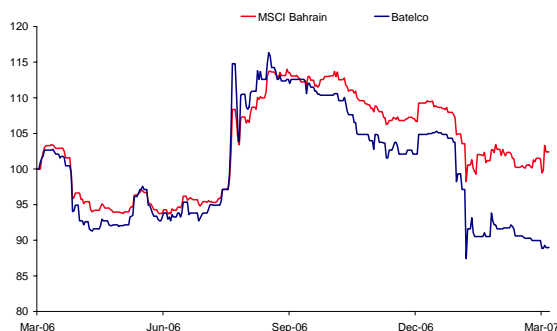


Key Data

Current Price*	Avg. Value Traded per Day
BHD 0.806	BHD 51,537
52-Week High	Market Cap
BHD 1.350	BHD 967 mln
52-Week Low	Current Number of Shares
BHD 0.792	1,200 mln
Reuters	Bloomberg
BTEL.BH	BALTECO BI
Ownership Structure	
Government:75% Public:21% Privately Held: 4%	

Sources: Reuters, Zawya, and MENA Equity Research
*Price as of close on March 29, 2007

Rebased Performance



Sources: MSCI, Reuters, and MENA Equity Research

Key Ratios

	2006 a	2007 f	2008 f	2009 f	2010 f
P/E	10.8	10.1	9.6	8.9	8.3
EPS Growth	4%	7%	6%	8%	8%
EV/ EBITDA	8.2	7.3	6.8	6.5	6.1
EBITDA Margin	49%	48%	48%	47%	47%
EBITDA Growth	11%	12%	7%	5%	5%
Dividend Yield	6.5%	7.4%	8.9%	9.6%	10.9%
PBV	2.7	2.4	2.3	2.2	2.0
ROAE	26%	25%	25%	25%	25%

2Q2006 EBITDA a	3Q2006 EBITDA a
BHD 29.01 mln	BHD 30.7 mln
4Q2006 EBITDA a	1Q2007 EBITDA f
BHD 27.05 mln	BHD 31.47 mln

Sources: Reuters and MENA Equity Research
a = actual, f = forecast

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Highlights

12-Month Fair Value: BHD 0.923

Recommendation: Accumulate – Risk Level: 4**

Reason for Report: Initiation of Coverage

- Batelco is a fully integrated telecommunications company providing mobile, fixed-line, and Internet services and is the market leader in the majority of the services it offers in Bahrain.
- Batelco recently started implementing a three-year business strategy focusing on customer satisfaction and looking for new telecom opportunities across the MENA region. Its main objective is to increase the revenues from overseas operations and reduce the costs of its Bahraini operations. Batelco acquired 96% of Jordan-based Umniah Mobile Company in 2006. A few days ago, the company also acquired 20% of Sabafon in Yemen.
- Because of its past conservative nature, Batelco has performed modestly in recent years in terms of revenue growth compared to other regional players.
- Revenues totaled BHD 235 million in 2006, compared to BHD 212 million in 2005, a growth rate of 11%, the highest since 2001. This was due primarily to the consolidation of six months of Umniah's operations. We expect that the growth of the Jordanian operation will offset Bahrain's market saturation. Hence, we are forecasting that the revenues of Batelco will grow at a compounded annual growth rate (CAGR) of 6% from 2007 to 2012.
- Although management stated that it is eyeing other acquisition options, we did not account for any specific acquisitions by Batelco over our forecast horizon, as no further details have been released.
- We arrived at a 12-month fair value for Batelco of BHD 0.923 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward PEG (price-to-earnings ratio to growth) and EV/EBITDA multiples.
- Disclosure on the Yemeni acquisition is very limited; management released only the value of the stake it acquired. We accounted for that in our balance sheet forecast; however, we still cannot formulate an opinion as to whether this deal will be beneficial to Batelco shareholders or not.

**Please refer to the second page for recommendations and risk ratings.

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Risk and Recommendation Guide

Recommendation	Upside (Downside) Potential	Risk Level*				
		1	2	3	4	5
Buy	more than 20%					
Accumulate	between 10% and 20%					
Hold	between -5% and 10%					
Reduce	between -10% and -5%					
Sell	less than -10%					

*1 being least risky

EXECUTIVE SUMMARY

Bahrain Telecommunications Company (Batelco) was the sole mobile operator in Bahrain from 1995 until 2003, when the Telecom Regulatory Authority (TRA) decided to grant MTC-Vodafone a second mobile license. Batelco is a fully integrated company providing mobile, fixed-line, and Internet services and remains the market leader in the majority of the services it provides in Bahrain. Batelco has several joint ventures in Kuwait, Egypt, and Jordan to provide data services.

To help maintain its position in the rapidly evolving telecom sector, Batelco recently started implementing a three-year business strategy focusing on customer satisfaction and looking for new telecom opportunities across the MENA region. Its main objective is to increase the revenues from overseas operations and reduce the costs of its Bahraini operations. Batelco acquired 96% of Jordan-based Umniah Mobile Company in 2006. A few days ago, the company also acquired 20% of Sabafon in Yemen.

Because of its past conservative nature, Batelco has performed modestly in recent years in terms of revenue growth compared to other regional players. Its revenues increased at a CAGR of 6% from 2002 to 2006. This slow growth was a result of the strategy of Cable & Wireless (C&W), a former shareholder in Batelco, of not expanding the operations of Batelco outside Bahrain. Revenues totaled BHD 235 million in 2006, compared to BHD 212 million in 2005, a growth rate of 11%, the highest since 2001. This was due primarily to the consolidation of six months of Umniah's operations. We expect that the growth of the Jordanian operation will offset Bahrain's market saturation. Hence, we are forecasting that the revenues of Batelco will grow at a CAGR of 6% from 2007 to 2012. Disclosure on the Yemeni acquisition is very limited; management released only the value of the stake it acquired. We accounted for that in our balance sheet forecast; however, we still cannot formulate an opinion as to whether this deal will be beneficial to Batelco shareholders or not. Although management stated that it is eyeing other acquisition options, our models were not set up to account for any specific acquisitions by Batelco over our forecast horizon until further details are released.

From a valuation standpoint, using a combination of discounted cash flow (DCF) and peer comparison based on forward PEG and EV/EBITDA multiples, we believe that the fair value of the share is BHD 0.923, representing a 15% upside potential from March 29, 2007 close, hence our "Accumulate" recommendation.

From our subjective criteria for risk, we have assigned Batelco a risk rating of 4 on a scale of 1 to 5. The major risks we see that could affect the value of the company are as follows:

- Batelco is pursuing new expansion opportunities outside the region. However, expanding into new markets always has some degree of uncertainty.
- Increased competition in Bahrain is affecting all levels of Batelco's revenues. The entry of a third mobile operator (should this occur) would make competition even tougher and would affect ARPU (average revenue per user) levels.
- Batelco's disclosure is not at par with that of its regional competitors, thus increasing the uncertainty with regard to the realization of our forecasts.

VALUATION

The purpose of this valuation exercise is to arrive, through the use of fundamental analysis, at a fair value estimate of the share price that should prevail for Batelco in the next 12 months. This does not represent a guarantee that this value is achievable within that time frame, as a wide range of variables and market dynamics affect the market price of an asset.

Each investor must use his or her favorite mix of fundamental research, technical analysis, and market intelligence to arrive at an investment decision that matches his or her objectives and tolerance for risk.

For the valuation of the Bahraini operation, we created two scenarios. In the first one, we considered that the Bahraini mobile market will remain a duopoly served by Batelco and MTC-Vodafone Bahrain. In the second scenario, we incorporated a third mobile operator in 2009. However, the weight we assigned to this scenario is minimal, as we do not believe that such a highly penetrated and small market will be attractive to a third operator, which would have to try to compete with two strong established operators.

We arrived at a 12-month fair value for Batelco of BHD 0.923 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward PE-to-growth (PEG) and EV/EBITDA multiples.

We specified a weight for each method, as shown in Figure 1. The greater weight is assigned to DCF, as this method examines the fundamentals of the company to determine its future cash-generating ability. The 12-month fair value of BHD 0.923 represents a 15% upside potential from March 29, 2007 close, hence our "Accumulate" recommendation.

