

Short-Term Rec.: Accumulate
Long-Term Rec.: Buy

Current Price*: AED 13.0
LT Fair Value : AED 20.0

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• **Revisiting Discount Rates on Macro Concerns:** We increased the discount rate that we use for Etisalat and its subsidiaries and revisited our forecasts to factor in the weakening macro picture. This resulted in a 23.3% reduction in our LT Fair Value for Etisalat to AED20.0.

• **What if It is Worse than We Expect?:** The employing of a pessimistic set of assumptions for UAE macro and company-specific variables (as the UAE operation represents 86% of our estimated equity value for Etisalat) yields an estimated LT Fair Value for Etisalat of AED17.6 per share, which is still 35% higher than current market price. Some of these assumptions call for a five-year population CAGR of 4% versus the 7% of the past five years, a five-year subscriber CAGR of 3% versus 20% over the previously five years, and ARPU's declining at a compounded rate of 4% versus an increase of 4% over the past five years.

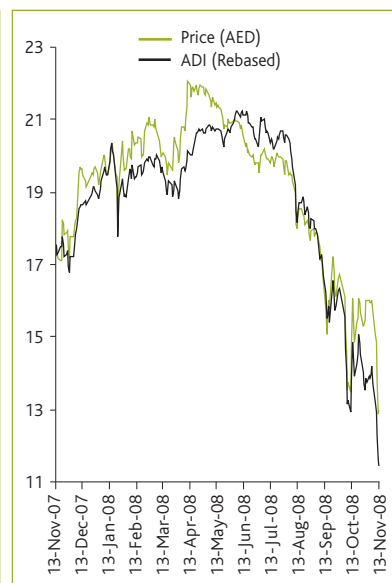
• **Revised Forecasts:** We increased our 2008e earnings forecast by 9.7% to AED9,313 million (including a one-off capital gain of AED1.8 billion) but we reduced them for 2009 by 5.9% to AED8,610 million as a result of forecasting higher royalty fees payments of 50% versus our previous assumption of 40% and lower earnings forecasts for Egyptian and Pakistani operations and as a result of the consolidation of Swan Telecom (equity consolidation), an Indian start-up that we expect will generate net losses through our forecast horizon. We have kept almost unchanged our forecasts for revenue and EBITDA for the UAE operation, which has been doing better than expected. The decrease in revenue and EBITDA forecasts for the Egyptian operation was more than compensated by the full consolidation of AT (previously consolidated under the equity method) generating a positive impact on the total revenue and EBITDA forecasts for 2008 and beyond.

• **More Value, Less Growth:** The bulk of Etisalat's valuation continues to come from the UAE operation, followed by the Saudi operation, which we believe will soon turn from a growth to a value play. With the weakening macro environment in most of Etisalat's growth markets, especially Pakistan, we believe the contribution of growth markets to the overall valuation is decreasing. We nevertheless continue to like the diversification of Etisalat's operations and we believe that the market currently assigns no value to any of Etisalat's operations outside the UAE.

• **Maintain LT Buy Recommendation but Reduce ST to Accumulate:** With 54% upside potential to the current market price, we maintain our LT Buy recommendation. As we do not see any short-term performance drivers, we reduce our ST recommendation to Accumulate from Buy, but we believe Etisalat should benefit from sector rotation that favors high free cash flow and dividend yield plays.

December year end	2007a	2008e	2009e	2010e
Operating Income (mn)	13,603	15,769	16,579	17,298
Net Attrib. Income (mn)	7,296	9,313	8,610	8,815
ROE	30.3%	34.2%	29.8%	28.7%
EPS	1.22	1.55	1.44	1.47
Earnings Growth	24.5%	27.6%	-7.5%	2.4%
P/E (Attrib.)	10.67	8.36	9.04	8.83
DPS	0.60	0.64	0.57	0.57
Dividend Yield	4.6%	4.9%	4.4%	4.4%
BVPS	4.02	4.55	4.83	5.13
P/BV	3.2	2.9	2.7	2.5
CFPS (Operating CF)	2.2	1.4	1.6	1.9
P/CF	6.0	9.3	8.1	6.9
EBITDA	15,565	18,063	19,183	20,099
EBITDA Margin	72.9%	70.1%	67.4%	66.7%
EV/EBITDA*	4.2	3.8	3.7	3.6
EV/Sub*	3,544	2,369	1,930	1,628
Net Debt (Cash)* (mn)	(6,147)	(4,864)	(2,378)	(1,413)
Net Debt (Cash) / BV	-25.6%	-17.9%	-8.2%	-4.6%
Net Debt (Cash) / Mkt cap	-7.9%	-6.2%	-3.1%	-1.8%

