee reached AED42.0 million. The agreement is valid for five years starting 2006, and has a maximum limit of US\$50 million per annum.

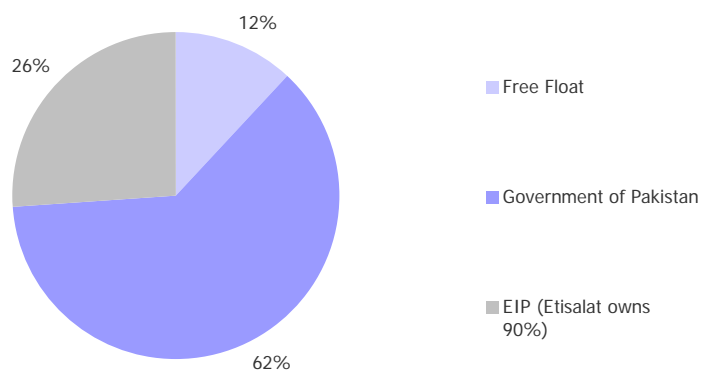
Figure 18 | PTCL DCF analysis

All figures in AED 000 unless stated otherwise	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	18,371	20,777	23,031	24,450	25,085
Monthly ARPU (US\$)	1.65	1.40	1.26	1.16	1.08
Revenue	3,569,857	3,145,507	2,927,462	2,816,115	2,735,905
EBITDA Margin	44.8%	36.7%	28.6%	20.6%	16.5%
EBITDA	1,599,490	1,154,238	836,920	579,164	451,424
NOPLAT	1,335,979	972,498	701,343	456,985	445,864
COPLAT	2,471,562	1,799,121	1,297,484	845,422	824,848
CAPEX	1,125,016	1,012,514	911,263	820,137	738,123
Free Cash Flow	3,596,577	2,811,635	2,208,747	1,665,558	1,562,971
PV Free Cash Flow	3,428,819	2,411,054	1,703,676	1,155,563	975,105
Terminal Value					2,828,534
PV Terminal Value					1,983,072
Enterprise Value (AED 000)					11,657,289
Less Net Debt					-1,020,805
Net Equity Value to Etisalat**					3,972,781
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.66
Weight to total value					2.06%

** Include management fees of 3.5% of PTCL revenue and has a maximum limit of US\$50 mn per annum

Source: Beltone Financial estimates

Figure 19 | PTCL shareholder structure



Source: Etisalat

Sudan's Canar Forecasts (82.0% stake)

Etisalat more than doubles its stake in Canar Telecommunications Company

In January 2008, Etisalat increased its stake in Sudan's Canar Telecommunications to 82% in a deal with a total value of US\$159 million, from a previously held stake of 37%, enabling Etisalat to fully consolidate its Sudanese operations.

Etisalat increased its stake in Canar to 82%

Canar enjoys a 58% fixed line market share

In its first year of operation, Canar succeeded in capturing 38% of the fixed voice market and 44% of the internet market in Sudan. By year-end 2007, Canar managed to increase its subscriber base by 50% to reach an overall market share of 58% in the fixed-line market, equivalent to a subscriber base of 14.01million.

Technology rollout

In terms of technology rollout, Etisalat has extended its fibre-optic backbone to accommodate the current and expected business demand to 1,500km, nationally, and 250km, locally, in the major cities to serve mobile operators, ISPs and corporate and business clients across the country.

During 2007, Canar also commissioned the launch of Port Sudan's FLAG/FALCON Cable Landing Station, which management views as a milestone for Canar and Sudan, as it was the first direct connection for Sudan to the world's submarine cable network. The project's significance lies in the opportunities available for Canar to become a major carrier for international traffic for local mobile operators in Sudan. In addition, with the signing of multi-annual agreement contracts with two of the three mobile operators in Sudan to carry their national and outgoing international traffic, Canar has become the leader of the backhaul and wholesale business in Sudan.

Canar's partnership with Thuraya Satellite

Canar also has a partnership with Thuraya Satellite (in which Etisalat owns a 27.427% stake), becoming one of Thuraya's two-service providers in Sudan. Canar distributes and markets Thuraya mobile satellite services, including handsets and SIM cards.

Future prospects for Sudanese telecommunications market

Sudan is the largest country in Africa by geographical area, and the sixth largest in terms of population, with around 40 million inhabitants, however, with a mobile penetration rate of approximately 18% at the end of December 2007 and a fixed line penetration rate of less than 5% at the end of 2007, Sudan is among the lowest tele-densities in the world. Sudan's population has been growing at an average of 2.6% per annum, and with an average GDP/capita growth of 15.4% from 2001-2006, in addition to the government's efforts to fully liberalise the telecom sector, which are all factors which we believe will spur future growth in the telecom sector.

Etisalat also owns 4.6% of Sudatel

Among its multiple associated undertakings, Etisalat also owns 2.6 million shares in Sudan Telecommunications Company Limited (Sudatel), equivalent to a 4.6% stake.

Etisalat has a 4.6% stake in Sudatel

Valuation

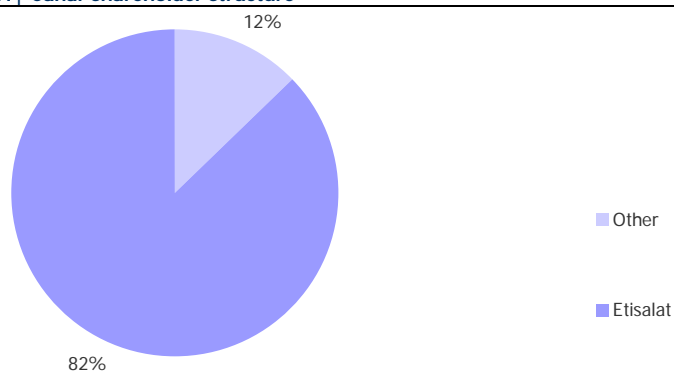
Our estimated value for Etisalat's Canar operations is AED0.18 per share, based on a DCF valuation. We used a WACC of 11.6%, and a terminal growth rate of 5.0%. Prior to Etisalat increasing its stake, Etisalat had a management agreement with Canar, effective March 22nd, 2005. Under the terms of this agreement, Etisalat was entitled to an annual fee, at a rate of 3% of gross revenue or 5% of net profit (whichever is higher), exclusive of local taxes and duties for services provided under the agreement. An annual fee of AED4.5 million (US\$1.23 million) was booked as income in 2006 and none was recognised in 2005, however, after the stake increase, we believe that Etisalat would no longer receive management fees from Canar.

Figure 20 | Canar's DCF analysis

<i>All figures in AED 000 unless stated otherwise</i>	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Fixed subscribers (000)	847	988	1,154	1,331	1,519
Monthly ARPU (US\$)	10.09	9.59	9.11	8.65	8.22
Revenue	321,049	355,888	394,815	432,476	468,871
EBITDA Margin	30.0%	32.0%	34.0%	35.0%	35.0%
EBITDA	96,315	113,884	134,237	151,367	164,105
NOPLAT	96,315	113,884	134,237	151,367	164,105
COPLAT	67,420	79,719	93,966	105,957	114,873
CAPEX	-272,892	-106,766	-59,222	-43,248	-46,887
Free Cash Flow	-205,472	-27,047	34,744	62,709	67,986
PV Free Cash Flow	-195,531	-23,058	26,535	42,905	41,659
Terminal Value					2,039,588
PV Terminal Value					1,418,244
Enterprise Value					1,310,754
Net Equity Value to Etisalat					1,074,818
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.18
Weight to total value					0.56%

Source: Beltone Financial estimates

Figure 21 | Canar shareholder structure



Source: Etisalat

Tanzania's Zantel Forecasts (51% stake)

Etisalat raises stake in Zantel

In October 2007, Etisalat raised its stake in Tanzania's Zanzibar Telecom (Zantel), by an additional 17%, to own a controlling 51% majority stake, for a total value of US\$15.05 million (AED55.294 million), enabling Etisalat to fully consolidate Zantel's operations.

Etisalat increased its stake in Zantel to 51%

Zanzibar Telecom (Zantel) 0.7 million subscribers by year-end 2007

Zanzibar Telecom Limited (Zantel) is the smallest mobile phone operator in Tanzania, with total subscribers reaching 0.7 million at the end of December 2007 and is estimated to exceed 1 million by the end of 2008.

Technology rollout

Similar to most African countries, CAPEX requirements are significant to upgrade to the technological level and quality that Etisalat usually operates with. When Zantel initially entered the mainland market, its operational territory was limited to Dar El Salam, with national coverage service being provided via roaming agreements. In a strategic move, Zantel overhauled its existing infrastructure during 2007, replacing it with state-of-the-art technology in order that coverage service could become nationwide.

CAPEX requirements are expected to be significant

Zantel is planning, by mid-2008, to provide 65% population coverage and increase it to 75% by year-end 2008. Through the improvement in the infrastructure and the increase in service coverage, Zantel should be able to increase its subscriber base and increase the level of value-added services, which should help support revenue streams.

75% planned population coverage by 2008

Significant potential

With a population of approximately 40 million and total mobile subscribers standing at 8.3 million at the end of December 2007, there is significant potential in the Tanzanian telecommunications market. Mobile penetration rates are approximately 21%, and fixed line penetration rates are amongst the lowest in region, reaching less than 0.5% at the end of December 2007. The internet market also remains largely untouched, due to the country's limited infrastructure. Furthermore, VoIP was liberalised in 2005 and ADSL broadband services were introduced. A new submarine fibre optic cable was launched in 2006, which should improve Tanzania's international connectivity dramatically and support Tanzania's growing integrated telecommunications sector.

VoIP liberalised in 2005 and there is significant potential in broadband and internet market

'One Network' spurs competition in East African region

Towards the end of 2006, Celtel (owned by Zain) announced the launch of 'One Network', over all its networks in the East African region, namely Tanzania, Uganda and Kenya. The 'One Network' product is the first ever borderless mobile network in the world. The service allows customers to move freely across geographic borders without roaming call surcharges and without having to pay to receive incoming calls. Thus customers would be charged at the tariff rate of the host network. We believe that this scheme is very attractive and that the other three operators in the Tanzanian market will try to minimise the negative impact from this scheme by rolling out a number of promotional offers, which we estimate will place pressure on ARPUs.

Valuation

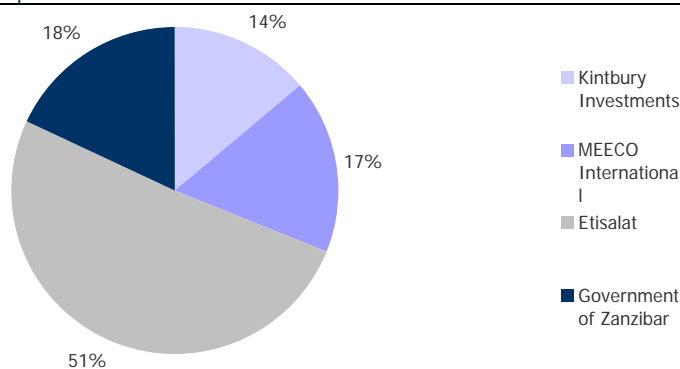
Our estimated value for Etisalat's Zantel operations is AED0.03 per share, based on a DCF valuation. We used a WACC of 6.5%, and a terminal growth rate of 5.0%. Prior to Etisalat increasing its stake, Etisalat had a management agreement with Zantel. Under this agreement, Etisalat received a management fee and other income of AED2.4 million (US\$0.66 million), which were recognised in the consolidated income statement of 2006, while AED2.2 million (US\$0.60 million) were recognised in 2005, however, after the stake increase, we believe that Etisalat would no longer receive management fees from Zantel.

Figure 22 | Zantel's DCF analysis

<i>All figures in AED 000 unless stated otherwise</i>	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	1,133	1,661	2,312	3,096	4,025
Monthly ARPU (US\$)	6.12	4.89	4.16	3.74	3.56
Revenue	202,477	237,530	281,029	338,738	418,375
EBITDA Margin	38.0%	36.0%	34.0%	33.0%	33.0%
EBITDA	76,941	85,511	95,550	111,784	138,064
NOPLAT	76,941	85,511	95,550	111,784	138,064
COPLAT	53,859	59,857	66,885	78,249	96,645
CAPEX	-40,495	-47,506	-56,206	-67,748	-83,675
Free Cash Flow	13,363	12,352	10,679	10,501	12,970
PV Free Cash Flow	12,988	11,269	9,146	8,443	9,787
Terminal Value					439,294
PV Terminal Value					310,533
Enterprise Value					362,167
Enterprise Value to Etisalat					184,705
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.03
Weight to total value					0.10%

Source: Beltone Financial estimates

Figure 23 | Zantel shareholder structure



Source: Etisalat

Nigeria Forecasts (40% stake)

Etisalat buys a 40% stake in a new Nigerian telecom company

In September 2007, Etisalat announced that it bought a 40% stake in a new Nigerian telecom company "Emerging Markets Telecommunications Services Limited (EMTS)" from the Abu Dhabi-based Mubadala Development Company. The Abu Dhabi government investment agency, Mubadala, had paid US\$400 million early 2007 for the new telecom licence in Nigeria, while Etisalat paid AED969.94 million to acquire the 40% equity interest of the new company. Mubadala is to retain a 30% stake in the new operator, which will launch under the commercial brand of Etisalat Nigeria, while services were launched in March 2008.

Etisalat bought a 40% stake in a new Nigerian operation

Etisalat's investment in Nigeria is key since it gives Etisalat the opportunity to take advantage of the significant synergies with its current operations in west Africa (Atlantique Telecom operates in seven African countries namely, Benin, Burkina Faso, Niger, Central African Republic, Gabon and Ivory Coast).

Nigeria is a key investment in enabling synergies

Provision of full telecommunication services

The new telecom licence is a universal access service licence (UASL), enabling the provision of fixed-line and mobile phone services, international calling and data services. With the acquisition of this licence, Etisalat became Nigeria's third fixed-line and fifth mobile-phone operator.

Etisalat Nigeria awarded with a UASL

Etisalat plans to spend around US\$1 billion to construct a network in Nigeria that will enable it to compete with rivals including MTN Group Ltd and Zain's Group Celtel.

Enormous potential for internet and broadband

Nigeria had the largest population in Africa of 146 million at the end of December 2007, while fixed line growth has not matched the pace of mobile subscription. Total mobile penetration rate reached 30% at the end of December 2007, equivalent to a total subscriber base of 32 million. Nevertheless, Nigeria was ranked as the third fastest, growing fixed-line market in Africa, with a CAGR of 19.6% from 2001 until 2006. In addition, strong demand for internet services and broadband is aiding the development of the fixed-line sector, which at a market penetration rate of less than 2% still has enormous potential for growth.

Valuation

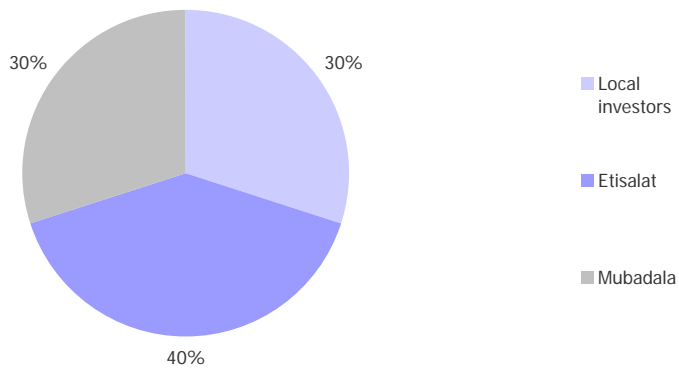
Since Etisalat's stake does not exceed 50%, Etisalat's Nigerian operation will be accounted for via the equity method. Our estimated value for Etisalat Nigeria's operations is AED0.02 per share, based on a DCF valuation. We used a WACC of 10.7%, and a terminal growth rate of 5.0%.