Although the company is considering acquisition targets, we did not incorporate any such acquisitions into our forecast.

Figure 1 Fair Value per Share

Our 12-month fair value for Batelco is BHD 0.923

Valuation Method	Value	Weight
Discounted cash flow — First Scenario	BHD 0.984	60%
Discounted cash flow — Second Scenario	BHD 0.983	10%
Peer comparison	BHD 0.782	30%
Weighted average fair value	BHD 0.923	100%

Source: MENA Equity Research

DISCOUNTED CASH FLOW VALUATION

Our DCF valuation (Figure 2) is based on forecast financial results through 2012. The DCF valuation is a function of the following major variables, which have been estimated by our models:

- Future net operating profit less adjusted taxes (NOPLAT), which is driven primarily by expectations of sales and operating expenses

- Future changes in working capital
- Future net expenditures on fixed assets
- The weighted average cost of capital (WACC), which is a weighted average of our estimated cost of equity and the after-tax cost of debt
- The long-term expected growth rate in NOPLAT and the expected rate of return on net new invested capital (RONIC)

From the forecast financial results, we extracted the free cash flows that were used in our valuation. We discounted those cash flows to a point in time that is 12 months into the future to obtain an estimate of the value of the company's operations. After subtracting net debt and minority interest and adding the value of non-operating assets, we arrived at a total equity value of BHD 1.18 billion.

In order to estimate the value of Batelco's operations, we incorporated a varying WACC into our model. Our selection of a cost of equity of 12.5% is based mainly on interest rate levels and the operating environment; the selection of 7% for the cost of debt is based on historical norms.

Figure 2 DCF Valuation: First Scenario

Figures in BHD Thousands*	Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012
Net Operating Profit after Tax	101,311	106,702	112,679	118,883	124,007
Add: Depreciation and Amortization	34,604	35,267	35,840	36,203	36,521
Gross Cash Flow	135,914	141,970	148,519	155,086	160,528
(Incr.)Decr. in Working Capital	2,245	2,283	1,895	1,630	1,548
(Incr.)Decr. in Operating Fixed Assets	(18,165)	(10,879)	(9,385)	(5,949)	(5,195)
Free Cash Flow from Operations	119,995	133,374	141,028	150,767	156,880
Terminal Value					1,001,919
Value of Operations in 12 Months	1,081,417				
Add: Excess Cash	37,166				
Add: Value of Long-Term Investments	81,671				
Add: Value of Other Long-Term Assets	-				
Less: Total Debt	(10,823)				
Less: Minority Interest	(8,488)				
Value of Equity in 12 Months	1,180,942				
Per Share Value in BHD	0.984				

Using the DCF valuation method, we arrived at a fair value per share of BHD 0.984

Source: MENA Equity Research
*Except per share value

Sensitivity Analysis

We performed a sensitivity analysis (Figure 3) on two important inputs for our DCF valuation model: the cost of equity and the perpetual growth rate used in computing the terminal value.

Figure 3 DCF Sensitivity

We performed a sensitivity analysis on two major inputs for the DCF model

		Growth				
		4.50%	4.75%	5.00%	5.25%	5.50%
Cost of Equity*	11.5%	BHD 1.087	BHD 1.089	BHD 1.091	BHD 1.093	BHD 1.096
	12.0%	BHD 1.033	BHD 1.033	BHD 1.034	BHD 1.035	BHD 1.035
	12.5%	BHD 0.985	BHD 0.985	BHD 0.984	BHD 0.983	BHD 0.983
	13.0%	BHD 0.943	BHD 0.942	BHD 0.940	BHD 0.939	BHD 0.937
	13.5%	BHD 0.905	BHD 0.903	BHD 0.901	BHD 0.899	BHD 0.896

Source: MENA Equity Research

*Variations in the cost of equity result in variations in WACC.

PEER GROUP COMPARISON

We compared Batelco with publicly traded incumbents that operate in countries with similar mobile penetration rates as Bahrain (Figure 4).

We obtained the consensus forward earnings per share (EPS) and the consensus earnings growth estimates for the next three years for each of the companies. The simple average PEG for the sample, excluding the highest and lowest values, was 1.47. Batelco, in contrast, currently trades at a PEG of 1.45, based on our 2007 forecasted EPS and next-three-years earnings growth rate.

We also valued Batelco against the EV/2007-EBITDA of the same sample. The simple average EV/2007-EBITDA for the sample, excluding the highest and lowest values, was 6.7. Batelco, in contrast, currently trades at an EV/2007-EBITDA of 7.3, based on our 2007 forecasted EBITDA and net debt levels.

Using the simple average for the two multiples, excluding the outliers among the five companies in the sample, we estimate the value of a Batelco share at BHD 0.782. This represents a downside of 3% compared with the current market price of BHD 0.806.

Figure 4 Forward PE Comparison

The average PEG for the sample, excluding the outliers, stands at 1.47

Company	Market Data		EV / 2007-EBITDA	2007 Forecast EPS	PEG
	Price* (USD)	Market Cap (USD Millions)			
Telenor ASA	17.64	29,634	6.88	1.31	1.71
Portugal Telecom	13.33	14,771	6.91	0.69	1.85
Deutsche Telekom	16.45	71,717	5.18	1.01	1.39
Telefonica O2	26.35	8,487	6.45	1.41	1.31
Cosmote	29.79	9,764	9.4	1.8	0.89
Weighted average			6.13		1.47
Simple average			6.96		1.43
Simple average excluding outliers			6.75		1.47
Median			6.88		1.39

Sources: Reuters Knowledge and MENA Equity Research
*Prices as of March 30, 2007

RISKS

- Batelco is pursuing new expansion opportunities outside the region. Yet expanding into new markets always has some degree of uncertainty. After all the acquisitions that have taken place in the region recently, the prices of potential acquisitions are rising.
- Batelco's disclosure is not at par with that of its regional competitors, thus increasing the uncertainty with regard to the realization of our forecasts.
- Disclosure on the Yemeni acquisition is very limited; management released only the value of the stake it acquired. We accounted for that in our balance sheet forecast; however, we still cannot formulate an opinion as to whether this deal will be beneficial to Batelco shareholders or not.
- Increased competition in Bahrain is affecting all levels of Batelco's revenues. The entry of a third mobile operator (should this occur) would make competition even tougher and would affect ARPU levels.
- The mobile penetration rate is very high in Bahrain, making it more difficult for Batelco to grow its mobile subscriber base in Bahrain.
- The potential introduction of mobile number portability in Jordan and Bahrain would affect the market share of Batelco.

BULLS VS. BEARS

BULL STORY

- Since 2005, Batelco has had a new management team that is trying to improve the growth of Batelco by searching for potential acquisitions in addition to focusing on cost management.
- The company is essentially debt free, which means that it has enough room to borrow to pursue its expansion strategy.
- Batelco has been able to expand outside Bahrain; in 2006 Batelco acquired a Jordanian mobile operator, Umniah. We believe that under the new ownership, Umniah will continue to carve itself market share in that market
- Interest in joining the World Trade Organization (WTO) has pushed Bahrain to speed up the process of liberalization and reform in many markets, particularly the telecom sector.

BEAR STORY

- At the time of publication of this report, we could not determine whether the Yemeni acquisition (20% of Sabafon) was a bull or bear story. The historical net worth of the company was not released, nor were key performance indicators made available. We cannot see any potential synergies between existing Batelco operations and its new acquisition. Until further details are available, we opted to classify this acquisition as a bear story. However, we did not affect Batelco's valuation negatively.
- Due to its dominant position in Bahrain, Batelco cannot engage in any new promotions without first obtaining the approval of the TRA in Bahrain. In addition, Batelco is involved in an arbitration case in London against the TRA.
- The market in Bahrain is almost fully penetrated. The potential entry of a third mobile operator in Bahrain and the introduction of mobile number portability (MNP) will affect Batelco's market share and profits.
- Some licensed operators in Bahrain are offering international calls at rates lower than Batelco can offer.
- Batelco will face tough competition from larger and more experienced telecom operators when it attempts to expand outside the region.
- The majority of Batelco subscribers (85%) are prepaid, which have lower ARPU levels than postpaid subscribers.