Fig in AED unless otherwise stated
*Proportionate



Estimate Changes	2007a	2008e	2009e
(AED mn)		Old	New
Revenue	21,340	25,155	25,763
EBITDA	15,565	17,452	18,063
EBITDA Margin	72.9%	69.4%	70.1%
Net Attrib. Income	7,296	8,488	9,313

Stock Data	
Last Ex-Div Date	AED0.25 on 24 July 2008
Mkt. Val. (Local mn)	AED77,869
Shares (mn)	5,990
Av. Mthly Liqd. (mn)	AED836 mn
52-Week High / Low	AED22.2 / 12.2
Bloomberg / Reuters	ETISALAT UH / ETEL.AD
Est. Free Float	40.0%

I. OPERATIONAL OVERVIEW

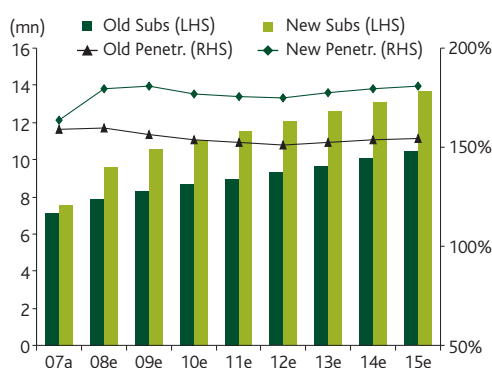
UNITED ARAB EMIRATES (UAE)

MARKET

We have raised mobile market forecasts in the UAE

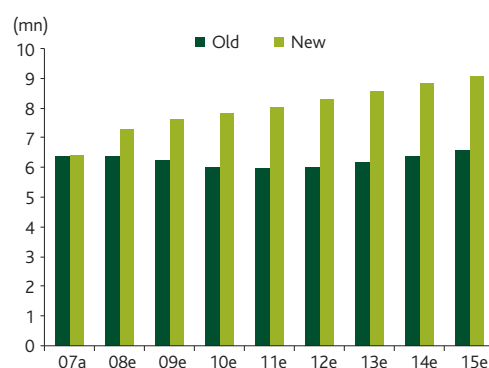
We have raised our mobile market forecasts for UAE, as subscriber growth for the past three quarters has exceeded our expectations. Active subscribers in the market at the end of September exceeded 9.1 million versus our estimate for end-December 2008 of 7.9 million. We believe this to be largely due to higher-than-expected growth in population, which we had estimated at 9.0% for 2008. We now expect mobile penetration rate to reach 186% by the end of 2008, up from our earlier estimate of 177%. Based on our population estimates for the UAE, the penetration rate had already exceeded 181% at the end of September 2008.

Fig 1.1: UAE's Old vs New Mobile Subs and Penetration Rate Forecasts



Source: Etisalat, du and EFG-Hermes estimates

Fig1.2: Etisalat UAE Old vs New Mobile Subscribers Forecasts



Source: Etisalat, EFG-Hermes estimates

Does a mobile penetration rate that is nearing 200% make sense?

Using du's active mobile subscribers and Etisalat's reported subscribers, the UAE had a penetration rate of 181% at the end of September (based on a population estimate of 5.05 million). With the level of economic and expatriate-led population growth that has taken place in the UAE over the past decade, we believe this high penetration rate is not unusual. However, for subscribers to continue to grow strongly while the penetration rate approaches 200%, one has to at least question the accuracy of the data used in estimating this penetration rate.

In our addressable market calculation, we have already taken into account the multiple SIM phenomenon, which has rendered an addressable market equivalent to c160% of the population, one of the world's highest. Assuming our estimates are fairly accurate, we believe that the population figures we are using are at best understated. The last government census, in 2005, reported a population of 4.1 million. We base our population estimate for subsequent years on separate figures that we obtained for Dubai and Abu Dhabi. We believe that these figures are understated and that the government will have to revise them upwards in the next census. Other GCC countries such as Qatar and Bahrain already revised their population figures upward earlier this year.