Figure 24 | Etisalat Nigeria's DCF analysis

All figures in AED 000 unless stated otherwise	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	2,748	6,349	10,638	15,735	17,352
Monthly ARPU (US\$)	12.71	11.44	10.87	10.33	9.81
Revenue	1,538,934	3,200,224	5,094,292	7,158,272	7,499,226
EBITDA Margin	-60.0%	-20.0%	10.0%	30.0%	30.0%
EBITDA	-923,360	-640,045	509,429	2,147,482	2,249,768
NOPLAT	-923,360	-640,045	356,600	1,503,237	1,574,837
COPLAT	-738,688	-512,036	427,920	1,803,885	1,889,805
CAPEX	-230,840	-480,034	-764,144	-1,073,741	-1,124,884
Free Cash Flow	-969,528	-992,070	-336,223	730,144	764,921
PV Free Cash Flow	-925,998	-855,748	-261,930	513,713	485,917
Terminal Value					1,998,665
PV Terminal Value					1,412,838
Enterprise Value (AED 000)					368,792
Net Equity Value to Etisalat					147,517
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.02
Weight to total value					0.08%

Source: Beltone Financial estimates

Figure 25 | Etisalat Nigeria shareholder structure



Source: Etisalat

Afghanistan Forecasts (100% stake)

Etisalat awarded fourth mobile licence in Afghanistan

By late 2003, the Afghani Ministry of Communications had licenced two mobile operators, namely Afghan Wireless Communications Company (AWCC) and Telecom Development Company Afghanistan Limited (Roshan). By mid-2005, the ministry of communications announced an auction for two additional mobile licences for US\$40.1 million each, which were won by Areeba (part of MTN-Investcom Group) in October 2005 and Etisalat in May 2006. Etisalat was awarded the licence after Warid Telecom, an Afghan-owned company that had previously provided a range of telecommunications services to Afghan Telecom, failed to pay the licence fee of US\$40.1 million to the Ministry of Communications.

Etisalat awarded licence in May 2006 for US\$40.1 million

Etisalat launches operations in August 2007

Etisalat launched its operations in August 2007 and is planning to invest US\$300 million (AED1.1 billion) over a three-year period, in an effort to build a modern network for the Afghan population and help Afghanistan become a telecommunications hub for Central Asia. In addition, Thuraya Satellite (in which Etisalat owns a 27.427% stake) is also providing satellite mobile communications services in Afghanistan and has cooperated with the national service provider since late 2004.

Etisalat plans to invest US\$300 million over three years

Significant reductions in access and usage pricing

With the Afghani telecom regulator targeting a mobile penetration of 30% and a 15% fixed line penetration by 2013, the emergence of a competitive telecommunications market has resulted in approximately 40% population coverage and in significant reductions in access and usage pricing. The price of SIM cards dropped from over US\$150 in early 2003 to an average of US\$10 in 2007. National retail tariffs have also dropped from an average US\$0.30/min in early 2003 to approximately US\$0.10/min in 2007, with some operators offering promotional or off-peak national tariffs as low as US\$0.03/min.

With approximately 0.11 million subscribers by year-end 2007, and an equivalent market share of 4%, we estimate that Etisalat Afghanistan could acquire a total of 0.28 million subscribers by the end of 2008, more than double its current subscriber base. We expect operations to breakeven by 2010.

Valuation

Our estimated value for Etisalat's Afghan operations is AED0.02 per share, based on a DCF valuation. We used a WACC of 10.7%, and a terminal growth rate of 5.0%.

Figure 26 | Afghanistan's DCF analysis

<i>All figures in AED 000 unless stated otherwise</i>	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	278	736	1,414	2,337	3,184
Monthly ARPU (US\$)	7.0	6.3	5.7	5.4	5.3
Revenue	34,274	102,171	247,288	388,133	523,585
EBITDA Margin	-60.0%	-20.0%	10.0%	30.0%	30.0%
EBITDA	-20,564	-20,434	24,729	116,440	157,075
NOPLAT	-20,564	-20,434	22,009	103,631	139,797
COPLAT	-6,169	-6,130	15,406	72,542	97,858
CAPEX	235,283	-205,642	-153,257	-98,915	-77,627
Free Cash Flow	229,113	-211,772	-137,851	-26,373	20,231
PV Free Cash Flow	218,826	-182,672	-107,391	-18,556	12,852
Terminal Value					279,660
PV Terminal Value					175,791
Net Equity Value to Etisalat					98,850
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.02
Weight to total value					0.05%

Source: Bellone Financial estimates

Indonesia Forecasts (15.97% stake)

Etisalat acquires 15.97% stake in Indonesian Excelcomindo

At the end of December 2007, Etisalat acquired a 15.97% stake in the Indonesian mobile operator Excelcomindo, the third largest mobile operator in Indonesia. Etisalat agreed to pay US\$438 million for the stake, implying an equity value of Excelcomindo of US\$2.742 billion.

Positive growth in Indonesia's telecommunication market

At the end of December 2007, the total mobile subscriber base in Indonesia reached approximately 79 million, of which almost 95% are prepaid and the remaining 5% are postpaid. Penetration rates at year-end 2007 reached 41%, signifying a considerable increase from the 28% penetration rate at the end of 2006.

Oligopolistic mobile market

At the end of December 2007, there were 11 competitors in the Indonesian telecom market, offering roughly a total of 20 products. Despite the large number of market players, the telecom market is an oligopoly, as three operators control approximately 85% of the market. The three main market players are Telkomsel and Indosat and Excelcomindo. Telkomsel is the dominant market player, with a market share exceeding 50%, offering both strong postpaid and prepaid brands. Indosat is the second largest player, with an equivalent 24% market share. Finally, Excelcomindo, the third largest player, has a 16% market share.

Oligopolistic telecommunication market

Expectations of continued growth

With the Indonesian telecom regulator revising interconnect fees yet again (the last revision was implemented in January 2007), to even lower costs, we believe that all mobile operators will be able to offer lower cost packages, which should catalyse further subscriber growth. The new interconnection tariff is expected to be implemented during 2008.

New interconnect tariffs expected to be implemented during 2008

Competition

Currently, competition in the Indonesian telecom market stems from new CDMA mobile players, which are offering limited coverage at low tariffs. The three large players, Telkomsel and Indosat and Excelcomindo have responded by decreasing their tariffs, to maintain their respective market shares. New foreign operators entering the Indonesian telecom market include Maxis and Hutchison, which entered the market by offering 3G services, could also elevate the competitive landscape in the market. Hutchison launched its operations in March 2007, while Maxis is expected to launch commercial services in 2008.

Despite the increased number of players, we do not expect that the market structure will change much and believe that the three current largest players will continue to dominate the market. However, with the aggressive pace of growth that Excelcomindo is undertaking, we believe that, eventually, it will become the second largest player in the market.

We expect Excelcomindo to become the 2nd largest player

Excelcomindo highlights

Excelcomindo started its commercial operations in October 1996, and is listed on the Jakarta Stock Exchange since September 2005. Telekom Malaysia is the majority shareholder with a 67% stake. By the end of 2007, Excelcomindo was able to increase its subscriber base by 63% to reach 15.5 million subscribers, while blended ARPU strengthened by 2% to reach AED18.4. Driven by both strong subscriber growth and strengthening ARPU, net revenues increased to INR6,550 billion (AED3,270 million) at the end of December 2007, a 30% annual increase. Operational margins also improved by year-end to reach 42%, versus 39.4% in 2006. On the other hand, net income fell by 62% year-on-year to reach INR251 billion (AED98 million), due to non-recurring tax reassessments.

Etisalat should increase its stake in Excelcomindo

In view of our expectations that growth will continue to accrue in the Indonesian telecom market and the strength of Excelcomindo, we believe that Etisalat should try to increase its stake in Excelcomindo, taking into consideration that the government has restricted foreign ownership in mobile operators to a maximum of 65%.

Valuation

Since Etisalat's stake does not exceed 50%, Etisalat's Indonesian operation will be accounted for via the equity method. Our estimated value for Etisalat's Indonesian operations is AED0.06 per share, based on a DCF valuation. We used a WACC of 10.7%, and a terminal growth rate of 5.0%.

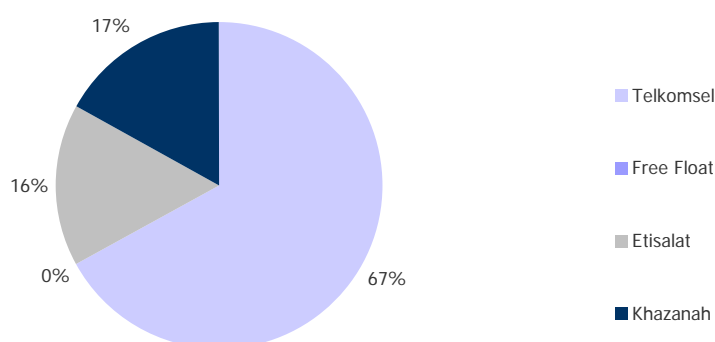
Figure 27 | Indonesia's DCF analysis

All figures in AED 000 unless stated otherwise

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	19,200	24,420	28,491	32,345	36,481
Monthly ARPU (US\$)	4.84	4.28	3.93	3.64	3.39
Revenue	4,009,742	4,512,907	4,836,934	5,087,814	5,347,143
EBITDA Margin	39.9%	39.9%	39.9%	39.9%	39.9%
EBITDA	1,599,887	1,800,650	1,929,937	2,030,038	2,133,510
NOPLAT	559,960	630,227	675,478	710,513	746,729
COPLAT	1,735,877	1,953,705	2,093,981	2,202,591	2,314,859
CAPEX	-2,339,466	-1,805,163	-1,209,233	-763,172	-534,714
Free Cash Flow	-603,589	148,542	884,748	1,439,419	1,780,144
PV Free Cash Flow	-576,488	128,131	689,251	1,012,744	1,130,839
Terminal Value					4,651,345
PV Terminal Value					3,287,993
Enterprise Value (AED 000)					5,672,469
Less Net Debt					3,534,138
Equity Value to Etisalat (AED 000)					341,492
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.06
Weight to total value					0.18%

Source: Beltone Financial estimates

Figure 28 | Excelcomindo shareholder structure



Source: Etisalat

Atlantique Telecom Forecasts (82% stake)

Etisalat increases stake in Atlantique Telecom

Etisalat first joined forces with Atlantique Telecom in April 2005, when it acquired a 50% stake of the company in a deal that exceeded €100 million. In April 2007, Etisalat decided to increase its stake by an additional 20% (197,864 shares), and by another 12% (118,719 shares), in May 2008, believing that there is further room for growth in the African telecom services, especially with the limited level of infrastructure that is currently available, resulting in a total controlling equity interest of 82% (811,243 shares). Through its joint venture with Atlantique Telecom, Etisalat was given the right to supervise the operations of these seven African countries in a ten-year management contract.

With this stake increase, Etisalat will no longer account for Atlantique Telecom as a subsidiary and will be able to fully consolidate its operations.

There are seven countries under management served by Atlantique Telecom, including Benin, Niger, Central Africa Republic, Gabon, Burkina Faso, Togo and Côte d'Ivoire.

Access to a population of 64 million with a low penetration rate

The combined estimate of population for these countries is approximately 64 million, with a weighted penetration rate of less than 13%, which is no doubt due to the limited telecom infrastructure available and relatively low GDP per capita (with the exception of Gabon).

Marketing Strategy

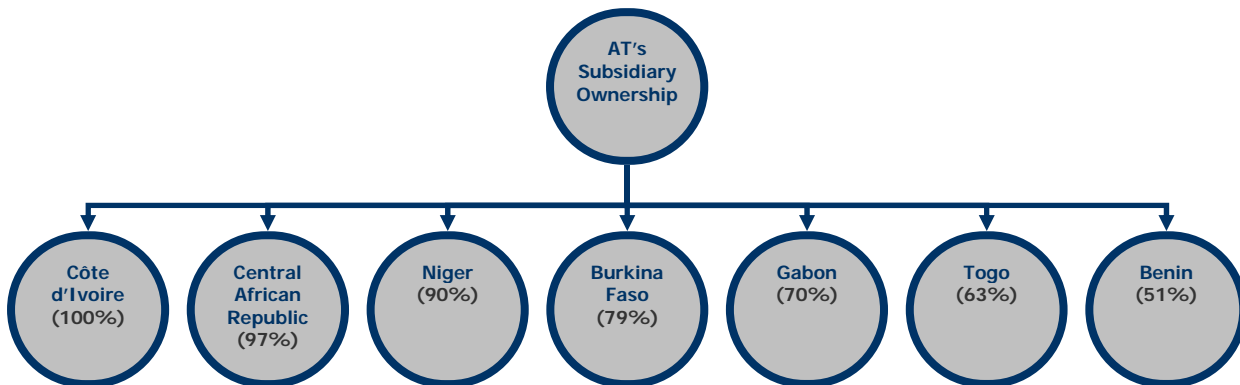
Atlantique Telecom is currently in the process of re-branding most of its telecom operations under the commercial name of "Moov", to create a strong brand identity in the Western Africa region. At present, Atlantique Telecom is ranked as one of the top three players in most of the countries that it operates in.

Figure 29 |

Country	Population 2006 (mn)	Mobile subscribers 2006 (000)	Mobile penetration (%)
Benin	8.70	1,056	12.13
Burkina Faso	13.63	1,017	7.46
Cote D'Ivoire	18.45	4,065	22.03
Gabon	1.41	765	54.39
Niger	14.43	324	2.32
Central Africa	4.17	143	3.43
Togo	6.31	708	11.23

Source: ITU

Figure 30 | Atlantique Telecom subsidiary ownership structure



Source: Etisalat

Atlantique Telecom uses Thuraya Satellite technology

Atlantique Telecom will be using Thuraya's Satellite (of which Etisalat owns a 27.427% stake) facilities to provide 100% service coverage for its GSM customers everywhere in those countries. This concept of 'service extension' allows GSM operators to extend their coverage area, through Mobile Satellite Services technology (MSS) and is utilised for the first time by Atlantique Telecom. Therefore, Atlantique Telecom GSM users will simultaneously transfer to Thuraya's system once they are out of terrestrial network coverage and will be able to enjoy handheld mobility in remote areas where they could not have used their mobiles previously. Furthermore, according to Thuraya's management, calling charges will be the same as GSM prices without any premium or additions.

Atlantique Telecom increases network competitiveness

From Atlantique Telecom's perspective, a collaboration of this nature will increase the network's competitiveness and customer satisfaction, while Thuraya Satellite will benefit from the bulk roaming activities, handset sales and market exposure.

Africa holds a strong potential for growth

In general, we hold the belief that Africa and sub-saharan Africa, in particular, hold the strongest potential for telecommunication growth, largely due to the low penetration rates and the almost non-existent telecom infrastructure. With the growing level and diversity of infrastructure technology, access to previously uneconomic feasible areas have become more attractive now. We believe that CAPEX rollout should be a strong prerequisite in order for telecom operators to derive growth from the region.

Valuation

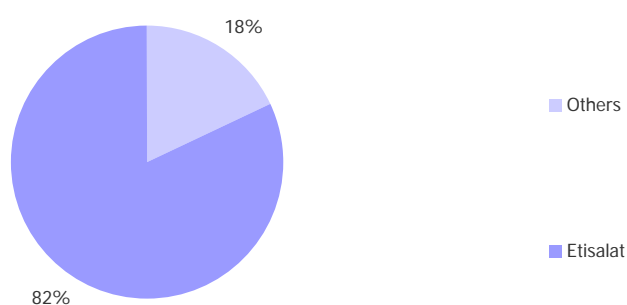
Our estimated value for Etisalat's Atlantique operations is AED0.42 per share, based on a DCF valuation. We used a WACC of 11.6%, and a terminal growth rate of 5.0%.

Figure 31 | Atlantique Telecom's DCF analysis

All figures in AED 000 unless stated otherwise	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Mobile subscribers (000)	3,800	5,111	6,244	7,156	8,116
Monthly ARPU (US\$)	8.84	8.07	7.62	7.20	6.81
Revenue	1,405,997	1,726,003	1,990,492	2,155,639	2,312,582
EBITDA Margin	35.0%	31.0%	32.0%	32.0%	32.0%
EBITDA	492,099	535,061	636,957	689,804	740,026
NOPLAT	492,099	535,061	636,957	689,804	740,026
COPLAT	344,469	374,543	445,870	482,863	518,018
CAPEX	-843,598	-690,401	-398,098	-323,346	-346,887
Free Cash Flow	-499,129	-315,859	47,772	159,517	171,131
PV Free Cash Flow	-474,982	-269,275	36,485	109,141	104,862
Terminal Value					5,133,932
PV Terminal Value					3,569,921
Enterprise Value					3,076,152
Net Equity Value to Etisalat					2,522,445
Total Etisalat Outstanding Shares (000)					5,989,500
Value per share (AED)					0.42
Weight to total value					1.31%

Source: Beltone Financial estimates

Figure 32 | Atlantique Telecom shareholder structure



Source: Etisalat

Appendix I – Etisalat UAE Operations Background

Etisalat Operations

Etisalat expands footprint

Starting off as the UAE's sole provider of telecommunications in 1976, Emirates Telecommunications Corporation "Etisalat" has since expanded its footprint in the region and beyond, acquiring operations in the Middle East, Africa and South Asia. At present, Etisalat's main goal is to become among the top ten global telecom operators by 2010. Throughout its history of telecom operations, Etisalat has firmly positioned itself at the technological forefront, introducing the latest telecommunication technology in its domestic and overseas markets.