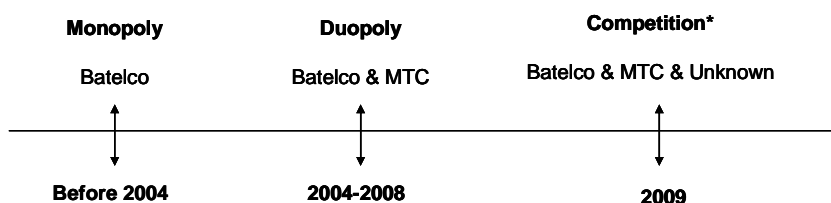
OVERVIEW OF BAHRAIN TELECOM MARKET

REGULATORY ENVIRONMENT & POTENTIAL NEW LICENSES

Bahrain was the second country in the GCC after Kuwait to introduce a second mobile operator. In 2002, the TRA was established as an independent body to protect the interests of subscribers and promote effective and fair competition among telecom operators. Since then, competition has increased, and the number of licenses granted in Bahrain reached 123 in January 2007, 20 of which were provided to Internet service providers (ISPs) and 39 to value-added service providers. The TRA even issued licenses for operators to start offering international calls at rates lower than the international direct dial offered by the other mobile and fixed-line operators. Last year, two National Fixed Wireless Services (NFWS) licenses were awarded to MTC-Vodafone Bahrain and MENA Telecom. In addition, the TRA initiated a consultation process on the potential establishment of a third mobile operator in Bahrain. The new operator might take the shape of a mobile virtual network operator (MVNO), a first in the region. The TRA is planning to launch mobile number portability (MNP).

Figure 5 Three-Stage Liberalization of Mobile Operations

The issuance of a third mobile operator license is on the Bahraini TRA agenda



**No indication as to when the third operator (should this occur) will enter the market. Source: MENA Equity Research*

MOBILE SECTOR

List of Operators: Currently the mobile sector in Bahrain is a duopoly composed of the following two companies:

1. Bahrain Telecommunications Company (Batelco), a publicly traded company, which provides fixed-line, mobile telephony, and data services
2. MTC-Vodafone Bahrain, which provides GSM services and is 60% owned by MTC

Penetration Rate & Subscriber Split: MTC-Vodafone Bahrain discloses its number of active subscribers, while Batelco does not. In 2005, 86% of MTC-Vodafone Bahrain's total subscribers were active. Throughout our report, we estimated the number of inactive subscribers in Bahrain to be around 14% of total subscribers, mainly to reflect the real penetration rate in the country. The mobile market in Bahrain has reached maturity in terms of the penetration rate. At the end of December 2006, estimated total active subscribers stood at 779,000, which translates into a penetration rate of 100%. The subscriber base witnessed a CAGR of 25% from 2002 to 2006. This growth was mainly driven by the introduction of competition, which accelerated the development of the mobile sector and encouraged the operators to introduce competitive packages and

deploy the latest technology. When considering countries comparable to Bahrain on a GDP per capita level, we find that the penetration rate in Bahrain is slightly below the average prevailing for the peer group, which currently stands at 102% (Figure 6).

Figure 6 Bahrain Mobile Penetration Rate vs. Peer Countries

Mobile penetration in Bahrain is below the peer-group average

Country	2003	2004	2005	2006
Czech Republic	95%	105%	113%	120%
Greece	89%	96%	109%	120%
Korea	70%	76%	79%	83%
Malta	73%	76%	83%	85%
Portugal	94%	95%	100%	110%
Taiwan	114%	96%	90%	95%
Average	89%	91%	96%	102%
Bahrain*	50%	72%	86%	100%

* Based on estimated active subscribers. Sources: Annual reports, Moody's Statistical Handbook (Country Credit) May 2006, ITU, Informa database, and MENA Equity Research

Batelco is the market leader, with a 70% market share in Bahrain. As in other GCC countries, the majority (86%) of the subscribers are prepaid. This reflects the high number of low-income expatriate subscribers as well as the flexibility and affordability of owning a prepaid line.

ARPU: The ARPU calculation was based on the average estimated number of active subscribers in Bahrain. We estimated that the total monthly blended ARPU in Bahrain as of December 2006 was USD 42, which is 29% higher than the peer-group average (Figure 7).

Figure 7 Bahrain Monthly Blended ARPU vs. Peer Countries

The total monthly blended ARPU in Bahrain is above the peer-group average by 29%

Country	2003	2004	2005	2006
<i>(All figures in USD)</i>				
Czech Republic	20	21	24	25
Greece	31	37	33	32
Korea	33	35	39	43
Malta	33	40	41	41
Portugal	28	31	29	27
Taiwan	18	22	26	26
Average	27	31	32	32
Bahrain*	56	53	46	42

* Based on estimated active subscribers. Sources: Annual reports, ITU, Informa database, and MENA Equity Research

ARPU levels have been decreasing in recent years, especially since the entrance of the second mobile operator. We believe that this downward trend will continue over the next few years with the possible introduction of a third GSM operator.

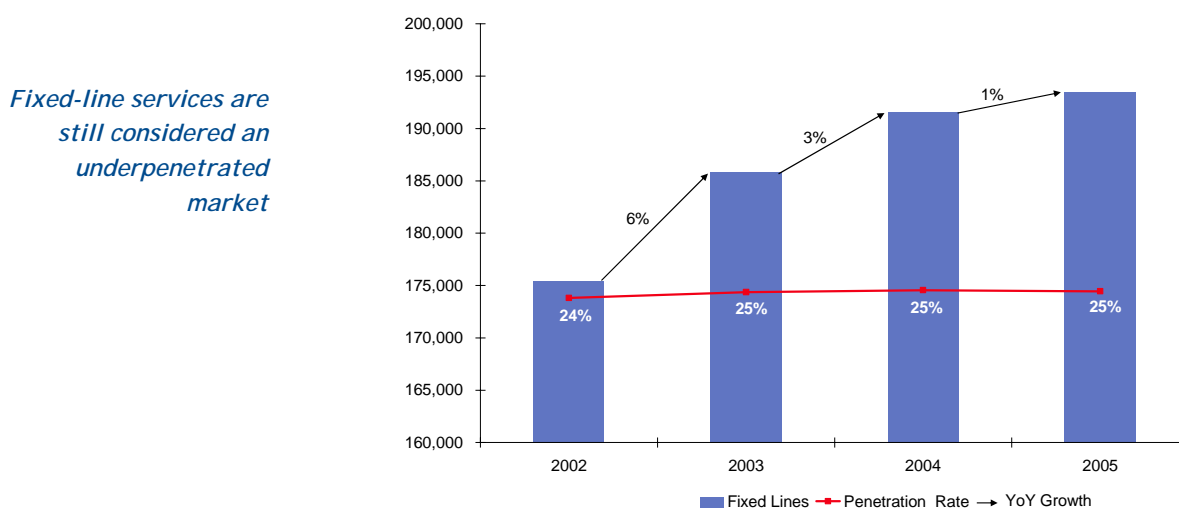
Technology: The telecom market in Bahrain is one of the most sophisticated markets in the region. Both telecom operators have deployed 3G (third-generation) technology. In mid 2006, MTC-Vodafone Bahrain was one of the first operators in the world to introduce 3.5G technology. By rolling out these technologies, operators will be able to increase their revenue from the new services, thus increasing ARPU levels.

Mobile Number Portability (MNP): MNP is a feature that allows customers to switch between mobile providers without changing their numbers. It is still a new concept in the region. Of the six GCC countries, only Oman and Saudi Arabia implemented MNP in 2006; the others will be implementing it during the coming years. This new service will reduce the costs incurred by customers to switch between mobile operators. However, it will enhance competition in the mobile market and push operators to improve their networks and to try to provide the best technology, services, products, and tariffs in order to retain their subscribers.