Table 1.3: UAE Mobile and Fixed-Line Markets Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	4.7	5.2	5.7	6.1	6.4	6.8	6.9	7.1	7.3
Mobile Market Indicators									
Mobile Addressable Mkt.	7.4	8.1	9.0	9.6	10.2	10.7	11.0	11.2	11.5
Additions	2.0	2.0	1.0	0.5	0.5	0.5	0.5	0.5	0.6
Mobile Subscribers	7.5	9.6	10.6	11.1	11.5	12.1	12.6	13.1	13.7
Penetration to Addressable	102%	118%	118%	115%	113%	113%	115%	117%	119%
Penetration Rate	159%	186%	188%	182%	179%	179%	182%	186%	188%
Etisalat									
Etisalat Mobile Subscribers	6.4	7.3	7.6	7.8	8.0	8.3	8.6	8.8	9.1
Etisalat Mobile Market Share	85%	76%	72%	70%	70%	69%	68%	67%	67%
Fixed-Line Market Indicators									
Fixed-Line Addressable Mkt.	2.1	2.3	2.5	2.7	2.8	3.0	3.0	3.1	3.2
Fixed-Line Subscribers	1.4	1.7	1.8	2.0	2.1	2.2	2.3	2.4	2.5
Penetration to Addressable	66%	73%	74%	74%	75%	75%	76%	77%	78%
Penetration Rate	29%	32%	33%	33%	33%	33%	33%	34%	34%
Etisalat									
Etisalat Fixed-Line Subscribers	1.3	1.4	1.4	1.5	1.6	1.6	1.7	1.7	1.8
Etisalat Fixed-Line Market Share	97%	84%	79%	76%	75%	74%	73%	72%	71%

Source: Etisalat, du and EFG-Hermes estimates

VALUATION

Despite the outperformance of the mobile market, we have reduced our estimated equity value for Etisalat's UAE operations by 22.2% to AED102.7 billion (AED17.1 per Etisalat share) mostly due to the following:

- A 175 bps increase in our discount rate due to a 125 bps increase in our risk-free rate estimate and a 50 bps increase in our equity risk premium.
- We have increased our forecast for royalty fees to 50% of consolidated net profit through our forecast period. Previously, we had estimated that it would decrease to 40%. Our previous estimate was based on the policy of the UAE's Telecom Regulatory Authority (TRA), which had mentioned earlier that with the entrance of du to the market, royalty fees should decline gradually over four years until they reached 40%. As of now, Etisalat still pays 50% of its consolidated net profit as royalty fees, and the TRA has not made any recent announcements confirming any change in the payment.

Table 1.4: KPIs and DCF Valuation for Etisalat UAE

(AED mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	7.7	8.7	9.1	9.3	9.6	9.9	10.2	10.5	10.9
ARPU (USD)	48.5	48.4	46.4	45.0	43.8	43.1	42.5	42.5	42.5
ARPL (USD)	52.8	51.7	46.7	44.2	40.8	39.2	38.2	37.2	36.5
Revenue	20,125	22,782	23,918	24,449	24,811	25,257	25,702	26,338	26,988
EBITDA	15,985	17,930	18,632	18,875	19,055	19,246	19,508	19,938	20,376
EBITDA Margin	79.4%	78.7%	77.9%	77.2%	76.8%	76.2%	75.9%	75.7%	75.5%
CAPEX & Change in WC	(2,898)	(2,575)	(2,025)	(1,905)	(1,875)	(1,875)	(1,885)	(1,865)	(1,865)
Taxes / Royalty	(7,296)	(9,313)	(8,610)	(8,815)	(9,126)	(9,400)	(9,752)	(10,251)	(10,684)
FCF	5,791	6,042	7,997	8,155	8,054	7,971	7,870	7,822	7,828
WACC	10.1%								
Terminal Growth	2.0%								
EV	95,987								
Net Debt (Cash)	(6,678)								
Equity Value	102,664								
Etisalat Stake (100%)	102,664								
Value per Etisalat share (AED)	17.14								