Figure 33 | Timeline of Events

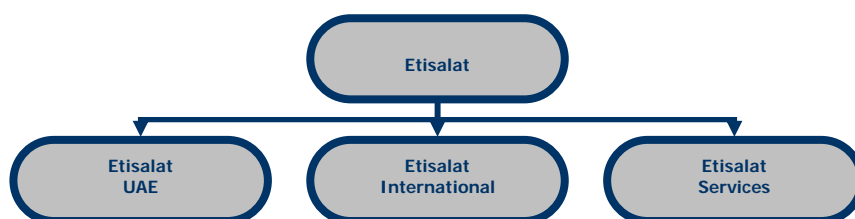
1976: Telecommunications service provider
1982: The first telecom operator in the Middle East to introduce a mobile phone service
1994: Introduced GSM technology in UAE
1995: Launched internet service
2003: Introduced both 3G and MMS
2004: Acquired 35% of "Mobily" in Saudi Arabia
2005: Acquired 50% of Atlantique Telecom
2006: Introduced the Blackberry services
2006: Won the fourth national wide mobile licence in Afghanistan
2006: Won the third GSM licence in Egypt
2006: Acquired 26% of Pakistan Telecommunications Company (PTCL)
2006: Acquired 37% of Canar in Sudan
2007: Launch of du's commercial operations
2007: Increased stake by an additional 20% in Atlantique Telecom
2007: Acquired 40% stake in key Nigerian operation
2008: Acquired 15.97% stake in Indonesia's Excelcomindo
2008: Thuraya stake increased from 27.427% to 28.042%
2008: Etisalat raised its stake in Atlantique Telecom to 82%

Source: Etisalat Annual Report, Beltone Financial

Internal restructure to better achieve overall goals

To manage its ever increasing scope of operations and reach its ambitious goal to become one of the top ten global telecom companies, Etisalat restructured its internal operations to form three independent units: Etisalat UAE, Etisalat International and Etisalat Services to manage its operations more efficiency and effectively. The International unit is responsible for exploring new investment opportunities overseas. Etisalat UAE is responsible for providing all telecommunications, internet, cables and TV services within the UAE and Etisalat Services is a holding company which fosters an environment for Etisalat's non-core businesses.

Figure 34 | Etisalat's organizational structure



Source: Etisalat Annual Report

Etisalat UAE

With mobile usage becoming cheaper than fixed line, preference for mobile ownership and usage skewed positively to surpass that of fixed line usage, and with the UAE market crossing the 100% mobile penetration rate in 2005, the focus on net subscriber acquisition became secondary. Although we believe that voice revenue will remain the prime contributor to the overall revenue, we believe that the next revenue growth driver will be the provision of data and multimedia services, especially since the UAE's population is amongst the wealthiest in the world. In terms of GDP per capita, with the increased level of business start-ups and growing economy, high-speed data provision will be a crucial requirement for sustaining the booming UAE economy.

In an effort to address the sophisticated needs of its local market, Etisalat created the 'Etisalat UAE' unit to manage all of its domestic telecommunication needs, including mobile, internet, cables and TV services. Etisalat started to focus on developing its Next Generation Network (NGN) to increase the scope of its value-added services and, in turn, increase its ARPU, especially with the entrance of a second player in 2006. Currently, Etisalat covers 97% of the populated areas in the UAE, utilising both 3G and 3.5G network technology, since 2003. Etisalat also became the first network operator in the region to launch high-speed internet services over mobile through 3.5G HSPA technology in December 2004.

Etisalat's 3G and 3.5G Services

Since the launch of du in the UAE market, Etisalat has been continuously rolling out new products and services to capture additional subscribers and maintain a strengthening ARPU. Etisalat's current coverage extends to 97% of the UAE's populated areas, with the deployment of its 3G and 3.5G technology. At present, total cell sites in the UAE have reached 7,743, of which 1,606 are new 3G sites.

High-speed mobile data modem

Etisalat launched the first mobile Data USB Modem, providing speeds of up to 7.2 megabits per second (Mbps) in the downstream and up to 1.9 mbps in the upstream. Smaller than a standard PC mouse, this USB modem can be used with both laptop and desktop computers with USB ports, enabling internet connectivity for users.

MobileCAM

Etisalat's 3G MobileCAM provides access to video footage and video call services to both homes and offices. Subscribers to this service are also able to hold a video-phone call as the camera's device has an installed microphone and speaker.

Mobile TV service

Etisalat also launched a mobile TV service with 15 different channels to choose from, with subscribers to this service reaching over 230,000 at the end of September 2007.

BlackBerry service

In May 2006, Etisalat launched the BlackBerry service, for business users, and succeeded in reaching over 30,000 subscribers at the end of September 2007.

Pushmail

Using Pushmail, Etisalat's customers can send and receive emails from their mobile phones, providing subscribers access email access at all times and locations.

Credit transfer

The credit transfer service is also available to all of Etisalat's mobile subscribers, enabling customers to transfer credit balances from one Etisalat mobile account to another for free.

Area info service

Etisalat also has a free popular Area Info service, which displays the area name, ensuring that unknown locations in the UAE are known.

Location-based services: Mobile Map

This service enables customers to get their location through an SMS with the place's name and WAP link to view the map. Alternatively, customers can receive MMS with maps of their location or nearby points of interest, which they can then forward to their family, friends and business partners by MMS or email.

Mobile subscribers

At the end of December 2007, Etisalat's total mobile subscriber base reached 6.3 million, a 14% increase over 2005. Net subscriber additions, on the other hand, fell by an annual 21%, as a result of the commercial launch of du. Revenues from mobile increased by an annual 33% to reach AED13.6 billion, on the back of both a wider customer base and a strengthening ARPU. The estimated monthly global ARPU remained stable at AED174 for the end of 2007.

Figure 35 | Etisalat mobile subscribers

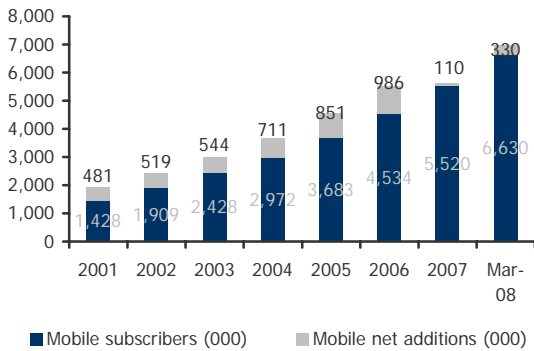
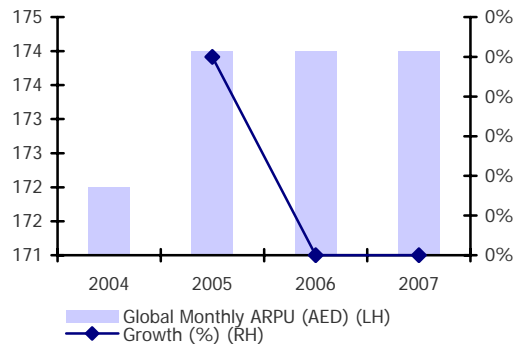


Figure 36 | Etisalat mobile ARPU



Source: Etisalat

Prepaid subscribers continued to dominate the overall customer base, with total prepaid subscribers comprising almost 90% of the total base. Meanwhile, total minutes of use (MoU) have increased to 16 billion minutes, a 16.7% annual increase, with the prepaid segment driving the overall growth with an annual 20% growth.

Figure 37 | Etisalat subscriber breakdown

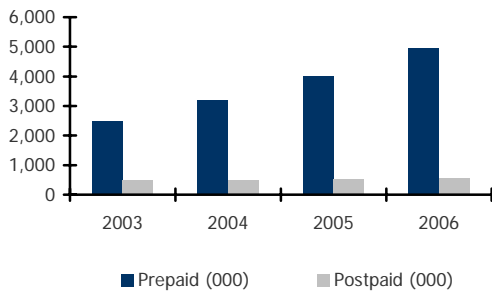
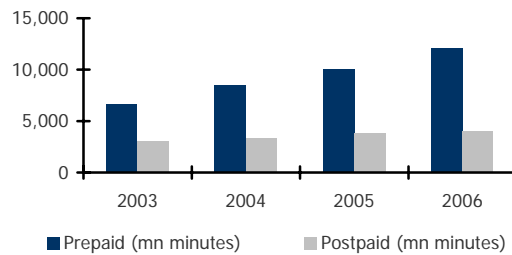


Figure 38 | Minutes of Use (MoU) breakdown



Source: Telecommunications Regulatory Authority

Fixed line subscribers

Fixed line subscriber growth has been relatively slower than mobile subscriber growth, due to the fixed-mobile substitution trend. At the end of 2007, fixed line subscribers grew by 3% to reach 1.3 million subscribers, with net subscriber additions declining by an annual 16%. Despite a small increase in total fixed line subscribers, fixed line revenue increased by 10% to AED3.04 billion in 2004, due to strengthening average revenue per line (ARPL), which increased by an annual 5%, to reach AED206 at the end of 2007, a result of an increase in broadband lines.

Figure 39 | Etisalat fixed subscribers

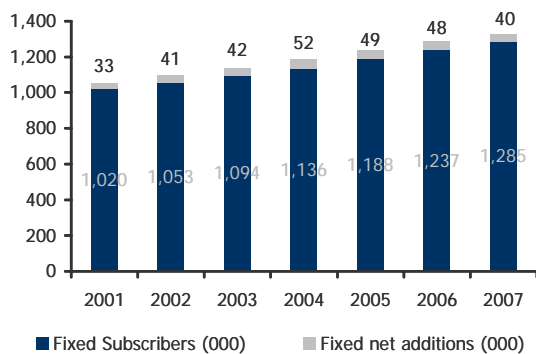
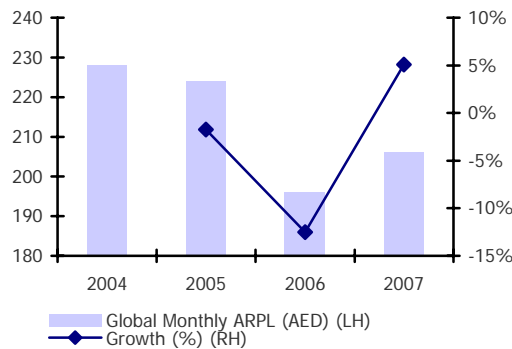


Figure 40 | Etisalat fixed ARPL



Source: Etisalat Annual Report, Beltone Financial estimates

To enhance the fixed line divisions' performance, Etisalat is installing its new NGN, which will add more flexibility to fixed line usage. The "Smart Home" initiative will enable the functioning of features that were previously restricted to mobile phones only, e.g. SMS, to fixed lines. Other features include, video, internet, TV viewing and monitoring.

Internet services

Etisalat introduced internet services in 1995, which accounted for 7% of the total revenues in 2007. Total internet subscribers rose by 33% to reach 875,000 subscribers at the end of 2007 and the broadband products, "Al Shamil and Business One", outperformed dial-up and other low-speed applications. "Al Shamil" subscription grew by 61% in 2007 to reach 294,000 subscribers, while "Business One", designed for the small and medium-sized business customers, rose by 58% to reach 57,000 users. Etisalat repackaged its internet services to offer higher access speeds, coupled with price reductions up to 35%.

Figure 41 | Etisalat total internet subscribers

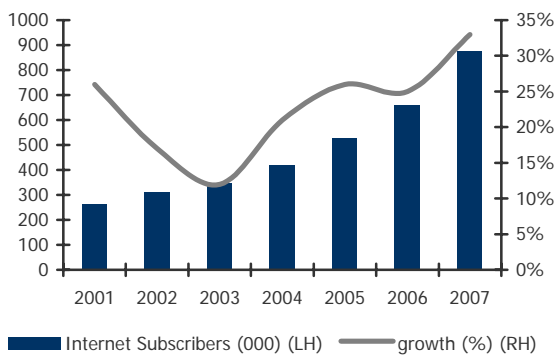
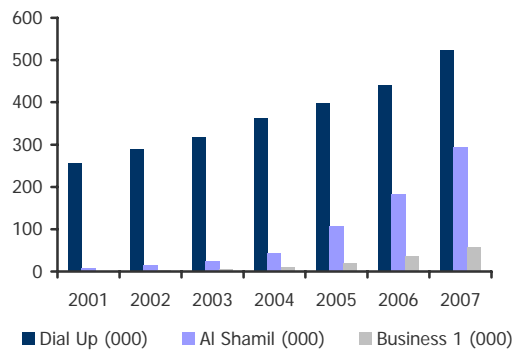


Figure 42 | Etisalat breakdown of total internet subscribers



Source: Etisalat Annual Report

Operating Expense Breakdown

The overall operating costs increased relative to Etisalat UAE revenue, as a result of increased other expenses, which mainly encompassed regulatory costs and increased provisions for doubtful debt, to enhance credit. On the other hand, both staff and network expenses dropped gradually as a percentage of revenue.

Figure 43 | Etisalat's operating expense breakdown

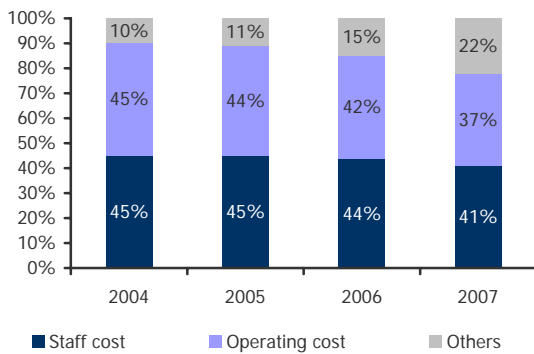
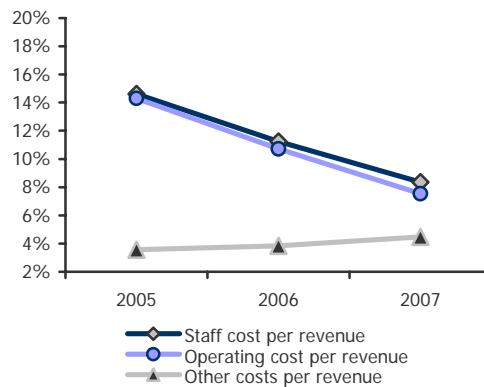


Figure 44 | Etisalat's operating expense/revenue



Source: Etisalat

CAPEX Breakdown

Total cell sites in the UAE have reached 7,743 sites, of which 1,606 are new 3G sites. Etisalat has already completed the first phase of its "Fibre to the Home" network (FTTH) deployment, which is reflected in the increased CAPEX, from AED1.2 billion in 2006 to AED1.5 billion in 2007 and in the increased percentage in the fixed line network, from 22% in 2006 to 32% in 2007. The overall CAPEX/Revenue has been decreasing gradually, which is a positive sign.

Figure 45 | Etisalat's CAPEX breakdown

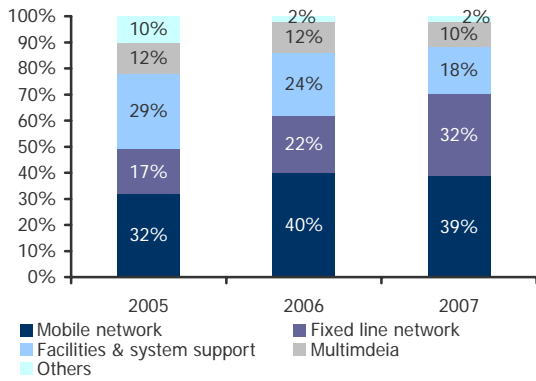
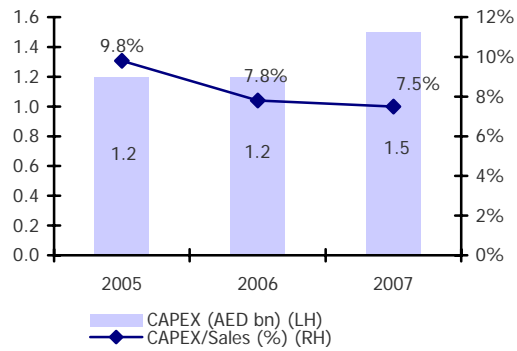


Figure 46 | Etisalat's CAPEX/revenue



Source: Etisalat

Leverage strategy

Prior to 2006, Etisalat had no debt on its financial statements, generating all of its cash needs internally, however, with Etisalat's increased focus on its international operations, Etisalat adopted an external financing policy to fund its growth strategy in these countries. On the other hand, despite Etisalat's new debt policy, net debt/EBITDA remains negative, implying much more room for additional debt.