FIXED-LINE SECTOR

Batelco was the sole provider of fixed-line services until 2004, when the TRA started liberating the telecom sector by issuing licenses for fixed-line and international services. So far, none of the competitors has presented a direct threat to Batelco. At the beginning of this year, the TRA offered two licenses for National Fixed Wireless Services (NFWS) to MTC-Vodafone Bahrain and MENA Telecom for USD 14.7 million and USD 11.8 million, respectively. It is still not very clear how WiMAX technology could carry voice. However, we believe that strong competitors such as MTC could start providing a one-stop solution for high-profile corporate customers and start grabbing some market share from Batelco in the fixed-line business. The number of fixed-line subscribers reached 190,345 at the end of July 2006, which translates into a penetration rate of 25% and a CAGR of 3% from 2002 to 2005. This modest growth is expected to continue, especially since telecom users seem to prefer mobile services over fixed-line services throughout the world. However, increased competition coupled with an increased demand for data services and the implementation of a Next-Generation Network (NGN) could boost future growth rates (Figure 8).

Figure 8 Fixed-Line Growth and Penetration Rates



Sources: ITU, Informa database, and MENA Equity Research

ISSUANCE OF A THIRD MOBILE LICENSE

The telecom regulator in Bahrain is still studying the possibility of issuing a third mobile license, to a mobile network operator (MNO) or a mobile virtual network operator (MVNO). The latter is a service provider that does not have any network; it usually rents the network from the host operator. The strategy adopted by an MVNO is different from that of an MNO due to cost structures. Hence, MVNOs are found more in developed markets. An MVNO's impact on the market varies depending on the strategy used, but in general the market should witness the following:

- Decrease in prices
- Increase in competition
- More customer focus
- More product variety

The expected issuance of a third mobile license in Bahrain will increase competition among the operators. In order for the new operator to gain market share in a saturated market such as Bahrain, it must distinguish itself from the existing operators by offering lower prices, a greater range of products, and outstanding customer service. The current tariff regulations imposed on Batelco constrain it from changing its tariff plan without the prior consent of the TRA. Hence, the entry of a third operator and MNP system will put more pressure on Batelco, especially if the new entrant decides to gain market share by providing its services at lower prices. In order to assess the effects of the entrance of a third operator on the market share of existing operators, we have conducted an analysis of nine countries across the world having a similar market-share split between the two existing operators (Figure 9).

Figure 9 Effect of a Third Operator on the Market Share of Existing Operators

Country	Two Operators	Introduction of 3rd Operator	1st Year of Operation	2nd Year of Operation	3rd Year of Operation	4th Year of Operation	5th Year of Operation	6th Year of Operation	Effects On
Belgium									
1st Operator	71.4%	72.4%	64.5%	58.8%	56.0%	55.7%	52.7%	48.9%	1st Operator
2nd Operator	28.6%	27.5%	31.4%	30.0%	31.0%	32.1%	33.2%	33.2%	
3rd Operator	0.0%	0.1%	4.0%	11.3%	13.0%	12.3%	14.1%	17.9%	
Bulgaria									
1st Operator	84.1%	84.1%	76.7%	69.7%	66.3%	60.1%	54.0%		1st Operator
2nd Operator	15.9%	14.6%	16.7%	26.4%	31.8%	38.9%	38.5%		
3rd Operator	0.0%	1.3%	6.7%	3.9%	1.9%	1.0%	7.5%		
Jordan									
1st Operator	71.7%	71.2%	70.5%	57.3%					1st Operator
2nd Operator	28.3%	28.0%	26.7%	26.4%					
3rd Operator	0.0%	0.8%	2.7%	14.0%					
Hungary									
1st Operator	58.3%	58.3%	54.5%	51.4%	50.9%	48.1%	46.2%	45.2%	1st & 2nd Operators
2nd Operator	41.7%	41.5%	39.6%	39.6%	37.5%	35.6%	34.1%	33.6%	
3rd Operator	0.0%	0.2%	6.0%	9%	11.6%	16.3%	19.7%	21.2%	
Luxembourg									
1st Operator	63.7%	63.8%	52.5%						1st Operator
2nd Operator	36.3%	36.2%	33.2%						
3rd Operator	0.0%	0.1%	14.4%						
South Africa									
1st Operator	57.6%	57.3%	52.4%	49.7%	51.8%	55.5%	57.1%		2nd Operator
2nd Operator	42.4%	41.6%	39.7%	38.2%	37.7%	34.4%	34.6%		
3rd Operator	0.0%	1.1%	7.9%	12.1%	10.5%	10.1%	8.4%		
Spain									
1st Operator	69.4%	69.4%	59.8%	56.1%	58.1%	55.3%	52.9%	46.8%	1st Operator
2nd Operator	30.6%	30.5%	32.7%	27.9%	23.7%	25.0%	24.8%	28.8%	
3rd Operator	0.0%	0.1%	7.5%	15.9%	18.2%	19.7%	22.3%	24.3%	
Singapore									
1st Operator	63.6%	61.4%	55.3%	50.0%	46.4%	41.9%	38.6%	37.0%	1st & 2nd Operators
2nd Operator	36.4%	35.5%	32.0%	33.7%	32.1%	30.9%	29.5%	29.4%	
3rd Operator	0.0%	3.1%	12.7%	16.4%	21.5%	27.2%	30.7%	32.3%	
Switzerland									
1st Operator	93%	90%	67%	68%	63%	63%	62%	63%	1st Operator
2nd Operator	7%	10%	17%	15%	19%	20%	21%	19%	
3rd Operator	0%	0.2%	16%	17%	18%	17%	18%	18%	

Sources: Informa database and MENA Equity Research

In six of the nine countries in the sample, the market share of the dominant operator was more affected by the entrance of a third operator. Basically, the market-share split between the first two operators was in favor of the first operator; this is why the effect of a third operator was more felt at the first-operator level.

Hence, we believe that Batelco will suffer the most from increased competition if the TRA decides to award a third mobile license. Nevertheless, as stated earlier in the report, we do not believe that such a highly penetrated and small market will be attractive to a third operator, which would have to try to compete with two strong established operators. But if a third mobile license is offered, we do not believe it would start operations before 2009.

OVERVIEW OF JORDAN TELECOM MARKET

REGULATORY ENVIRONMENT

Jordan is considered one of the most liberal telecom markets in the MENA region. In 1995, the Telecommunications Regulatory Commission (TRC) was established as an independent body to oversee the telecom sector. Early this year, the TRC began consultations on implementing an MVNO in Jordan.

MOBILE SECTOR

List of Operators: Jordan is the only country in the MENA region to have four mobile operators:

1. Fastlink was the first mobile provider in the country; MTC Group owns 96.5% of Fastlink.
2. MobileCom is part of Jordan Telecom Group, which provides mobile solutions.
3. Umniah was granted the third GSM license in August 2004; in 2006 Batelco acquired 96% of Umniah as part of its new expansion plan.
4. Xpress Telecommunications launched its services in June 2004, offering a new form of telecommunications solutions based on the Integrated Digital Enhanced Network (iDEN) technology.

Penetration Rate and Subscriber Split: We estimated the number of inactive subscribers to be around 13% of total subscribers. In 2002, before the introduction of competition, the penetration rate was 20%; it grew to 65% in 2006, for a CAGR of 38% for 2002–2006. This swift growth was due primarily to competition, which helped in developing the telecom sector in Jordan, improving customer care, and introducing new technologies. If we look at countries comparable to Jordan on a GDP per capita level, we find that the penetration rate in Jordan is above the average prevailing for the peer group, which currently stands at 40% (Figure 10). However, we believe that the real penetration rate in Jordan is lower due to the influx of affluent Iraqis fleeing the security situation in the neighboring country.

Figure 10 Jordan Mobile Penetration Rate vs. Peer Countries

Country	2003	2004	2005	2006
China	20%	24%	29%	34%
Dominican Republic	24%	29%	36%	51%
Indonesia	7%	11%	17%	24%
Peru	11%	15%	20%	29%
Philippines	26%	38%	40%	46%
Thailand	35%	43%	47%	57%
Average	20%	27%	32%	40%
Jordan*	20%	25%	47%	65%

* Based on estimated active subscribers. Sources: Annual reports, Moody's Statistical Handbook (Country Credit) May 2006, ITU, Informa database, and MENA Equity Research

Jordan's penetration rate is above the average in peer countries

As of today, Fastlink is the market leader in Jordan, with a 50% market share, followed by Mobilecom, Umniah, and Xpress, which have market shares of 32%, 16%, and 2%, respectively. Like other MENA markets, the Jordanian market is dominated by prepaid subscribers, which represent 87% of the total market.