Source: Etisalat, EFG-Hermes estimates

Etisalat was obliged to reduce its stake in Mobily

Etisalat may be able to increase its stake in Mobily

SAUDI ARABIA - ETIHAD ETISALAT (MOBILY)

In March 2008, Etisalat reduced its stake in Mobily to 26.25% from 35% as dictated by the royal decree that established Mobily three years ago and which required Mobily's shareholders (Etisalat and other Saudi investors) to sell 20% of their stake three years after the company's incorporation. The shares were sold in a private placement to Saudi strategic investors at SAR55.0 per share. Accordingly, Etisalat reported a one-off gain in 2Q2008 of AED1.8 billion.

We believe, however, that Etisalat may soon increase its stake in Mobily through the latter's rights issue, which allows shareholders to bid for any shares left unsubscribed for after the issue. Our assumption is based on a statement by Etisalat expressing interest in increasing its ownership in Mobily to up to 51% whenever the opportunity might arise. Were Etisalat to secure an additional stake in Mobily, this should boost our estimated equity value, as we have a positive view on Mobily and believe in the company's growth story.

Table 1.5: Saudi Arabia's Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	24.7	25.6	26.4	27.4	28.3	29.3	30.3	31.4	32.5
Mobile Market Indicators									
Mobile Addressable Mkt.	29.3	33.5	35.4	37.3	39.3	41.2	43.2	45.3	47.5
Additions	7.4	6.4	5.3	2.8	1.5	1.0	0.9	0.9	1.0
Subscribers	27.0	33.4	38.8	41.6	43.1	44.0	44.9	45.9	46.9
Penetration to Addressable	92%	100%	110%	112%	110%	107%	104%	101%	99%
Penetration Rate	109%	131%	147%	152%	152%	150%	148%	146%	144%
Etihad Etisalat (Mobily)									
Mobily Subscribers	9.7	12.3	13.9	14.7	15.2	15.5	15.7	16.0	16.3
Mobily Market Share	36%	37%	36%	35%	35%	35%	35%	35%	35%

Source: STC, Mobily, CITC and EFG-Hermes estimates

VALUATION

We adjusted our estimated equity value for Mobily after the 20 October 2008 rights issue ex-date to SAR44.8 billion from SAR42.8 billion and estimated a new LT Fair Value of SAR64.0, which implies 132% upside potential over and above the current share price.

Table 1.6: KPIs and DCF Valuation for Mobily

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	9.7	12.3	13.9	14.7	15.2	15.5	15.7	16.0	16.3
ARPU (USD)	23.7	20.6	19.1	18.8	18.9	19.1	19.4	19.7	19.8
Revenue	2,255	2,724	3,002	3,235	3,395	3,517	3,633	3,753	3,856
EBITDA	787	984	1,125	1,258	1,341	1,408	1,459	1,520	1,563
EBITDA Margin	34.9%	36.1%	37.5%	38.9%	39.5%	40.1%	40.2%	40.5%	40.5%
CAPEX & Change in WC	(467)	(1,039)	(474)	(528)	(461)	(451)	(462)	(446)	(443)
Taxes	(6)	(13)	(15)	(18)	(20)	(22)	(23)	(24)	(24)
FCF	312	(69)	633	710	857	933	972	1,048	1,093
WACC	9.7%								
Terminal Growth	3.5%								
EV	13,605								
Net Debt (Cash)	1,659								
Equity Value	11,947								
Etisalat Stake (26.25%)*	3,163								
Value per Etisalat share (AED)	1.94								

*Including NPV of management fees

Source: Mobily, EFG-Hermes estimates

PAKISTAN - PAKISTAN TELECOMMUNICATION COMPANY LIMITED (PTCL)

MARKET

Staff reduction program in early 2008 will improve long term margins

In early 2008, PTCL successfully completed a voluntary separation scheme (VSS) that reduced staff by 33,500 employees - more than management's earlier estimate of 29,000 - at a one-time cost of around PKR45 billion (USD616 million). As a result, PTCL will benefit from incremental salary savings. This resulted in a negative bottom line for 2007 (calendar year) for PTCL but will also result in a gradual improvement in the EBITDA margin in the longer term. We expect the EBITDA margin to increase by 220 bps in 2008e and by 170 bps in 2009e.