Figure 47 | Etisalat's interest coverage

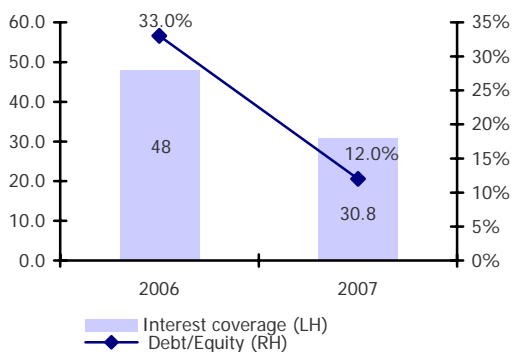
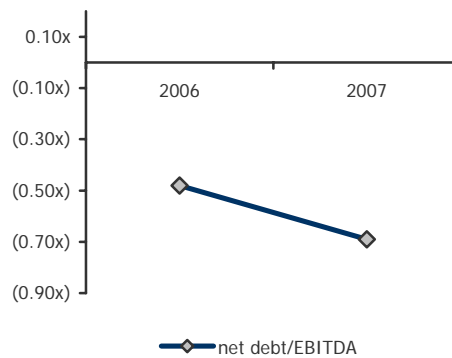


Figure 48 | Etisalat's net debt/EBITDA



Source: Etisalat and Beltone financial estimates

Etisalat Services

Etisalat Services is a holding company which hosts a number of companies that perform non-core activities for Etisalat. Despite the fact that these companies are considered second-line business activities, each company indirectly complements and contributes to Etisalat's overall business objective. The combined purpose of all of these units is to increase shareholder value, promote efficiency and improve customer service. The companies managed by Etisalat Services include: e-Real Estate, e-Facilities Management, e-Marine, e-Academy, Ebtikar, EDCH and Yellow Page Directory Services.

E-Real Estate

Etisalat has a number of properties which include buildings, shelters, towers and monopoles. E-Real Estate was established to take on ownership of a large percentage of these assets and maximise their business potential for Etisalat's developing business needs. With Etisalat expanding its scope of operations, the need for technically specific warehouses and office space will start to increase, and therefore, the main focus of E-Real Estate will be the logistical requirements needed for these transitional periods, which would include space utilisation in periods of growth and leasing or rental in the open market for periods of space over supply.

E-Facilities Management

E-Facilities Management was formed through the amalgamation of a number of other units, which were previously allocated for the maintenance, administration and management of buildings, towers and related equipment. Pooled under one main unit, e-Facilities Management is lined to provide comprehensive facilities management services, including electro-mechanical, civil, power operations and general maintenance services. Having acquired a distinctive expertise in this area, E-Facilities Management intends to offer its services to the public market and not be a service provider exclusive to Etisalat.

E-Marine

Etisalat has been in the submarine cable business since 1990, through an in-house cable maintenance division, which was later spun-off as an independent business entity in 1998, under the name of Emirates Telecommunications and Marine Services FZE (E-Marine). E-Marine was initially established to provide all of the services related to the submarine cable works, including the installation, figuring, planning and related maintenance services. Currently, E-Marine's footprint extends across the Gulf, Arabian Sea and the West Indian Ocean region.

Plans for E-Marine include the development and restructuring of this strategic unit with a proposal to offer a share of its equity capital to strategic partners. Partnerships, which will complement the company's existing strengths, open up new markets and enhance its regional coverage.

E-Academy

E-Academy was essentially established to become a comprehensive technical and business training institution in the region. The Academy provides state-of-the-art facilities and experts in their own fields to educate and train Etisalat's staff, in addition to other business and government organizations.

Ebtikar

Ebtikar is a major card manufacturer and related service provider, catering mainly to the needs of telecom operators in both the local and international market. Ebtikar has a factory in the UAE, Ajman and produces a wide variety of prepaid scratch cards, memory chips and GSM SIM cards for its customer base. Among its achievements, is the development of a 3G GSM card in 2006, and an e-voucher solution as an alternative solution to its prepaid scratch card.

In an effort to continue the development and expansion of the current business model, Ebtikar is currently seeking to become the leading card manufacturer in the Middle East region.

Emirates Data Clearing House (EDCH)

Data clearing houses are essential service providers for GSM mobile operators, since their activities include the handling of international roaming data and settlement arrangement amongst their various roaming affiliates and partners. EDCH's abundant responsibilities include data and financial clearing, revenue assurance and call detail record conversations. Originally established in 1994 to provide data clearing services for Etisalat only, EDCH now offers its services to a number of regional mobile telecommunication operators.

Financial Analysis

First quarter to end March 2008

At the end of March 2008, Etisalat had acquired 6.63 million mobile subscribers, 1.33 million fixed line subscribers and 0.94 million internet subscribers.

Etisalat's total revenues grew by 26% to reach AED6,060 million, compared to AED4,809 million in March 2007, however, the operating profit margin declined to reach 32%, versus 37% in March 2007. On the bottom line level, net income grew by 16% to reach AED2,122 million, as opposed to AED1,837 million at the end of March 2007, while net profit margins declined to reach 16%, versus a comparable 37% at the end of March 2007.

Minority interest remained positive in the first quarter of 2008, indicating that the bulk of Etisalat's consolidated international operations are still reporting losses, which also counts as another reason for Etisalat's consolidated EBITDA margin's slow down.

Figure 49 | Number of subscribers

millions unless stated otherwise	2006	2007	1Q 2008
Mobile Subscribers	5.52	6.37	6.63
Fixed Lines Subscribers	1.29	1.33	1.33
Internet lines	0.66	0.88	0.94

Source: Etisalat Financials

Figure 50 | Etisalat's income statement

AED thousands unless stated otherwise	1Q 2007	1Q 2008	Change (%)
Total Revenues	4,809,435	6,059,673	26.0%
Operating Profit	1,762,419	1,927,866	9.4%
<i>Operating profit Margin</i>	37%	32%	
Financing expenses	(161,966)	(122,752)	-24.2%
Other income	166,548	172,284	3.4%
Net profit before Minority Interest	1,767,001	1,948,067	10.2%
Minority Interest	70,403	174,342	147.6%
Net Profit after Minority Interest	1,837,404	2,122,409	15.5%
<i>Net profit margin</i>	37%	16%	
EPS (AED/share)	AED0.35	AED0.31	

Source: Etisalat Financials

Stock Market and Capital History

Etisalat is majority-owned by the government of UAE, with a 60% holding of the shares and individual UAE shareholders holding most of the remaining 40%. Etisalat started to be traded on the Abu Dhabi stock market (ADSM) in 2002.

Figure 51 | Etisalat's Capital increases and stock split

2002:	Launched an Initial Public Offering, with an initial offering of 300 million shares at a par value of AED10.00
2003:	Approved the increase of the authorised capital from AED3,000 million to AED4,000 million
2004:	Approved the issue of one bonus share for every ten shares held, representing 30 million ordinary shares of AED10 per share, bringing the total number of issued and fully paid shares to 330 million shares
2005:	Approved a stock split for each existing ordinary share of AED10 per share into ten ordinary shares of AED1 per share
2005:	Approved the issue of one bonus share for every ten shares held, representing 330 million ordinary shares of AED1 per share, bringing the total number of issued and fully paid shares to 3,630 million shares
2006:	Approved to double the authorised capital from AED4,000 million to AED8,000 million, as well as the issuance of one bonus share for every four shares, representing 907.5 million ordinary shares of AED1 per share, bringing the total number of issued and fully paid shares to 4,537.5 million shares
2007:	Approved the issue of one bonus share for every ten shares held, representing 453.8 million ordinary shares of AED1 per share, bringing the total number of issued and fully paid shares to 4,991.3 million shares

Source: Etisalat Annual Report

Appendix II- Etisalat International Operations Background

Offset negative impact of competition on local market

Through its international arm, Etisalat is actively continuing to seek greenfield licences and the acquisition of smaller telecom operators, to offset the anticipated negative impact of competition on its domestic market. In Africa and Asia, the company's overall strategy is to target countries with low penetration rates and which have favourable economic and demographic profiles. In the Middle East, Etisalat is set to take advantage of the region's recently liberalised telecom sector and buy into these cash-rich markets through their auctioned additional mobile and/or fixed line licences. Etisalat currently manages and operates telecom companies in Afghanistan, Saudi Arabia, Egypt, Sudan, Pakistan, Tanzania, Benin, Burkina Faso, Central African Republic, Gabon, Niger, Nigeria, Togo and the Ivory Coast. In addition, Etisalat has stakes in Qatar Telecom, Indonesia's Excelcomindo and Sudatel. Etisalat has already spent about US\$6.5 billion over the past three years to expand outside of the UAE.

Other markets of interest

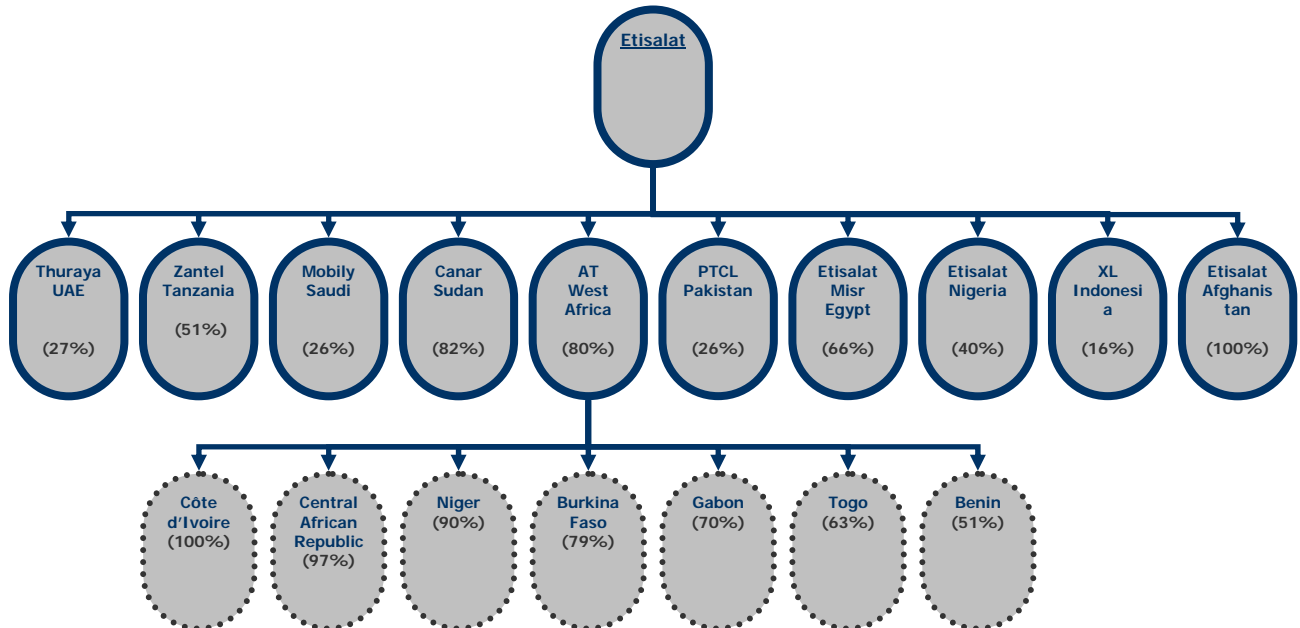
Recently, Etisalat announced its willingness to spend up to US\$4 billion on an acquisition or a licence to enter India, the world's second-largest mobile phone market. Etisalat stated that the time was right for a purchase because the market value for shares in India had dipped a little. That mentioned, Etisalat stated that the amount that it spent on an acquisition would depend on the available opportunities and on how much of a stake of the entity that it would buy. Etisalat is also monitoring opportunities to enter new markets, specifically the Iranian market, which is now offering two licencing opportunities, one of which is a mobile operator licence. Etisalat is also looking at opportunities in Oman, Algeria, Iraq, Lebanon and South Africa. Etisalat is also considering bidding for MTN, competing against Indian operator Bharti Airtel Ltd.

For Algeria, Etisalat announced in January 2007 its intention to pay north of US\$2 billion to US\$3 billion to bid for the state-run Algerie Telecom, however, it will depend on the conditions.

Access to over 400 million subscribers

At present, the company has access to a potential market of over 400 million subscribers and its services reach over 50 million subscribers.

Figure 52 | Subsidiaries and Associates



Source: Etisalat

Egypt Telecommunications Market

Quick Country facts

Population (2007)	74 mn
GDP/Capita (2007)	US\$ 1,454
Density per km ² (2006)	49.0
Mobile penetration (2007)	42.6%
Mobile CAGR (2002 – 2006)	217%
Fixed line penetration (2007)	15.2%
Fixed line CAGR (2001 – 2006)	6.5%
Internet penetration (2007)	11.6%
Est. weighted mobile ARPU (2007)	<US\$11.00
Number of mobile players (2007)	3
Number of fixed players (2007)	1

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Rapid growth since liberalisation of telecommunications sector

Egypt's telecommunications sector has experienced rapid growth since the liberalisation of the sector and the entry of private players in 1998. Today, telecommunications is one of the fastest growing sectors in Egypt, with mobile penetration rates reaching 42.6% at the end of December 2007, compared to 6.3% in December 2002. Over the past five years, mobile telephony grew at a staggering compounded annual growth rate (CAGR) of 217% during the period 2002-2006. Mobile communications accounts for the largest private sector investment in the telecommunications space, and is a strong component of its overall growth.

The end of a strong mobile duopoly

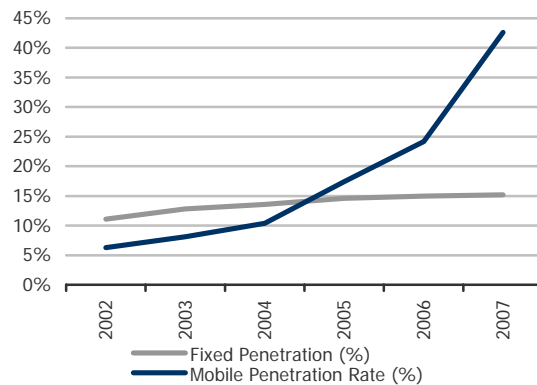
Early 2005, the National Telecom Regulatory Authority (NTRA) announced that it would open the market for a third mobile network in Egypt, thus ending the long-lasting duopoly of Vodafone Egypt and Mobinil. The third mobile licence also included a 3G operational licence, a technology that was not provided in Egypt at the time. In July 2006, Etisalat won the third mobile licence in Egypt at a cost of E£16.7 billion (US\$2.91 billion), with a consortium including Egyptian Post Office 20%, National Bank of Egypt (NBE) 10% and Commercial International Bank of Egypt (CIB) 4%. With regard to Mobinil and Vodafone Egypt, the NTRA set the 3G licence cost at a price of E£3.34 billion (US\$0.58 billion) for 15-year term, in addition to an annual revenue sharing fee of 2.4%. Etisalat Misr launched its mobile phone services in May 2007.

Both Vodafone Egypt and Mobinil acquire the 3G licence

Vodafone Egypt announced its decision to acquire the 3G licence soon after Etisalat had won the third mobile licence, however, Mobinil regarded the terms of the 3G licence economically unfeasible and postponed its

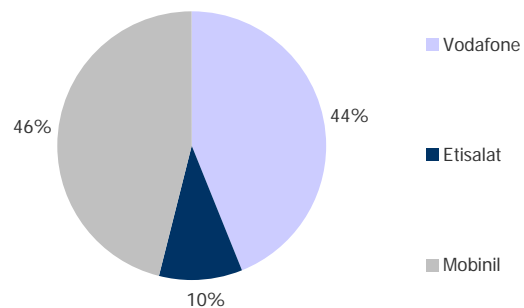
decision to acquire the 3G licence until July 2007.