ARPU: The ARPU calculation was based on the average estimated number of active subscribers in Jordan. We estimated that the total monthly blended ARPU in Jordan as of December 2006 stood at USD 17, which is 93% higher than the peer-group average (Figure 11).

Figure 11 Jordan Monthly Blended ARPU vs. Peer Countries

Country	2003	2004	2005	2006
<i>(All figures in USD)</i>				
China	12	9	9	11
Indonesia	12	11	7	7
Philippines	8	8	6	7
Thailand	13	15	13	11
Average	11	11	9	9
Jordan*	36	37	27	17

* Based on estimated active subscribers. Sources: Annual reports, ITU, Informa database, and MENA Equity Research

Jordan's monthly blended ARPU is 93% higher than the average in peer countries

FIXED-LINE SERVICES

The fixed-line market in Jordan is dominated by Jordan Telecom, which had a market share of 98% as of December 2006. Similar to other countries in the region, the fixed-line penetration rate in Jordan reached 12% in 2005, following a CAGR for fixed lines of only 1% between 2002 and 2005. The fixed-line business constitutes 61% of Jordan Telecom revenues; it dropped by 4% in 2006 compared to the previous year due to the pressure from GSM operators, which are offering attractive rates. The market is also witnessing severe competition in international calls. However, it is expected that the fixed-line sector will grow with its liberalization.

DATA SERVICES

Jordan has been enjoying Internet access since 1996. As of December 2006, 10 ISPs were operating in Jordan. This service is considered to be in its introductory phase and is expected to witness high growth in the coming years. The two major players are Batelco Jordan and Wanadoo.

OVERVIEW OF YEMEN TELECOM MARKET

REGULATORY ENVIRONMENT

The Ministry of Telecommunications and Information Technology (MTIT) is the regulatory authority for the country, with direct supervision of all operators in telecommunications, information, and postal services. MTIT draws up the strategic policies to develop the telecommunications and information sectors and to organize its structural management. A third GSM license was awarded to a joint venture between China Mobile and a private Yemeni company called United Telecom. However, this license was withdrawn in March 2006 and awarded to Omantel.

MOBILE SECTOR

List of Operators: Currently the mobile sector in Yemen is served by two GSM operators and one CDMA (code-division multiple access) operator:

1. Sabafon, the first GSM operator, which launched in February 2001, is a private company.
2. Spacotel Yemen is the second GSM provider in Yemen. Spacotel's major shareholder is Investcom, which is owned by MTN.
3. TeleYemen, the sole CDMA service provider, started operations in September 2004.

Penetration Rate & Subscriber Split: The penetration rate in Yemen stood at 14% at the end of 2006, with a total of 3 million subscribers. Mobile users grew at a CAGR of 59% between 2002 and 2006. The internal security threats coupled with low economic growth are obstacles to the development of this sector. However, when considering countries comparable to Yemen on a GDP per capita basis, we find that the penetration rate in Yemen is above the average in peer countries, which currently stands at 9%.

Figure 12 Yemen Mobile Penetration Rate vs. Peer Countries

Country	2003	2004	2005	2006
Benin	4%	5%	7%	11%
Djibouti	5%	8%	9%	11%
Liberia	2%	4%	10%	17%
Madagascar	2%	2%	3%	5%
Niger	1%	1%	2%	4%
Sierra Leon	2%	3%	5%	7%
Average	2%	4%	6%	9%
Yemen	3%	6%	10%	14%

Sources: Informa database and MENA Equity Research

Yemen's penetration rate is above the average in peer countries

Sabafone is the market leader in Yemen, with a 41% market share, followed by Spacotel and TeleYemen, which have market shares of 37% and 22%, respectively.

FIXED-LINE SECTOR

TeleYemen is the sole provider of international telecommunications, fixed-line, and Internet services. In 2003, the government-owned Public Telecommunications Corporation assumed full control of TeleYemen, and a year later France Telecom was awarded a five-year management contract. Fixed-line penetration reached only 10% in 2005, due to the high cost of owning a fixed line.

BATELCO OVERVIEW

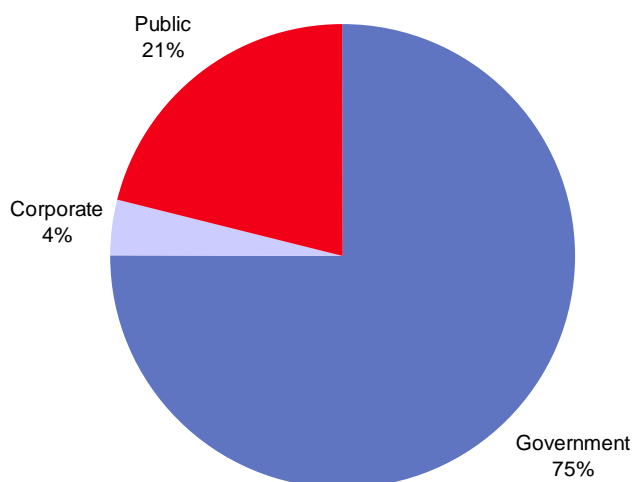
BASIC INFORMATION

Batelco was the sole mobile operator in Bahrain from 1995 until 2003, when the TRA decided to grant MTC-Vodafone the second mobile license. Batelco is a fully integrated company providing mobile, fixed-line, and Internet services and remains the market leader in the majority of the services it offers in Bahrain. Batelco has several joint ventures in Kuwait, Egypt, and Jordan to provide data services. In addition, Batelco followed its peer operators by initiating a regional expansion strategy and acquired 96% of Jordan-based Umniah Mobile Company in 2006. A few days ago, the company also acquired 20% of Sabafon in Yemen. Batelco's shares are listed on the Bahrain Stock Exchange and, with a market capitalization of BHD 967,200 million. Figure 13 presents the current ownership structure after Cable & Wireless International (C&W) agreed to sell its 20% stake in Batelco to three Bahraini government entities for USD 506 million last year. The government, through its agencies, now owns 75% of the company; this is considered to be a temporary arrangement, especially with WTO requirements. Hence, the major shareholders are planning to reduce their ownership in the company. The existing shareholders of Batelco have more than one option:

- List Batelco on a more liquid stock exchange
- Restructure the company and list each operation separately

Figure 13 Ownership Structure

In December 2006, C&W agreed to sell its 20% Batelco stake to Bahraini government entities



Sources: Press release and MENA Equity Research

MOBILE BUSINESS

Batelco faced mounting challenges with the entry of MTC-Vodafone, which was trying to aggressively gain market share. As of December 2006, we estimated Batelco's active mobile subscribers to be 546,788. Mobile users grew at a CAGR of 14% between 2003 and 2006. Batelco remained the market leader, with a 70% market share.

To be able to face the increased competition, Batelco introduced many new services in Bahrain in 2006, targeting different kinds of customers, from mobile to fixed lines and data services. All these packages were accompanied by price reductions across many of the services, including Internet and data services. In addition, the company offered many special promotions for fixed-line and mobile customers. Batelco's blended monthly ARPU was USD 41 at the end of 2006.

FIXED-LINE SERVICES & JOINT VENTURES

Fixed-Line Services

As of December 2006, revenues from fixed-line services reached BHD 41 million, a decrease of 13% from the same period last year. Nevertheless, Batelco is not expecting this line of business to grow its revenue. It is considering this a loss-making business since it is obliged to provide the service for ten times less than the cost, due to social responsibility pressure.

Joint Ventures

Batelco owns all its joint ventures through Batelco Middle East Company, which was established in 1999 and provides data services in various countries, including Bahrain. Internet services contributed 15% of total revenues in 2006.

Qualitynet—Kuwait

Qualitynet was established in 1988 in response to a public offering by Kuwait's Ministry of Communication to privatize the Internet and data services. Batelco own 44% of the company. It is considered one of the leading Internet providers in Kuwait. Qualitynet is expected to start facing competition from mobile operators (MTC and Wataniya) that are now offering fast Internet access through 3G technology.

Batelco Jordan—Jordan

Batelco Jordan is the result of a merger between three partners:

- National Equipment and Technical Services (NETS), an e-mail provider in Jordan
- First Telecommunications Group (FTG), a data communications provider in Jordan
- Bahrain Telecommunications Company

Jordan is known to be one of the most liberalized countries in the MENA region, especially in terms of Internet and mobile and fixed-line services. By the end of 2005, the number of ISPs had reached 10. Batelco Jordan is one of the key players providing Internet service in Jordan for various uses.

Batelco Egypt—Egypt

Batelco Egypt was established in 2003 in Cairo. It is wholly owned by Batelco Middle East Company as an Egyptian joint stock closed company. Its presence in Egypt is small and it targets primarily multinational customers.

Arabian Network Information Services (ANIS)—Bahrain

It is through ANIS that Batelco provides Internet services in Bahrain. Batelco was the sole provider of Internet services until 2003, when the TRA issued ISP licenses to multiple companies. By the end of January 2007, 20 ISP licenses had been issued. Earlier this year, Batelco cut the rental rates of its single-IP-address service for business and education broadband customers by 80%.

EXPANSION MARKETS

As mentioned earlier in our GCC Telecom Primer dated October 30, 2006, many GCC operators are expanding outside their home market. Furthermore, the intense wave of acquisitions has raised the price of acquisitions. In the past few years, Batelco has adopted a passive position toward growth through acquisitions. In fact, this is primarily due to C&W's strategy forcing Batelco to concentrate on its Bahraini operations. Nevertheless, with the new management team in place, Batelco was able to make the first step in its expansion plan in mid 2006 when it acquired 96% of Umniah Mobile Company for USD 415 million, or USD 816 per subscriber; this is considered below the average acquisition multiples for transactions that took place during 2005–2006. A few days ago Batelco acquired 20% of Sabafon for USD 144 million, or USD 600 per subscriber.

Figure 14 MENA Acquisitions during 2005-2006

Date	Country	Target	Operator	Price in million USD	Proportional Subscribers	Price/Subs (USD)
2006	Jordan	Umniah (96%)	Batelco	415	508,800	816
2006	Nigeria	Vmobile (65%)	MTC	1,005	3,250,000	309
2006	Lebanon	Investcom (100%)	MTN	5,526	4,900,000	1,128
2006	Tunisia	Tunisie Telecom (35%)	Tecom	2,250	1,401,204	1,606
2006	Sudan	Mobitel (61%)	MTC	1,332	1,167,296	1,141
2005	Madagascar	Madacom (100%)	MTC	97	225,000	431
2005	Turkey	Turk telecom (55%)	Oger Telecor	6,974	10,450,000	667
2005	Pakistan	PTCL (26%)	Etisalat	2,598	1,871,610	1,388
2005	Ivory Cost	Atlantique Telecom (50%)	Etisalat	125	200,000	623
2005	Africa	Celtel (100%)	MTC	3,360	6,574,000	511
Average						862

Sources: Press releases and Informa database

Batelco paid USD 816 per subscriber when it acquired its 96% stake in Umniah

Batelco is planning to spread its wings further to capture more opportunities in the Middle East and Africa. It is targeting primarily established companies in areas where the penetration rate is low, rather than buying greenfield licenses. It is interested in any opportunity from Turkey down to Iran, across the GCC, and in Africa. Batelco is also participating in a consortium that is applying for the second fixed-line license in Saudi Arabia.

UMNIAH: THE FIRST ACQUISITION OF BATELCO

By acquiring Umniah, Batelco joined other regional operators in the quest to expand their geographical footprint via acquisitions and consolidations. Umniah, one of four mobile

operators in Jordan, has a market share of 16% and an estimated active subscriber base of 609,000 as of year-end 2006. The majority of Umniah subscribers (99%) are prepaid.

Batelco is counting on Umniah to grow its subscriber base and revenues. In order to provide better services, Umniah signed a loan agreement with Arab Banking Corporation (ABC) to develop its infrastructure. Under this agreement, ABC will offer USD 14 million in long-term loan repayment facilities. Earlier this year Umniah won the first 3.5 GHz FBWA (Fixed Broadband Wireless Access) license for USD 11.8 million. With this license Umniah can bypass third-party infrastructure and deliver broadband Internet access and voice services to customers.

SABAFON: THE SECOND ACQUISITION OF BATELCO

As of the end of February 2007, Sabafon was the market leader in Yemen, with a 41% market share and 1.2 million subscribers. Currently, Sabafon is proving GSM coverage for 85% of Yemen's population and has recently signed an agreement with Motorola to increase the coverage range and the capacity to serve more subscribers.

BATELCO FINANCIAL ANALYSIS & FORECASTS

MOBILE MARKET FORECAST

Bahrain

Despite the market saturation in Bahrain, we believe that the penetration rate will increase to 120% by 2012, especially with the opening of the financial hub in Bahrain and the new bridge construction, which will link Bahrain to Qatar. We are expecting that the penetration rate in Bahrain will be higher than in its peer countries after 2007 (Figure 15).

Figure 15 Mobile Market in Bahrain

(000's)	2005a	2006a	2007f	2008f	2009f	2010f	2011f	2012f
Population	765	777	788	800	812	824	837	849
Penetration Rate*	86%	100%	109%	114%	117%	119%	120%	120%
Peers' Penetration Rate	96%	102%	109%	113%	116%	117%	118%	na
Active Subscribers	658	779	861	915	950	978	1,008	1,023
Market Share:								
<i>Batelco</i>	74%	70%	67%	64%	62%	61%	59%	58%
<i>MTC Vodafone-Bahrain</i>	26%	30%	34%	36%	38%	40%	41%	42%
Batelco's ARPU (USD)	47	41	38	36	34	33	32	32
<i>YOY chg</i>	4%	-13%	-8%	-6%	-5%	-2%	-2%	-2%

We expect the penetration rate in Bahrain to reach 120% in 2012

* Based on estimated active subscribers. Sources: Annual report, EIU, Informa database, and MENA Equity Research

We estimated that 14% of total 2006 subscribers were inactive. We then forecasted that total active subscribers will grow at a CAGR of 3% in the next five years, while Batelco's market share will decrease to 58% by 2012.

With further market liberalization, we believe Batelco will continue to provide special offers and price reductions to its subscribers. We forecast that the blended ARPU will drop gradually from USD 41 in 2006 to USD 32 in 2012.

Jordan

Although there are four mobile operators in Jordan and competition is getting tough, we don't expect the penetration rate to reach more than 85% by 2012 (Figure 16), due primarily to the economic situation in Jordan. We forecast that Umniah's active subscribers will grow at a CAGR of 12% in the next five years, with the company's market share reaching 24% by 2012.

As competition is increasing, and based on historical evidence, we expect blended ARPU to decline gradually from USD 15 in 2006 to USD 12 in 2012.

Figure 16 Mobile Market in Jordan

(000's)	2005a	2006a	2007f	2008f	2009f	2010f	2011f	2012f
Population	5,800	5,900	6,100	6,300	6,400	6,600	6,800	7,004
Penetration Rate*	47%	65%	70%	74%	78%	81%	84%	85%
Peers' Penetration Rate	32%	40%	49%	54%	57%	60%	61%	na
Active Subscribers	2,729	3,842	4,246	4,659	5,011	5,340	5,679	5,973
Market Share:								
<i>Umniah</i>	10%	16%	19%	21%	23%	24%	24%	24%
<i>Others</i>	90%	84%	81%	79%	78%	77%	77%	77%
Batelco's ARPU (USD)	na	15	14	14	13	13	12	12
<i>YOY chg</i>	na	na	-3%	-3%	-4%	-4%	-5%	-5%