Figure 53 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 54 | Mobile market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

Telecom Egypt largest fixed line operator in the Arab region

Telecom Egypt, the country's sole fixed line provider is by far the largest fixed line telecommunications company in the Arab region, in terms of the number of fixed line subscribers, which stood at 11.2 million subscribers at the end of December 2007, equivalent to a penetration rate of 15.2%.

Telecom Egypt to lose its monopoly

With the World Telecommunications Organization's agreement coming into force in 2005, Telecom Egypt lost its right to maintain a monopoly in both the fixed line and international gateway services. In late 2007, the NTRA offered an international gateway licence for mobile players in the market, however, neither Mobinil nor Vodafone Egypt bid for the licence. The second fixed line licence is expected to be offered by 2008, where bidders will receive a number of incentives, including the right to provide WiMax services and handle international calls. So far, Etisalat expressed interest in acquiring the second fixed line licence, in addition to Orascom Telecom (which owns a 34.76% stake in Mobinil) and Alkan Group.

Saudi Arabia Telecommunications Market

Quick Country facts

Population (2007)	24 mn
GDP/Capita (2007)	US\$15,500
Density per km ² (2006)	10
Mobile penetration (2007)	109%
Mobile CAGR (2002–2006)	51%
Fixed line penetration (2007)	16%
Fixed line CAGR (2001–2006)	4%
Internet penetration (2006)	7%
Est. weighted mobile ARPU (2007)	< US\$30.00
Number of mobile players (2007)	3
Number of fixed players (2007)	1

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Positive environment fuels growth in Saudi telecommunications sector

Triggered by the Saudi government's efforts to fully liberalise the telecom sector, telecoms in Saudi Arabia are demonstrating promise, spurred on by new fixed, mobile and data service licences, to encourage private sector participation. Saudi Arabia has a relatively high GDP per capita of US\$15,500 and it also enjoys a favourable demographic profile, which should fuel future growth in the sector. The Saudi market has a relatively lower mobile penetration rate of 82% compared to the GCC average of 96%, which also offers some scope for an improved penetration rate. Given these factors, we hold a positive view on the prospects for the telecommunications sector in the Saudi market.

The end of Saudi Telecommunications' Company (STC) monopoly

The government started the liberalisation process by issuing two new mobile licences, in addition to a second fixed line licence. The first GSM licence was awarded to Etisalat, operating under the brand name "Mobily" in July 2004 at a cost of SAR12.21 billion (US\$3.25 billion), thus ending Saudi Telecommunications Company's (STC) long lasting monopoly. The second GSM licence was awarded to a consortium led by Kuwaiti-based, Zain in March 2007 at a price of SAR22.91 billion (US\$6.109 billion), which was the highest price paid for a telecommunication licence in the region at the time.

Mobily enters the Saudi market on a strong note

Mobily launched its services in May 2005, covering all major cities, governorates and over 14,000 km of major highways. By following an aggressive marketing strategy, which included diversified packages targeting different segments of the population, Mobily was able to capture, in less than two years of operation a 30% market share, acquiring 2.3 million mobile subscribers in 2005 and 6 million subscribers in 2006.

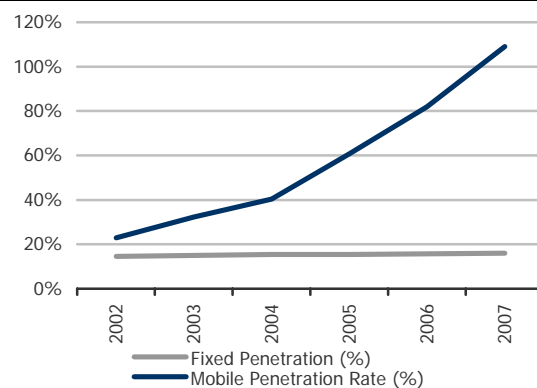
Competition accelerates

Competition is already strong between STC and Mobily, following STC's gearing up of its marketing efforts to catch up with Mobily's aggressive entrance into the market. Competition is expected to intensify further with the entry of Zain in 2008, thereby increasing penetration rates and net subscriber additions.

We expect Zain to be a tough competitor in the Saudi market, as the company has successfully launched networks in six Middle Eastern and 14 sub-Saharan African countries. Zain's Middle East operations cover Bahrain, Kuwait, Iraq, Sudan, Lebanon and Jordan, which allows Zain a wide experience of mobile telecom operations in the region, particularly within countries with very high penetration rates.

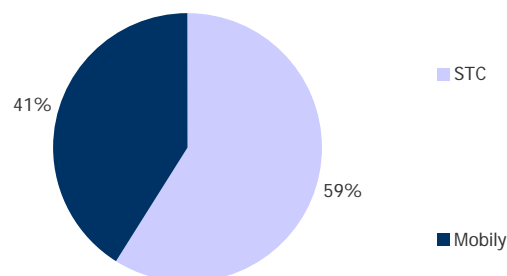
In preparation for the third entrant, we anticipate that both Mobily and STC will start to roll out new products and services to build upon its existing subscriber base, and that, following Zain's launch in 2008, all three players will continue delivering new products to capture a larger market share. Accordingly, we believe that ARPUs could start to follow a modest declining pattern in a best case scenario, or fall sharply if Zain inaugurates its entrance into the Saudi market by resorting to a price war. We believe that Saudi Arabia's penetration rates should cross 100% before the end of 2008 and could reach saturation levels thereafter. By the end of our forecast period, we forecast that Mobily's market share could stabilise at 36%.

Figure 55 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 56 | Mobile market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

Pakistan Telecommunications Market

Quick Country facts

Population (2007)	157 mn
GDP/Capita (2007)	US\$809
Density per km ² (Dec 2006)	195
Mobile penetration (Mar 2008)	52.2%
Mobile CAGR (2001 – 2006)	115.5%
Fixed & WLL line penetration (Mar 2008)	4.54%
Fixed line CAGR (2001 – 2006)	10%
Internet penetration (Dec 2006)	1.53%
Est. weighted mobile ARPU (2007)	< US\$3.00
Number of mobile players (2007)	6
Number of fixed & WLL players (2007)	13

* Source: Operators, Regulators, ITU, Beltone Financial estimates

International operators compete to invest in Pakistan's telecom market

Pakistan is one of the fastest growing telecommunications market in the world, following the deregulation in early 2003, many foreign and Arab-based telecom operators were attracted to the significant underlying momentum found in the Pakistani telecommunication market and sought after the opportunity to either invest in Pakistan's telecom sector by acquiring stakes in local firms or by taking over a telecom operator entirely, to cash in on the boom of the country's telecom sector. Since the Pakistani regulator has ceased to issue new licences, the only way left for international players to enter the market is by buying stakes in existing operators.

FDI flourish in less than five years

Increased interest in the Pakistani telecommunications market is further substantiated by the tremendous surge in the level of foreign direct investment directed towards the sector. In less than five years, FDI for telecoms reached US\$1,824 million, equivalent to 35.6% of Pakistan's total FDI at the end of June 2007, compared to a modest US\$6.1 million in June 2002. Furthermore, according to a number of publications, approximately a total of US\$8 billion worth of investments are expected to be directed towards the country's fixed and mobile sector over the course of the next five years.

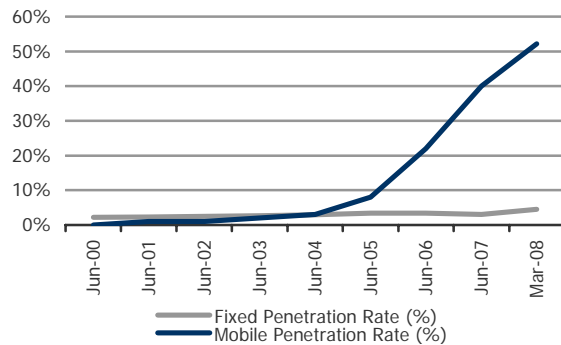
Fixed line growth falls behind mobile performance

Pakistan Telecommunication Company's (PTCL) land line monopoly ended in December 2002, when the government introduced the deregulation policy, enabling private companies to establish telephone services. However, unlike the upbeat momentum witnessed in the mobile sector, fixed line telecommunications did not perform as successfully. Fixed line penetration which was increasing from 2001 became stagnant in 2004 and remained so for two years, and then started falling in 2006/2007.

Introduction of WLL technology

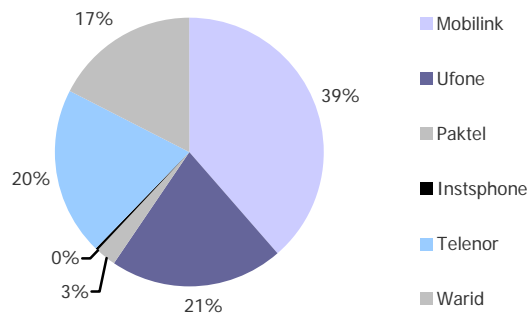
The main reasons behind the drop in fixed line subscription were both the price decreases in mobile services and the introduction of wireless local loop (WLL) technology, which proved to be more popular than basic land line connections, due to better service quality and cheaper pricing. For these reasons, many telecom consumers preferred the use of wireless local loop services, which, in effect, started a churn process in fixed line connections. WLL subscribers have increased by 8x to 2.4 million at the end of March 2008, since inception of the service in 2005, signifying the great demand for this type of service.

Figure 57 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 58 | Mobile market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

Recent entrants to Pakistan's telecommunications market

Qatar Telecommunications (Qtel) and Saudi Arabia's A.A. Turki Corporation for Trading and Contracting (Atco) bought 75% of Pakistan's Burraq Telecom for a total consideration of US\$12.3 million in April 2007. Afterwards, Oman Telecommunications (Omantel) acquired a majority stake in Worldcall for more than US\$171 million in June 2007. Singapore Telecommunications (Singtel) also bought a 30% stake in Warid Telecom for US\$758 million at the end of April 2007. Warid Telecom is, in fact, owned by the UAE-based Abu Dhabi Group, and had almost 10 million subscribers at the time of the stake sale. Warid Telecom started its operations in 2005 roughly at the same time in which Telenor launched its operations. China Mobile also entered the Pakistani telecom market by buying a majority stake in Paktel from Millicom International Cellular for a total value of US\$284 million. It is worth noting that this is China Mobile's first overseas acquisition. China Mobile then renamed Paktel to CM PAK, and is investing almost US\$1 billion to turn the loss making company around.

Afghanistan Telecommunications Market

Quick Country facts

Population (2007)	31.3 mn
GDP/Capita (2006)	US\$ 319
Density per km ² (2006)	49.0
Mobile penetration (2007)	9.0%
Mobile CAGR (2002 – 2006)	217%
Fixed line penetration (2006)	8.5%
Fixed line CAGR (2001 – 2006)	41.6%
Internet penetration (2006)	0.2%
Est. weighted mobile ARPU (2007)	< US\$11.00
Number of mobile players (2007)	4
Number of fixed players (2007)	1

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Afghanistan's telecom structure and environment

Afghanistan has one of the weakest telecommunications markets in the world, as communication between provinces is extremely limited and almost non-existent in smaller towns. Reasons behind this are largely due to the country's history of war, mountainous geography and very limited telecommunications infrastructure. Realising the significance of telecommunications and the critical role that it will play in stimulating the country's overall economic activity and reestablishment of its financial system, the Afghan Ministry of Communications supported the full liberalisation and reform of the sector.

Afghan Telecom primed for privatisation

The incumbent fixed-line operator, Afghan Telecom, which is owned entirely by Afghanistan's Ministry of Communications was corporatised in September 2005, thereby, preparing it in principle for privatisation. Afghan Telecom was also awarded a unified licence, whereby the company can offer a broader range of telecommunication services, such as internet and broadband services. And, finally, in December 2005, the government enacted the Telecom Law of Afghanistan (TLA), laying the foundation for the formation of a partially independent industry regulator, the Afghanistan Telecommunications Regulatory Authority (ARTRA).

Etisalat awarded fourth mobile licence in Afghanistan

By late 2003, the Afghan Ministry of Communications had licenced two mobile operators, namely Afghan Wireless Communications Company (AWCC) and Telecom Development Company Afghanistan Limited (Roshan). By mid-2005, the Ministry of Communications announced an auction for two additional mobile licences for US\$40.1 million each, which were won by Areeba (part of MTN-Investcom Group) in October 2005 and Etisalat in May 2006. Etisalat was awarded the licence after Warid Telecom, an Afghan-owned company that had previously provided a range of telecommunications services to Afghan Telecom, failed to

pay the licence fee of US\$40.1 million to the Ministry of Communications.

Significant reductions in access and usage pricing

The emergence of a competitive telecommunications market has resulted in an approximate 40% population coverage, and in significant reductions in access and usage pricing. The price of SIM cards dropped from over US\$150 in early 2003 to an average of US\$10 in 2007. National retail tariffs have also dropped from an average US\$0.30/min. in early 2003 to approximately US\$0.10/min. in 2007, with some operators offering promotional or off-peak national tariffs as low as US\$0.03/min.

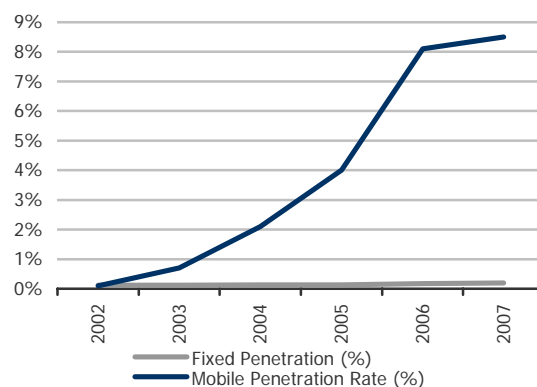
US\$500 million investment in telecom sector at end of 2006

Total investment in the Afghani telecommunications sector at the end of 2006, contributed by Roshan, AWCC, Areeba and Etisalat is estimated to be approximately US\$500 million.

Etisalat launched operations in August 2007

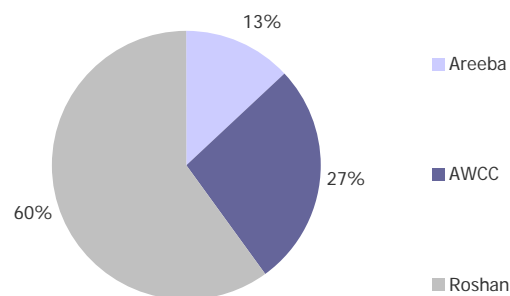
Etisalat launched its operations in August 2007 and is planning to invest US\$300 million (AED1.1 billion) over a three-year period, in an effort to build a modern network for the Afghan people and to help Afghanistan become a telecommunications hub for Central Asia. In addition, Thuraya Satellite (which Etisalat owns a 28.042% stake) is also providing satellite mobile communications services in Afghanistan and has cooperated with the national service provider since late 2004.

Figure 59 | Mobile subscribers and penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 60 | Market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

Indonesia Telecommunications Market

Quick Country facts

Population (2007)	225 mn
GDP/Capita (2007)	US\$1,640
Density per km ² (2006)	117
Mobile penetration (2007)	41%
Mobile CAGR (2002 – 2006)	57.8%
Fixed line penetration (2006)	6.6%
Fixed line CAGR (2001 – 2006)	15.5%
Internet penetration (2006)	0.7%
Est. weighted mobile ARPU (2007)	< US\$5.00
Number of mobile players (2007)	11
Number of fixed players (2007)	3

* Source: Operators, Regulators, ITU, Bellone Financial estimates

Liberalisation process

Indonesia's Telecom sector has undergone dramatic changes, with regard to liberalising its telecom sector, in the late 1990's only two companies existed in the market with little competition existing between them. Since 2002, there was a significant trend towards opening up Indonesia's telecom sector to foreign companies. Companies started to realise the considerable potential existing in the Indonesian market, with its population of 225 million and low penetration rates, largely a factor of Indonesia's difficult terrain. By 2007, penetration rates reached approximately 41%, mainly due to the increased number of competitors in the market, which led to significant decreases in mobile pricing. The liberalisation of the telecom sector has not only benefited the telecom sector in itself, but has also stirred considerable investment interest in the country, as prospects of economic growth have spurred FDI.