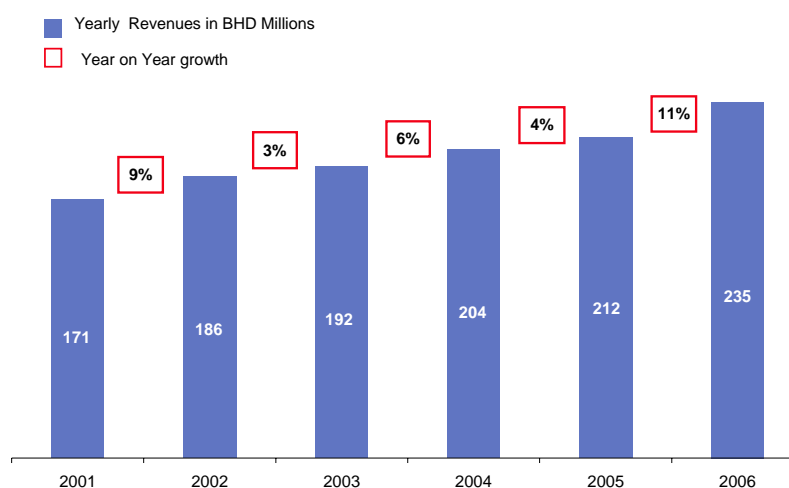
We expect the penetration rate in Jordan to reach 85% in 2012

* Based on estimated active subscribers. Sources: Annual report, EIU, Informa database, and MENA Equity Research

REVENUES

Because of its past conservative nature, Batelco has performed modestly in recent years in terms of revenue growth compared to other regional players. Its revenues increased at a CAGR of 7% from 2001 to 2006. This slow growth was a result of C&W's strategy of not allowing Batelco to expand outside Bahrain. As of year-end 2006, revenues reached BHD 235 million, compared to BHD 212 million in 2005, a growth rate of 11%, the highest since 2001. This was due primarily to the consolidation of six months of Umniah's operations (Figure 17). However, proper disclosure was not available to allow us to perform a segmental analysis, even at the revenue level.

Figure 17 Revenue and Growth



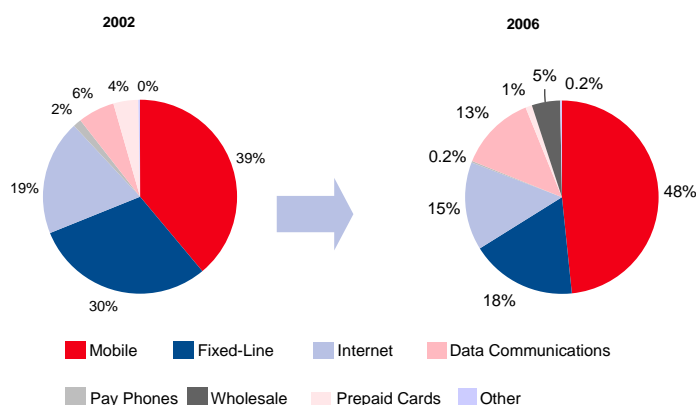
In 2006, Batelco's revenues witnessed the highest growth (11%) in six years, due to the acquisition of Umniah

Sources: Annual reports, Reuters Knowledge, and MENA Equity Research

The main revenue stream comes from the mobile sector, which contributed 48% of revenues in 2006, compared to 39% in 2002 (Figure 18). The other source of revenue was from fixed-line operations, which contributed 30% in 2002 and only 19% in 2006. The downward trend that the fixed-line sector has been witnessing is due to the normal substitution effect of mobile telephony. Internet and leased circuits represented 15% and 13%, respectively, of revenues in 2006.

Figure 18 Dissection of Revenues as of December 2002 and 2006

Mobile revenues now represent 48% of total Batelco revenues



Sources: Annual reports and MENA Equity Research

With the current strategy of the new management and the acquisition of Umniah, future growth is expected to be higher. In order to forecast Batelco's revenue through 2012, we made a separate forecast for each business segment. Figure 19 presents a summary of our revenue forecast for Batelco, which reflects a CAGR of 6% from 2007 through 2012. We based our forecast on the following assumptions and calculations:

- We forecast that revenue from the mobile segment will peak at 52% of total revenues at the end of 2007. After that the mobile share will start to decline and will settle at 44% of total revenues in 2012, due primarily to the increasing contributions from other segments.
- Internet revenues represent the revenues generated from all data services in Bahrain as well as from various joint ventures undertaken by Batelco in several countries. This segment accounted for 15% of total revenues in 2006, and we are forecasting that the contribution from this segment will reach 21% of total revenues in 2012. We forecast that data services will grow at a CAGR of 13% over the next five years, due primarily to the liberalization of the majority of the markets in which Batelco is operating and the spread of broadband business. Batelco is seeking more opportunities in different countries to grow this segment, but we did not include these expansion plans in our forecast.
- Based on our forecast, the contribution from fixed-line services will continue to decline for the next five years, to 10% in 2012, due especially to the fact that the TRA has liberalized the international gateways and more companies can offer international calls at lower prices.

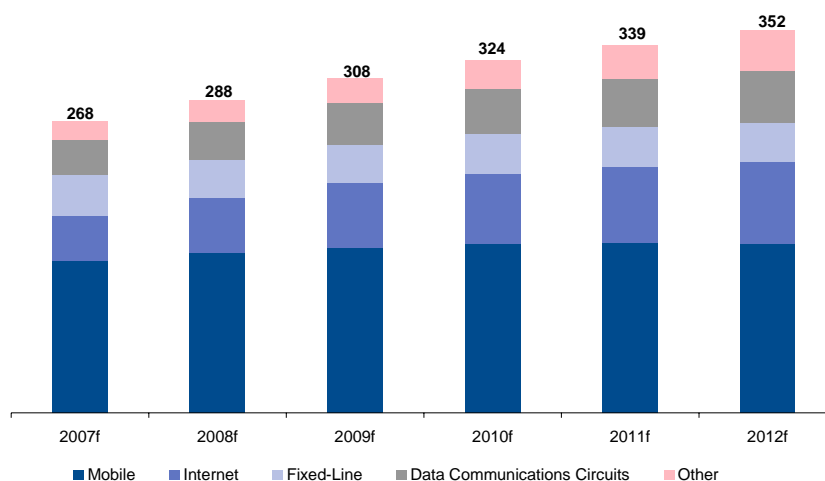
- Other revenues include revenues from data communications circuits, wholesale, pay phones, and prepaid cards. Data communications circuits are expected to be the third-largest revenue contributor after mobile and data services. In 2006, they contributed 13% of total revenues, and we are forecasting their contribution to increase to 14% in 2012. This segment is considered very profitable because Batelco tends to lease its spare network, and the demand for leased circuits is increasing with the major economic development that Bahrain is witnessing.

Wholesale revenues accounted for only 5% of total revenues in 2006, and over the next five years we expect this share to increase to 10%, mainly because of the liberalization of the telecom market and the opening of new companies that need to connect through Batelco networks.

Revenues from pay phones and prepaid cards are declining, primarily because of the increase in mobile services.

Figure 19 Revenue Forecast in Millions of BHD

We forecast total revenues to reach BHD 352 million by 2012



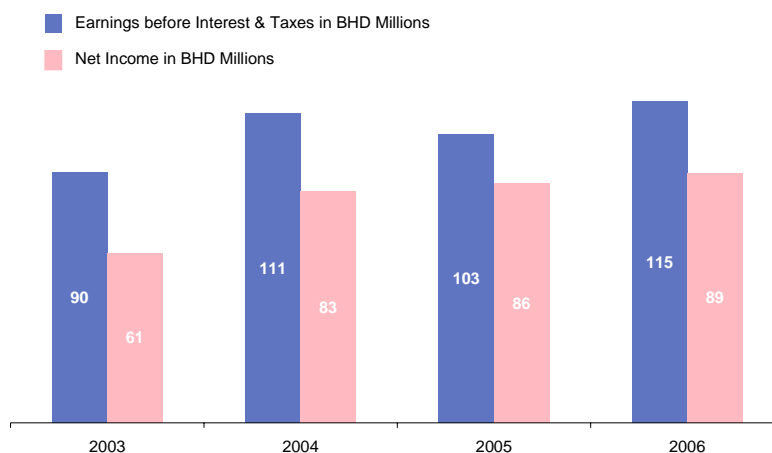
Source: MENA Equity Research

PROFITABILITY

Net income increased from BHD 83 million in 2004 to BHD 89 million in 2006, a CAGR of 4% from 2004 to 2006. This is very low growth compared to other regional players (Figure 20).