By the end of December 2007, the total mobile subscriber base in Indonesia reached approximately 79 million, of which almost 95% were prepaid and the remaining 5% were postpaid. Penetration rates at year-end 2007 reached 41%, signifying a considerable increase from the 28% penetration rate at the end of 2006. This is a clear reflection of the large increase in mobile subscribers that has taken place in the past few years, due to the increased interest from foreign firms. Despite ARPU's being relatively low, companies have witnessed a growth in their profits, due to the substantial boost in subscriber base. Indonesia's demographic build-up is very promising, with approximately 30% of the population under the age of 30, which is a vital trigger to the increase in mobile subscribers in the past few years, as well as the coming years.

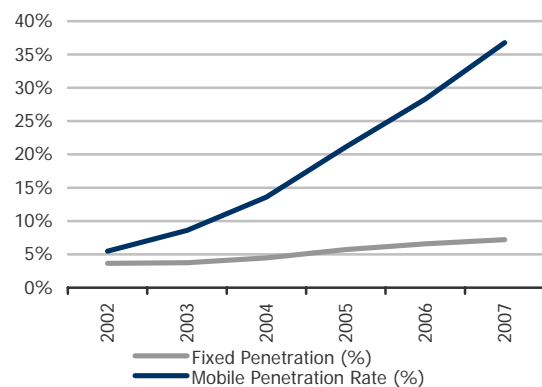
By the end of December 2007, there were 11 competitors in the Indonesian telecom market offering roughly a total of 20 products. Despite the large number of market players, the telecom market is very fragmented, as three operators only control approximately 85% of the market. The three main market players are Telkomsel and Indosat and Excelcomindo. Telkomsel is the dominant market player, with a market share

exceeding 50%, offering both strong postpaid and prepaid brands. Indosat is the second largest player, with an equivalent 24% market share. Finally, Excelcomindo, the third largest player, has a 16% market share.

Recently, the small market players have been teaming up to form deals which have pushed their surge for market share, and which has proved successful, as they have slowly chipped away at the leading player's market share. Call prices have been on the decline over the last few years, due to the influx of competition existent in the Indonesian market. Despite the fierce competition in the market, there is considerable foreign interest from companies aiming to enter the market. This is mainly due to the great potential that exists in the Indonesian telecommunication market.

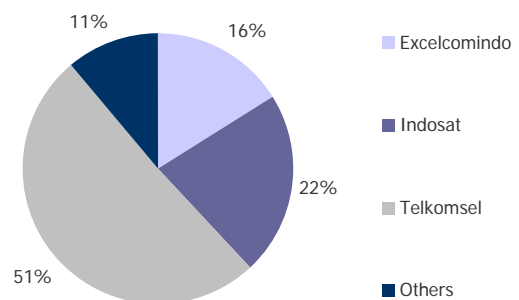
The KPPU, the competition watchdog in Indonesia, announced in early 2008 that no new licences would be issued in 2008, as the current competition is sufficient, discouraging a number of foreign companies interested in entering the Indonesian market, which can now only invest through existing companies.

Figure 61 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Bellone Financial estimates

Figure 62 | Market share



Source: Operators, Regulators, ITU, Bellone Financial estimates

Qatar Telecom which has a 25% stake in Indonesian mobile operator, PT Indosat, announced that it plans to increase its stake to 40.8%, in a transaction worth US\$1.8 billion, and thus hold a controlling stake in the company. This action goes in line with Qtel's previously announced interest in Asian telecom markets, specifically Pakistan and India, on the back of a low cost base and a huge growth potential.

Nigeria Telecommunications Market

Quick Country facts	
Population (2007)	146 mn
GDP/Capita (2007)	US\$1,310
Density per km ² (2006)	145
Mobile penetration (2007)	30%
Mobile CAGR (2002 – 2006)	140.7%
Fixed line penetration (2006)	1.26%
Fixed line CAGR (2002 – 2006)	19.6%
Internet penetration (2006)	1.52%
Est. weighted mobile ARPU (2007)	< US\$13.00
Number of mobile players (2007)	5
Number of fixed players (2007)	13

Source: Operators, Regulators, ITU, Bellone Financial estimates

Second largest mobile market in Africa

With the largest population in Africa, with over 146 million inhabitants, the Nigerian telecommunication market holds much potential, particularly with mobile penetration rates standing at less than 30% at the end of December 2007.

The liberalisation of the Nigerian telecommunications market since 2001, has kick-started the growth in telecom subscription, placing Nigeria amongst the fastest growing telecom markets in Africa, with a CAGR of 140.7% from 2001 until 2006. Nigeria surpassed Egypt and Morocco in 2004 to become Africa's second largest mobile market after South Africa, with a total active subscriber base of over 34 million at the end of September 2007.

Enormous potential for internet and broadband

While fixed line growth has not matched the pace of mobile subscriptions, total fixed line subscribers reached 1.7 million at the end of 2006, equivalent to a negligible penetration rate of 1.26%. Nevertheless, Nigeria was ranked the third fastest, growing fixed-line market in Africa, with a CAGR of 19.6% from 2001 until 2006. In addition, the strong demand for internet services and broadband is aiding the development of the fixed-line sector, which (at a market penetration rate of less than 2%) still has enormous growth potential.

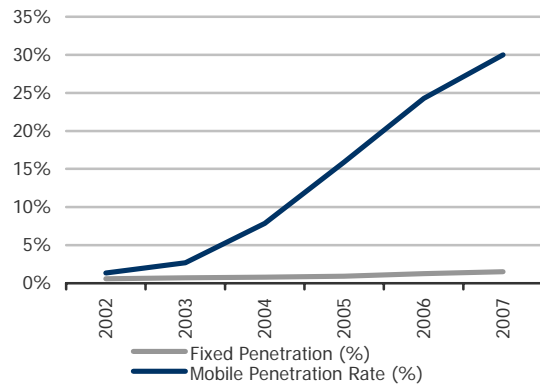
Unified licencing regime

With the recent privatisation of the incumbent Nitel in July 2006, and with the introduction of the new unified licencing regime in 2006, which allows all telecom operators to provide both fixed and mobile services, market growth should accelerate, going forward. With competition expected to become more aggressive, the only concern, going forward, will be the pressure on ARPU levels.

Competition

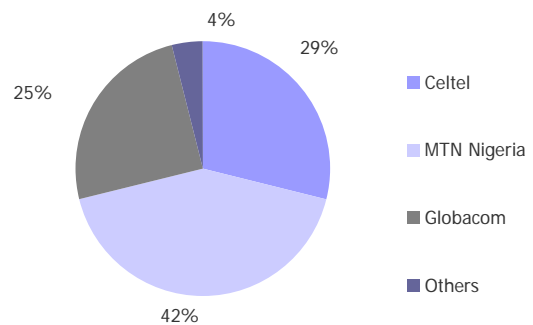
Currently, MTN Nigeria is the leading player, with a mobile market share of 42% at the end of December 2007. Acquired in May 2006 (a 65% stake) for US\$1.005 billion by Zain Group's Celtel (previously V-Mobile), it is the second largest player, with a market share of 29% at the end of December 2007.

Figure 63 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Bellone Financial estimates

Figure 64 | Market share



Source: Operators, Regulators, ITU, Bellone Financial estimates

Sudan Telecommunications Market

Quick Country facts

Population (2007)	38.5 mn
GDP/Capita (2007)	US\$2,930
Density per km ² (2006)	49.0
Mobile penetration (2007)	18%
Mobile CAGR (2002–2006)	114%
Fixed line penetration (Dec 2006)	2%
Fixed line CAGR (2002–2006)	7.3%
Internet penetration (Dec 2006)	2.3%
Est. weighted mobile ARPU (2007)	< US\$18.00
Number of mobile players (2007)	4
Number of fixed players (2007)	2

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Positive prospects for Sudanese telecom market

Sudan is the largest country in Africa by geographical area, and the sixth largest, in terms of population, with around 40 million inhabitants. However, with a mobile penetration rate of approximately 18% at the end of December 2007 and a fixed line penetration rate of approximately 2% at the end of 2006, Sudan is among the lowest tele-densities of the world. In addition to the government's efforts to fully liberalise the telecom sector, which we believe will spur future growth in the telecom sector.

Given these factors and the country's new oil wealth and relative economic stability that followed a north-south peace accord in 2005 in Africa's longest civil war, we hold a positive view in the long-term for on the prospects for the telecommunications sector in the Sudanese market.

Sudanese telecom sector undergoes reforms

The telecom sector in Sudan has undergone major changes over the past five years. Although the government instigated telecom sector reforms starting 1993, it was the privatisation of the government telecom provider in 1997 and the subsequent deregulation that truly stimulated telecommunication reform and development.

Sudanese telecommunication industry structure

The telecom industry in Sudan is regulated by an independent regulatory agency, the National Telecommunications Corporation (NTC). NTC was originally the regulatory part of the national telecommunications body, the Sudan Telecommunications Public Corporation (STPC). The telephone network operations part of STPC became known later as the Sudan Telecommunications Company (Sudatel). In late 2005, Sudatel finalised its CDMA mobile network, commercially named "Sudani", and started its operations in 2006. Although Sudatel is legally a private entity, private shareholders only have a 20% stake, while the remaining 80% majority is controlled by the government.

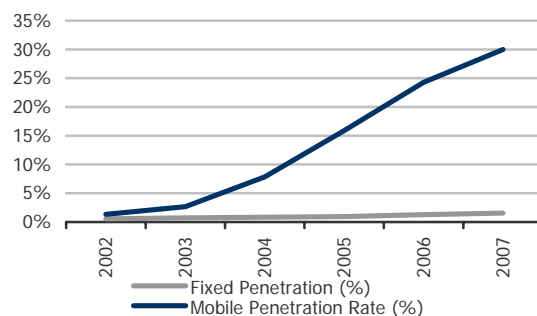
In 2004, NTC awarded a second fixed-line licence to Canar Telecommunications, which is now 82% owned by Etisalat. Canar also has limited mobile services. NTC opened up its mobile phone market to competition, and at present, in addition to Sudatel's Sudani, there are two other mobile operators, namely MTN Sudan and Zain (previously Mobitel).

Sudani catching up based on pricing competition

With the Sudanese market hosting three mobile service providers: Mobitel (re-branded Zain in September 2007), MTN Sudan (previously Areeba Sudan), and Sudatel's new Sudani mobile CDMA network, pricing has become the main competitive tool. With pricing becoming a vital factor in competition, Sudani has been catching up in terms of market share, acquiring almost 50% of total net mobile additions in the market on a quarterly basis, due to the low connection and flat rates provided by its CDMA technology. At the end of March 2007, Sudani had a market share of 19% and a 24% market share at the end of December 2007, eating away at Zain's and MTN Sudan's revenue pool, the largest two players in the market. We estimate that monthly ARPUs for Sudan have declined by more than 25% on an annual basis, reaching a weighted average of less than US\$18 at the end of December 2007.

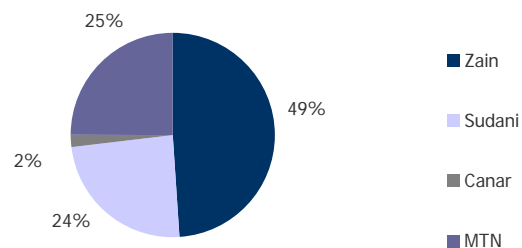
Currently, Zain is the largest player in the Sudanese mobile market, with a 49% market share at the end of December 2007. Second in place is MTN Sudan, with a 25% market share at the end of December 2007. However, considering the rapid pace that Sudani has been undertaking, we believe that it will soon overtake the competition, becoming at least the second largest player in the market.

Figure 65 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 66 | Market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

Tanzania Telecommunications Market

Quick Country facts

Population (2007)	39.7 mn
GDP/Capita (2007)	US\$1,390
Density per km ² (2006)	49.0
Mobile penetration (2007)	21%
Mobile CAGR (2002 – 2006)	83.7%
Fixed line penetration (2007)	0.4%
Fixed line CAGR (2002 – 2006)	-2.4%
Internet penetration (Dec 2006)	0.14%
Est. weighted mobile ARPU (2007)	<US\$ 8.50
Number of mobile players (2007)	4
Number of fixed players (2007)	2

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Significant potential

With a population of approximately 39 million and total mobile subscribers standing at 8.3 million at the end of December 2007, there is significant potential in the Tanzanian telecommunications market. Mobile penetration rates are less than 20%, and fixed line penetration rates are among the lowest in region, reaching 0.4% at the end of 2007. The internet market also remains largely untouched, as a result of the country's limited telecommunication infrastructure.

The two leading mobile operators retain a 77% market

Tanzania's telecommunication sector consists of four mobile operators and two fixed-line operators. The two leading mobile operators, in terms of subscriber base, retain a dominant 80% market share of the entire Tanzanian mobile market. Vodacom, a joint venture between Vodafone Group plc and Telkom SA Ltd, enjoyed the lion's share, in terms of subscribers, reporting a total of 3.7 million customers at the end of September 2007. Second in line was Celtel, a subsidiary of Kuwait's Zain Group, with a total subscriber base of 2.3 million at the end of September 2007.

Liberalisation of telecom sector

Following the partial privatisation of the incumbent operator, Tanzania Telecommunications Company Limited (TTCL) in 2001, through a 35% equity stake-sale, and the effective end of its monopoly in 2005 through the licencing of Zantel to provide both fixed and mobile services, we expect further fixed-line and internet services, driven mainly by wireless technology.

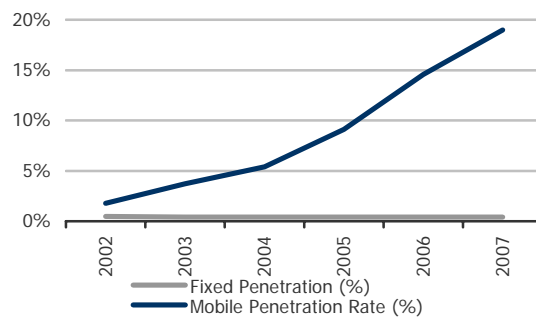
In addition, VoIP was liberalised in 2005 and ADSL broadband services were introduced. A new submarine fibre optic cable was launched in 2006, which will dramatically improve Tanzania's international connectivity and support Tanzania's growing integrated telecommunication sector.

'One Network' spurs competition in East African region

Towards the end of 2006, Celtel announced the launch of 'One Network', over all its networks in the East African region namely Tanzania, Uganda and Kenya. The 'One Network' product is the first ever borderless mobile network in the world. The service allows customers to move freely across geographic borders without roaming call surcharges and without paying to receive incoming calls. Thus, customers will be charged at the tariff rate of the host network.

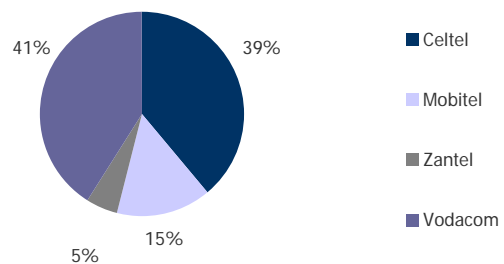
In response to the launch of the 'One Network', Vodacom, in co-operation with Safaricom in Kenya and MTN in Uganda, launched its 'Kama Kawaida' product, which also allows roaming at home tariffs on these preferred roaming partner networks.

Figure 67 | Mobile and fixed penetration rate



Source: Operators, Regulators, ITU, Beltone Financial estimates

Figure 68 | Market share



Source: Operators, Regulators, ITU, Beltone Financial estimates

West Africa Telecommunications Market

Quick Country facts

Population (2006)	64 mn
GDP/Capita (2007)	US\$662
Density per km ² (2006)	n/m
Mobile penetration (2007)	<20%
Mobile CAGR (2002 – 2006)	n/m
Fixed line penetration (Dec 2006)	<5%
Fixed line CAGR (2002 – 2006)	n/m
Internet penetration (Dec 2006)	<2%
Est. weighted mobile ARPU (2007)	<US\$ 9
Number of mobile players (2007)	n/m
Number of fixed players (2007)	n/m

* Source: Operators, Regulators, ITU, Beltone Financial estimates

Competitive landscape Major players

Ivory Coast	MTN (42%), Orange (38%), Moov (20%)
Benin	MTN (48%), Moov (28%)
Burkina Faso	Celtel (57%), Telmob (36%), Moov (10%)
Central African Republic	Moov (43%), Acell (42%), Nationlink (14%)
Gabon	Celtel (60%), Libertis (28%), Moov (11%)
Niger	Celtel (75%), Sahel Com (14%), Moov (11%)
Togo	Togo Cellular (76%), Telecel Togo (24%)

* Source: Etisalat

Macroeconomic risk

Ivory Coast	Economic policy is secondary in importance relative to the political situation
Benin	No major changes in Benin's economic policy
Burkina Faso	No major changes in Burkina Faso's economic policy
Central African Republic	Political instability threatens economic sustainability
Gabon	Economy susceptible to negative oil shocks
Niger	Weak economy
Togo	Economy largely dependent on international aid

* Source: Beltone Financial

With low mobile penetration rates and significant opportunities for growth, African markets have now become a primary target for telecom operators to establish a foothold. Despite relatively low ARPU levels, many MENA-based operators, led primarily by Orascom Telecom, Etisalat and Zain, have tried to establish a presence in these countries' nascent telecommunication sectors.

The overall mobile penetration rate in Africa was less than 25% at the beginning of 2007, with rates in sub-Saharan Africa standing at an approximate 10%, and consisting almost entirely of pre-paid subscribers. With a few exceptions, fixed line availability is almost non-existent in most of the African countries, and plays an immaterial role for the support of both voice and broadband services. Low penetration rates in Africa is a result of the deficient and almost non-existent telecommunications infrastructure, in addition to a geographically scattered population.

Most of the Arab-based operators who have entered the African telecommunications market through the procurement of licences, or through mergers and acquisitions, have had to spend significantly on infrastructure development to capitalise on the relatively nascent telecommunications market. In mid-2007, the International Finance Corporation (IFC) led a consortium with African banks to loan Celtel, which is now owned by MTC/Zain, a total of US\$320 million to build networks in five countries in Central Africa. Meanwhile, Etisalat announced its intention to invest another US\$5.5 billion in its African operations.

Atlantique Telecom uses Thuraya Satellite technology

Atlantique Telecom will be using Thuraya's Satellite (which Etisalat owns a 28.042% stake) facilities to provide 100% service coverage for its GSM customers everywhere in these countries. This concept of 'service extension' allows GSM operators to extend their coverage area, through Mobile Satellite Services technology (MSS) and is utilised for the first time by Atlantique Telecom. Therefore, Atlantique Telecom GSM users will simultaneously transfer to Thuraya's system once they are out of terrestrial network coverage and will be able to enjoy handheld mobility in remote areas where, previously, they could not have used their mobiles. Furthermore, according to Thuraya's management, calling charges would be the same as GSM prices without any premium or additions.

Atlantique Telecom increases network competitiveness

From Atlantique Telecom's perspective, a collaboration of this nature will increase the network's competitiveness and customer satisfaction, while Thuraya Satellite will benefit from the bulk roaming activities, handset sales and market exposure.

Thuraya Satellite (28.042% stake)

Etisalat owns a 28% stake in Thuraya Satellite

Thuraya is an Abu Dhabi-based Satellite telecommunications provider, which was established to complement existing GSM networks and expand usage beyond conventional network coverage areas. Thuraya's mobile satellite services offer a broad range of services that include voice, data, fax, short messaging, GPS through its dual mode handsets. Etisalat owns a 28.042% stake in the company, which allows the company to tap into the lucrative and growing satellite telecommunication market.

Thuraya wide portfolio of services

Thuraya's wide portfolio of products and services include GSM/Satellite phones, Thuraya DSL, Thuraya PCO, Thuraya Payphone and Thuraya Marine.

GSM/Satellite Phone

Thuraya's handheld phones combine three technologies: satellite, GSM and GPS, allowing users the flexibility to benefit from connectivity outside terrestrial network and utilise the global positioning overview. Thuraya's second generation handsets are designed to be the smallest and lightest phone in the satellite industry.

Thuraya DSL

The company also provides high-speed Internet connectivity anytime and anywhere in Thuraya's coverage area. This service is useful for corporate customers, government agencies and news-gathering agencies.

Thuraya PCO and Thuraya Payphone

The company is also able to offer cost effective solutions for the provision of telecom services to remote and rural areas that are characterised by low population densities and challenging geographical terrains. Its payphones are considered an important link between remote communities and industrial centres in Thuraya's coverage area.

Thuraya Marine

Thuraya's high performance maritime solution provides vessels of all kinds with sophisticated on board telecommunications for operability within Thuraya's coverage area.

Appendix III – UAE Telecom and ICT Sector

UAE Telecommunications Market

UAE's telecommunications liberalisation

Until 2004, the UAE's telecommunications market had a single entity, Emirates Telecommunications Corporation (Etisalat), operating in the capacity of both a telecom regulative body and a fully-fledged telecom service provider, at the same time. With the UAE's accession to the World Trade Organization (WTO) agreement, the UAE initiated the first steps towards becoming a fully liberalised market.

Development of an independent regulator (TRA)

Similar to most countries preparing for domestic telecom liberalisation, the introduction of an independent regulator is the foremost important requirement. In 2004, the UAE government created such an entity, the Telecommunications Regulatory Authority (TRA), to regulate, develop and oversee the telecommunications industry in the UAE, effectively ending Etisalat's regulative authority.

Figure 69 | Highlights of telecommunications regulation and liberalisation in selected MENA countries

Country	Separate Telecom Regulator	Start of Liberalization	Data of Full Liberalization
Algeria	2001	2000	2005
Egypt	1999	1998	2006
Morocco	1998	1999	2005
Bahrain	2002	2002	2004
Saudi Arabia	2001	2003	2006
Jordan	1996	1996	2005
UAE	2004	2005	2015

Source: ITU

Among the many roles of the TRA is the development of the required policies to maintain fair competition, govern new entrants' ability to compete with the incumbent operator and manage the regulations related to the nature of the licencing regimes.

The award of the second telecommunications licence

In May 2005, the UAE's Telecommunications Supreme Committee, the authority empowered by the UAE government to oversee the telecommunications sector, issued a decision to award a second full telecommunication services licence, to end Etisalat's monopoly.

The second mobile licence was awarded to Emirates Integrated Telecommunications Company (EITC), operating under the brand name "du", for an upfront licence cost of AED124.5 million (US\$33.9 million), with an annual renewal fee of AED1 million, enabling du to become a full telecommunication service provider, offering voice, video and data services to individuals and businesses.

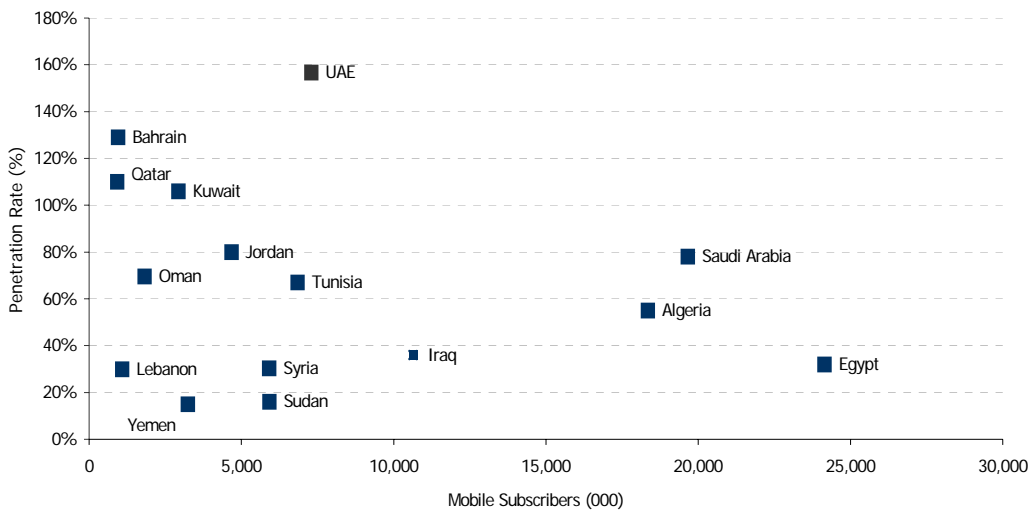
Mobile penetration

Highest mobile penetration rate in the region

Benchmarked against the MENA region, the UAE had the highest fixed line penetration exceeding 155% at the end of 2007, with total mobile subscribers reaching approximately 7.3 million at the end of September 2007, compared to the region's average of 60%. According to government statistics in 2006, the UAE's population was 4.6 million, which means that there are about two SIM cards per person.

However, we believe that reported subscriber numbers are 'inflated', as there is no definition set by the country's Telecommunications Regulatory Authority (TRA) for subscriber measurement. Unlike other telecom operators in the region, which report active customers, both UAE operators report active and inactive subscribers, creating an unrealistic high penetration rate.

Figure 70 | Regional mobile subscribers versus penetration rates (December 2007)



Source: ITU, regulators, operators

Despite skepticism concerning sustained mobile subscriber growth at a time when the penetration rate in the UAE was already 130% at the end of 2006, with the launch of du, the second mobile operator in February 2007, quarterly net mobile subscriber additions for the total market almost doubled, reaching an approximate 570,000 per quarter during 2007, compared to an average of 247,000 subscribers per quarter in 2006.

Figure 71 | UAE mobile subscribers

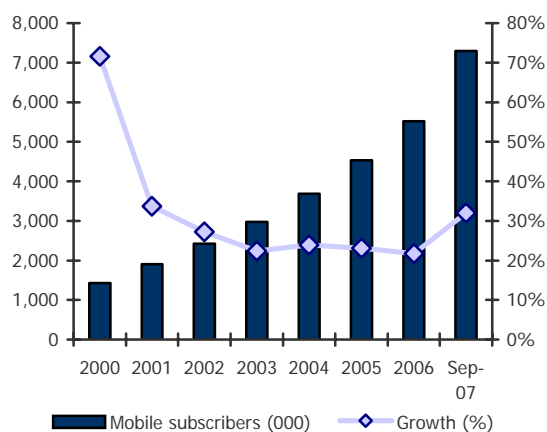
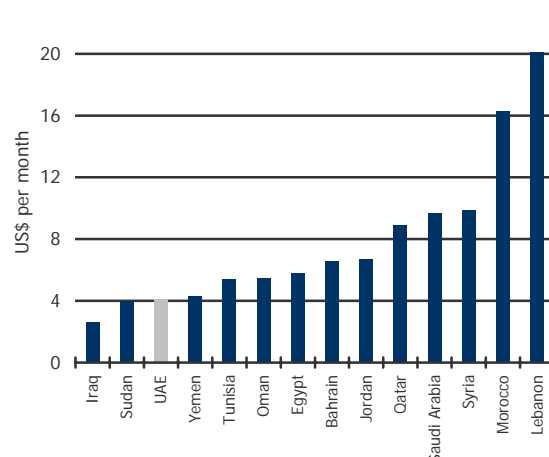


Figure 72 | mobile affordability* (US\$ per month, 2006)



Source: TRA, operators, World Bank, ITU

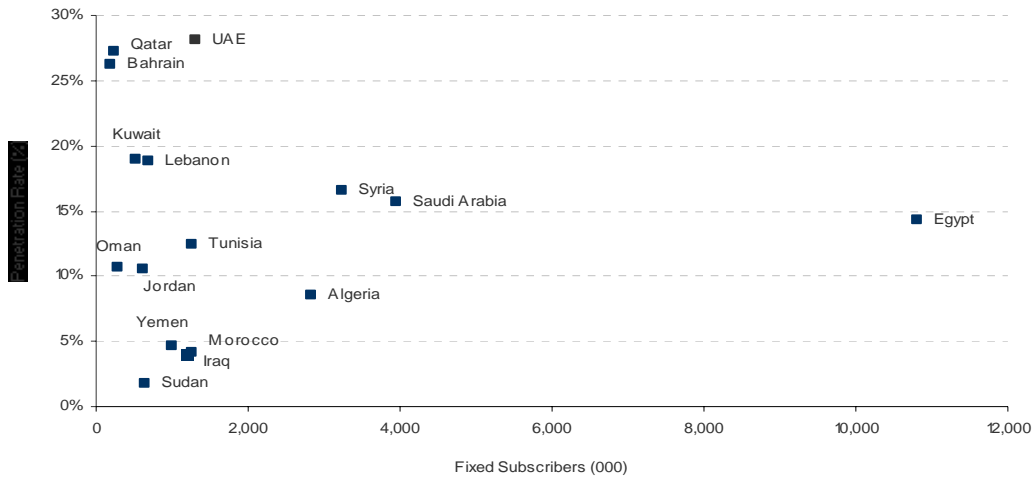
* Price basket (US\$ per month, 2006) based on monthly subscription plus 50 mins peak and 50 mins off-peak use.

According to the World Bank, the price basket for mobiles per month in 2006, showed that the UAE is relatively cheap, compared to most of the region, in terms of affordability, with the UAE standing at US\$4.10 per month, compared to the region's average of US\$6.30 per month, giving an added advantage to the UAE in terms of increasing mobile usage.

Fixed Line penetration

With regard to highest fixed line subscriber base, Egypt has continued to be highest in the region, with over 10 million subscribers, equivalent to a fixed penetration rate of over 14%. However, in terms of penetration rate, the UAE had the highest penetration rate in the region, with rates exceeding 28% at the end of 2006. Total fixed line subscribers in the UAE reached 1.3 million, with annual growth rates between 4% and 5% per annum.

Figure 73 | Regional fixed subscribers versus penetration rates (December 2006)



Source: ITU, regulators, operators

According to the World Bank, the price basket for fixed lines per month in 2006, showed that the UAE is among the most expensive in the region, in terms of affordability, with the UAE standing at US\$17.40 per month, compared to the region's average of US\$7.30 per month, which explains the increased disparity between preference for mobile usage, as opposed to fixed line.

Figure 74 | UAE fixed line subscribers

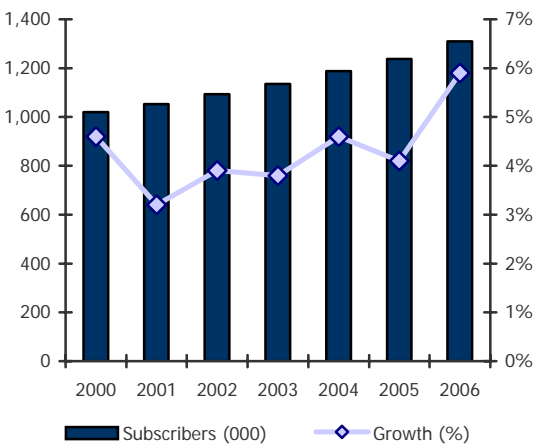
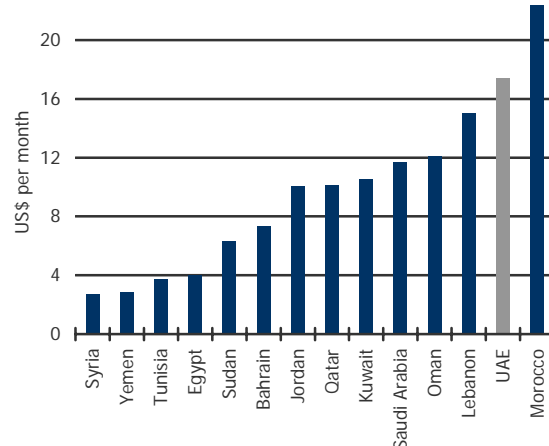


Figure 75 | Fixed affordability* (US\$ per month, 2006)



Source: TRA, operators, World Bank, ITU

UAE Information and Communications Technology Sector

UAE Information and Communications Technology (ICT) (Etisalat breaks the cliché)

Etisalat has spent heavily on technological infrastructure and development, despite not having competition until recently, placing the UAE among the most competitive ICT markets in the world as a result.

UAE leads the region in technological developments

In terms of technology, the UAE has led the region through the introduction of the latest developments, and in infrastructure and service rollout. In 1982, the UAE was the first country in the Middle East to introduce mobile phones and launch GSM services in 1994. In addition, the UAE was also the first in the region to install 3G technology and offer a variety of related multimedia and mobile services in 2003, a technology that is not available in the entire MENA region as yet.