Figure 20 EBITDA and Net Income

Batelco's net income grew at a CAGR of 4% between 2004 and 2006

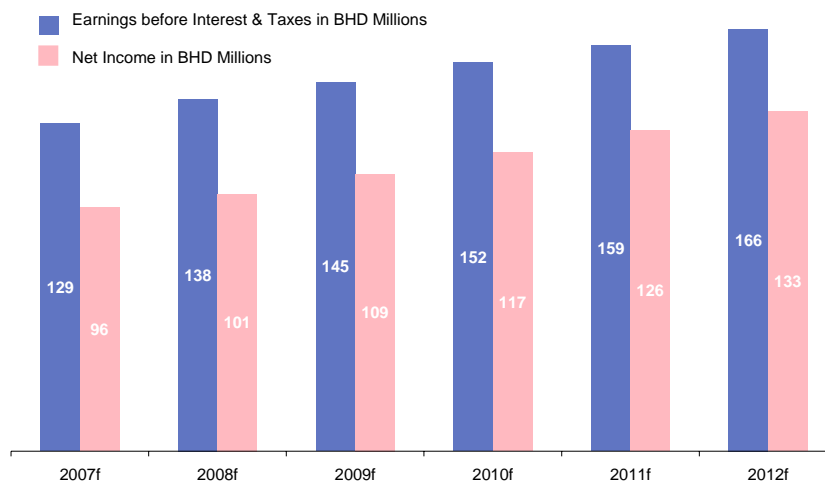


Sources: Annual reports and MENA Equity Research

With the limited potential growth in Bahrain and Jordan, we believe that the new management structure will pay off in maintaining the current EBITDA margin, even with the acquisition of Umniah. We estimate that net income will reach BHD 133 million in 2012, a CAGR of 7% from 2007 to 2012.

Figure 21 Earnings Forecast

We estimate that Batelco's net income will grow at a CAGR of 7% between 2007 and 2012



Source: MENA Equity Research

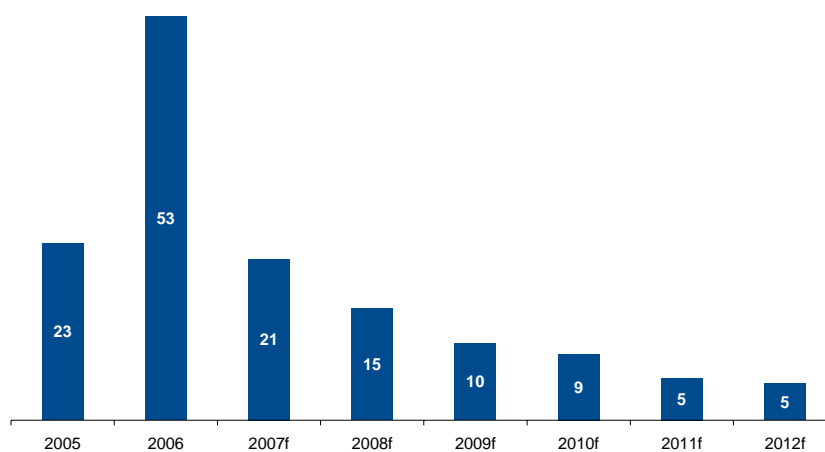
CAPITAL EXPENDITURE

Batelco's capital expenditure per new subscriber is high compared to other regional players, due primarily to the new upgrades of mobile networks, the investments in Next-Generation Network (NGN) technology, 3G technology, and FOG cable. We forecast that

capital expenditures will peak during 2007-2008, as Batelco will be rolling out 3.5G technology. After that, we expect capital expenditures to decline. Our total capital expenditure estimate from 2007 to 2012 is around BHD 65 million.

Figure 22 Capital Expenditure Forecast in BHD Million

We estimate that the capital expenditure will start to decline from 2007



Source: MENA Equity Research

FINANCIAL HEALTH

Cash and cash equivalents dropped to BHD 46 million in 2006, from BHD 163 million, due to the acquisition of Umniah. In 2005, cash and cash equivalents represented 42% of the total assets of the company; at the end of 2006 they represented 10%. We still believe that Batelco has enough excess cash and an untapped borrowing capability to satisfy its appetite for acquisitions.

FINANCIAL STATEMENTS

Balance Sheet (BHD Thousands)		Historical					Forecast			
Fiscal Year Ends December	2004	2005	2006	2007	2008	2009	2010	2011	2012	
ASSETS										
Cash and Short-Term Investments	136,369	162,747	45,756	34,709	77,302	122,416	176,383	229,579	277,103	
Total Receivables, Net	43,350	34,005	38,054	42,898	46,049	49,254	51,913	54,202	56,374	
Total Inventory	590	873	1,213	1,609	1,727	1,847	1,947	2,033	2,114	
Prepaid Expenses	4,333	3,196	8,734	8,043	8,634	9,235	9,734	10,163	10,570	
Other Current Assets, Total	-	-	-	-	-	-	-	-	-	
Total Current Assets	184,642	200,821	93,757	87,260	133,713	182,752	239,977	295,976	346,162	
Property/Plant/Equipment, Total - Net	153,277	151,224	203,038	195,374	180,054	156,783	131,446	102,310	72,103	
Goodwill, Net	-	-	124,380	124,380	124,380	124,380	124,380	124,380	124,380	
Intangibles, Net	623	-	32,181	31,063	29,945	28,827	27,709	26,591	25,473	
Long Term Investments	23,821	35,039	27,828	81,671	81,671	81,671	81,671	81,671	81,671	
TOTAL ASSETS	362,363	387,084	481,184	519,748	549,762	574,413	605,183	630,928	649,788	
LIABILITIES & EQUITY										
Accounts Payable	15,864	13,762	18,794	21,449	23,025	24,627	25,957	27,101	28,187	
Current Port. of LT Debt/Capital Leases	-	-	3,659	3,659	2,683	-	-	-	-	
Other Current Liabilities, Total	40,573	42,485	63,451	69,710	74,830	80,038	84,359	88,078	91,608	
Total Current Liabilities	56,437	56,247	85,904	94,818	100,538	104,665	110,316	115,179	119,795	
Long-Term Debt	-	-	6,342	8,079	5,396	5,396	5,396	5,396	5,396	
Deferred Income Tax	-	-	7,033	7,385	7,754	8,142	8,549	8,976	9,425	
Minority Interest	6,087	6,511	8,488	8,488	8,488	8,488	8,488	8,488	8,488	
Other Liabilities, Total	-	-	10,741	5,371	2,685	-	-	-	-	
Total Liabilities	62,524	62,758	118,508	124,140	124,861	126,690	132,749	138,039	143,104	
Total Equity	299,839	324,326	362,676	395,607	424,901	447,723	472,434	492,889	506,684	
TOTAL LIABILITIES AND EQUITY	362,363	387,084	481,184	519,748	549,762	574,413	605,183	630,928	649,788	
Income Statement (BHDThousands)										
Fiscal Year Ends December	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Total Revenue	203,764	211,616	234,990	268,115	287,809	307,837	324,459	338,761	352,339	
Cost of Revenue	26,561	40,277	43,648	53,623	57,562	61,567	64,892	67,752	70,468	
Gross Profit	177,203	171,339	191,342	214,492	230,247	246,269	259,567	271,009	281,871	
Selling/General/Admin. Expenses	66,626	68,280	76,463	85,797	92,099	101,586	107,071	111,791	116,272	
Depreciation/Amortization	32,376	25,714	29,921	31,145	34,604	35,267	35,840	36,203	36,521	
Operating Income	78,201	77,345	84,958	97,550	103,545	109,416	116,655	123,014	129,079	
Interest Income (Exp), Net Non-Operating	5,581	9,571	5,877	899	1,690	4,075	6,618	9,274	11,771	
Net Income before Taxes	83,782	86,916	90,835	98,449	105,235	113,490	123,273	132,288	140,850	
Provision for Income Taxes	-	-	-	1,295	2,603	3,101	4,384	4,559	5,520	
Net Income after Taxes	83,782	86,916	90,835	97,154	102,631	110,389	118,889	127,729	135,329	
Minority Interest	(1,198)	(1,315)	(1,500)	(1,575)	(1,654)	(1,736)	(1,823)	(1,914)	(2,010)	
Net Income	82,584	85,601	89,335	95,579	100,978	108,653	117,066	125,815	133,319	

Source: Annual Reports and MENA Equity Research



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