Huge internet censorship

Despite the UAE government's efforts to establish itself as an economic and technological leader in the Middle East by encouraging internet usage, there is a level of State censorship on the Internet and sites which are banned. The UAE government blocks extensive content it considers objectionable for religious and cultural reasons. According to a study conducted by OpenNetInitiative (ONI) in February 2005, the UAE government, through Etisalat's internet service provider (ISP), (which at the time was the country's sole ISP) blocked 15.4% of URLs, which are otherwise accessible in other countries.

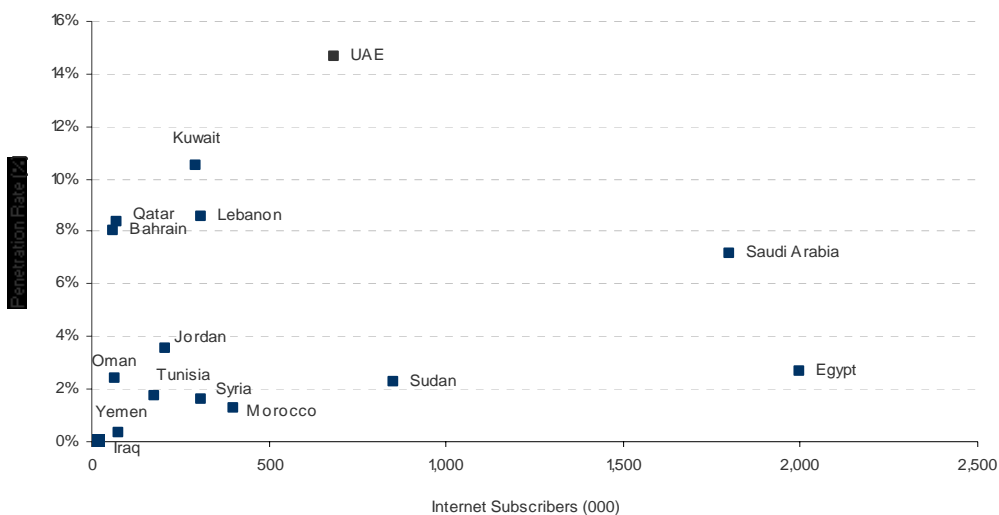
VoIP allowed only for local calls

The Telecommunications Regulatory Authority (TRA) said in November 2006 that it would allow Voice over Internet Protocol (VoIP) technology, but only for local calls within the UAE. Long-distance calls using VoIP will continue to be prohibited, for the time being, to protect the revenue, which telecom operators receive from international calls.

Internet penetration and broadband penetration

The UAE enjoys the highest internet penetration in the region at a rate of 14.8% at the end of December 2006, with total subscribers reaching 0.7 million. However, in terms of broadband penetration rate, the UAE came in third, with a rate of 5.17%, preceded by Qatar and Bahrain.

Figure 76 | Regional internet subscribers versus penetration rates (December 2006)



Source: ITU, regulators, operators

Figure 77 | UAE Dial-up subscribers

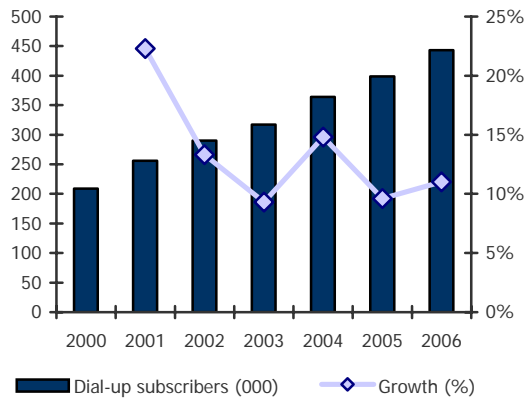
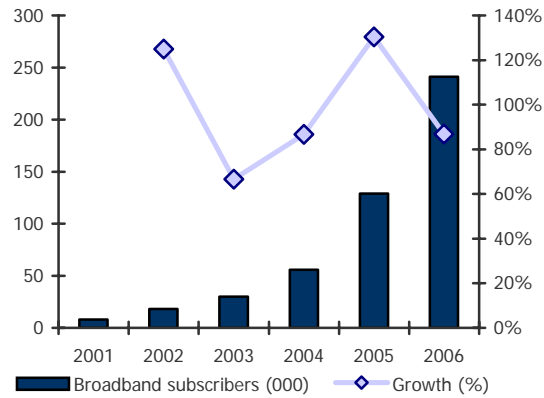


Figure 78 | UAE broadband subscribers



Source: TRA

Becoming the region's ICT Hub

As previously mentioned, one of the goals of the UAE government is to eventually become the region's ICT hub. To accomplish this goal, the UAE had established two major ICT projects: Dubai Internet City (DIC) and Thuraya Satellite Company.

Dubai Internet City (DIC)

One of the UAE's major success stories is the establishment of Dubai Internet City (DIC) in 2000, which was founded to provide a strategic and cost effective platform for ICT companies that target emerging markets in a region, which extends from the Middle East to the Indian subcontinent, and from Africa to Central Asia. Participating companies enjoy access to an advanced Metro Ethernet broadband infrastructure and a range of business-enabling services, including government transactions. Another objective of the DIC is to provide an environment that attracts all components of the ICT value chain. DIC has the world's largest commercial IP Telephony network. It should be noted, however, that internet restrictions still apply within the DIC.

DIC has successfully attracted a number of companies from the ICT international community, including global giants such as Microsoft, Cisco Systems, IBM, HP, Dell, Siemens, Sun Microsystems, Computer Associates, PeopleSoft and Sony Ericsson. Other companies participating in DIC's community include software development, business services, web-based and e-commerce, consultancy, sales and marketing and back office.

Thuraya Satellite

Another ICT accomplishment in the UAE market, was the establishment of the Thuraya Satellite Telecommunications Company, which was a project initiated by Etisalat in April 1997 and launched in October 2000. Thuraya Satellite was created to meet the demand for uninterrupted and wireless coverage for mobile telecommunications to a vast region covering around 2.3 billion people in more than 120 countries, including Europe, North and Central Africa and a large portion of Southern Africa, the Middle East, and Central and South Asia.

Thuraya's technological platform has been developed for efficient operation in both satellite and GSM settings. The strength of Thuraya's system lies in its services that extend beyond terrestrial network boundaries, enabling access to remote areas, which are otherwise inaccessible by conventional modes of mobile telecommunications. Thuraya Satellite's dual service system allows subscribers to use GSM services in any local network, yet automatically switches to satellite mode whenever out of local terrestrial coverage.

ICT credible of global standards

By the end of 2006/2007 the UAE led Arab countries in terms of 'networked readiness' and captured the 29th rank on a global front. The Networked Readiness Index (NRI) is an index published by the World Economic Forum's Global Information Technology report, where the NRI bases its rankings according to the relative degree of preparation of a country's community to participate in and benefit from ICT developments.

Appendix IV- Decipher the benefits of “Fibre to the Home” (FTTH) Technology

Trends and drivers

Given the dynamics of technological innovation and development in the communications industry, multimedia convergence, mobile broadband and internet usage are set to be the next battleground for operators. Although voice communication will remain the major revenue generator for mobile operations in the medium term, data and value-added services will play an important role in differentiating operators and increasing the loyalty of subscribers.

Mobile telecom operators are moving towards convergence of services offering either trip-play or quad-play for a number of reasons:

- Warding off competition, through the provision of diverse services
- Reducing subscriber churn rates
- Increasing revenue sources

Consumer attitudes and behaviour, particularly those of teenagers and young adults, regarding communication services has significantly changed over the past decade. Evidence of this transformation can be seen in the growing popularity of online chatting, online social networking applications (e.g. Facebook, Hi Five), peer-to-peer file sharing and even online trading, all of which will drive up the adoption of next-generation network services.

Solid growth drivers for broadband in the MENA region

- Greater demand for digital content applications (e.g. online stock trading, Facebook, Youtube, Itunes, etc...)
- Growing young population
- Increasing regional wealth
- Low broadband penetration
- Decreasing monthly access costs
- Network technology advancements

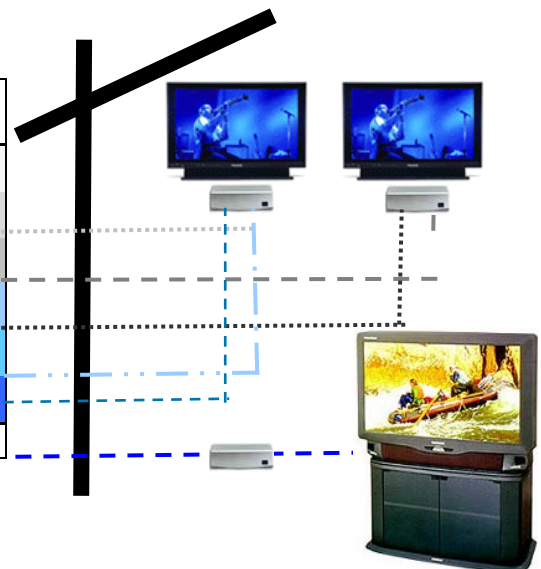
With the increased demand for bandwidth-intensive applications, mobile operators are faced with the choice of the type of technology deployment, which ranges between cheap to expensive and from low-speed data transfer to high-speed data transfer.

Figure 79 | Bandwidth demand per service

Service Demands per Home	Low BW (MPEG-4)	High BW (MPEG-2)
High Speed Data and VoIP	5 Mbps	30 Mbps
Gaming Stream	4 Mbps	4 Mbps
VoD Stream (SDTV or HDTV)	2 Mbps	15 Mbps
PVR Stream (SDTV or HDTV)	2 Mbps	19 Mbps
Real-time SDTV Stream	2 Mbps	4 Mbps
Real-time HDTV Stream	9 Mbps	19 Mbps
Totals	24 Mbps	91 Mbps

Source: Tellabs

(Multiple video streams means >24 mbps required)



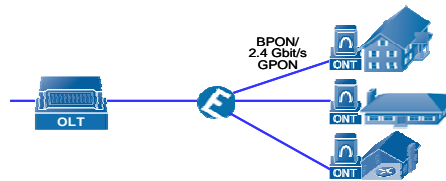
Depending on the type of service application in demand and customer proximity, the choice of technology will differ among operators. As the sophistication of the data stream increases (i.e. requires higher bandwidth stream) and as customer physical location becomes more distant, the more economically viable fibre-optic technology would become for operators.

There are three main types of fibre-optic architectures, which alternate between the re-use of existing copper lines and the elimination of copper use all together.

Figure 80 | Fibre network architecture

Fibre to the Premises of Fibre to the Home (FTTP/FTTH)

- > Shared 2.4 Gbps (GPON)
- > Eliminate actives and copper from the OSP
- > Triple-Play (High Speed Internet, Voice, Video)



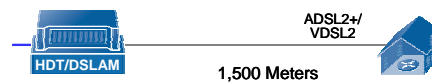
Fibre to the Curb (FTTC)

- > 80-100 Mbps per subscriber
- > Reuse existing copper drops
- > Triple-Play (High Speed Internet, Voice, Video)



Fibre to the Node (FTTN)

- > Least expensive initially, but...
- > Least bandwidth capable – up to 24 Mbps
- > High Speed Internet and Voice



Source: Tellabs

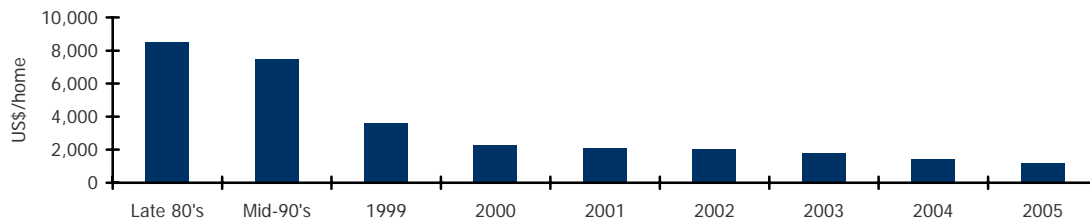
Investment Case for FTTH: (Competition driving the need for converged services)

- Dropping installation costs
- Significant OPEX savings
- Lower customer churn
- Higher ARPU
- Higher data transmission speed

Dropping installation costs

One of the main barriers for fibre technology deployment when it was first introduced had been its initial cost of installment, which was considered very expensive and deemed fibre connectivity economically unfeasible. However, with the growing need for broadband applications, new infrastructure is required to meet bandwidth needs, and with the cost of deployment dropping over the years to an estimated US\$800 per home in 2007, FTTH has become more viable.

Figure 81 | Dropping costs of FTTH deployment (including labour, construction and electronics)



Source: Corning

Significant OPEX savings

The cost of maintaining a fibre-based network is far less than copper networks, perhaps as much as four to eight times less, according to a number of sources, like Cisco and Verizon. Annual copper maintenance costs could reach up to US\$100 per line, and upgrades are difficult and costly too. Verizon had claimed that OPEX savings from fibre optic technology was roughly 40%, compared to copper network.

Appendix V- Consolidated Financials

Income Statement

Figures in AED million	2006a	2007a	2008f	2009f	2010f	2011f	2012f
Revenues	16,290	21,340	27,095	33,156	38,619	43,389	47,732
Total Operating Expenses	-10,694	-14,730	-19,228	-23,173	-25,334	-27,729	-30,334
Total Operating Income (EBIT)	5,596	6,610	7,868	9,983	13,286	15,660	17,398
Depreciation	-1,391	-1,368	-2,147	-2,487	-2,786	-2,970	-3,164
Ammortisation	-6	-594	-672	-668	-665	-662	-658
EBITDA	6,993	8,571	10,686	13,139	16,737	19,292	21,221
Interest Income	476	623	722	868	1,000	1,118	1,227
Interest Expense	-262	-503	-426	-349	-271	-31	0
NPBT	5,810	6,843	8,114	10,448	13,953	16,681	18,552
Deferred Tax	0	-122	-122	-122	-122	-122	-122
Net Income Before Minority Interest	5,810	6,720	7,991	10,326	13,831	16,559	18,430
Minority Interest	50	576	390	389	-30	-141	-411
Net Income	5,860	7,297	8,381	10,715	13,801	16,418	18,018

Source: Beltone Financial Estimates

Balance Sheet

Figures in AED million	2006a	2007a	2008f	2009f	2010f	2011f	2012f
Cash	10,304	9,433	14,025	17,657	29,732	40,565	54,906
Receivables	1,091	2,047	3,762	4,509	4,226	5,209	6,018
Stores	66	175	222	272	317	356	392
Other Current Assets	2,093	1,246	1,139	1,276	1,429	1,615	1,857
Total Current Assets	13,553	12,901	19,149	23,713	35,703	47,744	63,172
Net Fixed Assets	8,496	11,876	14,155	15,490	15,221	14,907	14,681
Other Long Term Assets	23,859	27,671	27,949	27,086	27,071	27,114	27,034
Total Long Term Assets	32,355	39,547	42,104	42,576	42,292	42,021	41,714
Total Assets	45,908	52,448	61,253	66,289	77,995	89,765	104,887
Short Term Debt	0	343	3,874	775	775	775	0
Payables	8,568	13,231	14,212	17,212	20,536	23,138	25,208
Other Current Liabilities	5,037	4,092	4,321	4,459	4,639	3,840	3,994
Total Current Liabilities	13,605	17,665	22,408	22,447	25,950	27,754	29,203
Total Grey Area	2,208	1,838	1,448	1,059	1,089	1,230	1,642
Long Term Debt	6,981	3,141	2,635	1,860	1,084	309	0
Other Long Term Liabilities	3,928	5,746	5,618	4,658	3,698	2,074	2,118
Total Long Term Liabilities	10,909	8,887	8,253	6,518	4,782	2,383	2,118
Net Worth	19,187	24,057	29,144	36,265	46,173	58,398	71,924
Total Liabilities and Equity	45,908	52,448	61,253	66,289	77,995	89,765	104,887

Source: Beltone Financial Estimates

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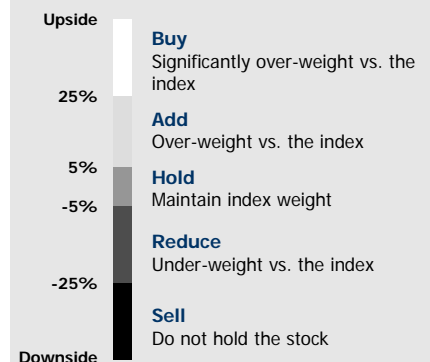
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