We forecast a slowdown in fixed-line and mobile subscriber growth

We have revised our fixed-line and mobile forecasts downward, as we currently believe that a slowdown in subscriber additions will take place earlier than expected, given the current deterioration in the country's macro-economic conditions. We also believe that tariffs and ARPU's may come under pressure, at least during the next year and a half, given the high inflationary environment (average inflation in 3Q2008: 24.5%).

Table 1.7: Pakistan Mobile and Fixed-Line Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	164.3	167.6	170.9	174.4	177.8	181.4	185.0	188.7	192.5
Mobile Market Indicators									
Mobile Addressable Mkt.	109.6	112.4	115.2	118.1	121.1	124.2	127.3	130.5	133.8
Additions	28.5	15.6	9.3	7.2	5.8	4.4	3.4	2.7	2.1
Subscribers	76.9	92.5	101.8	109.0	114.8	119.2	122.6	125.3	127.3
Penetration to Addressable	70%	82%	88%	92%	95%	96%	96%	96%	95%
Penetration Rate	47%	55%	60%	63%	65%	66%	66%	66%	66%
Ufone (PTCL)									
Ufone Subscribers	16.2	19.4	21.6	23.2	24.5	25.6	26.3	26.9	27.4
Ufone Market Share	21%	21%	21%	21%	21%	21%	21%	22%	22%
Fixed-Line Market Indicators									
Fixed-Line Addressable Mkt.	28.5	29.1	31.4	32.0	32.7	33.3	34.0	34.7	35.4
Fixed-Line Subscribers	4.8	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0
Fixed-Wireless Line Subscribers	2.1	2.5	2.9	3.3	3.8	4.3	4.8	5.2	5.6
Total Subscribers	7.0	7.1	7.3	7.7	8.1	8.5	8.9	9.3	9.7
Penetration to Addressable	24%	24%	23%	24%	25%	26%	26%	27%	27%
Penetration Rate	4%	4%	4%	4%	5%	5%	5%	5%	5%
PTCL									
PTCL Fixed-Line Subscribers	4.7	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9
PTCL Fixed-Line Market Share	97%	96%	96%	96%	96%	96%	96%	96%	96%
PTCL Fixed-Wireless Subscribers	1.2	1.4	1.4	1.7	1.9	2.2	2.4	2.6	2.8
PTCL Fixed-Wireless Market Share	58%	55%	50%	50%	50%	50%	50%	50%	50%

Source: PTA, EFG-Hermes estimates

VALUATION

We have raised our cost of equity by 450 bps to reflect the country's higher risk

We have also raised our cost of equity by 450 bps to 20.0% to reflect the higher risk in the country given the current political instability, high inflationary environment and local currency's depreciation against the USD. We therefore reach an estimated equity value for PTCL of PKR190.3 billion (AED8.5 billion), almost 50% lower than our previous equity value estimate. This implies a LT Fair Value of PKR37.3 per PTCL share, which is 40% higher than the market price of PTCL and implies a 2009e PE of around 11.16x.

Table 1.8: KPIs and DCF Valuation for PTCL (Fixed-Line and Mobile)

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	22.1	25.2	27.3	29.1	30.5	31.8	32.7	33.5	34.1
ARPU (USD)	3.4	2.3	2.3	2.3	2.4	2.4	2.4	2.5	2.5
ARPL (USD)	14.0	10.3	9.8	9.5	9.3	9.1	9.0	9.0	9.0
Revenue	1,308	1,017	1,048	1,104	1,175	1,251	1,322	1,411	1,487
EBITDA	577	472	504	544	577	618	655	705	749
EBITDA Margin	44.1%	46.4%	48.1%	49.3%	49.1%	49.4%	49.5%	50.0%	50.4%
CAPEX & Change in WC	(347)	(197)	(206)	(176)	(162)	(159)	(178)	(181)	(187)
Taxes / Royalty	7	(94)	(112)	(125)	(134)	(147)	(158)	(173)	(186)
FCF	207	183	180	186	243	280	312	318	350
WACC	18.8%								
Terminal Growth	6.0%								
EV	2,203								
Net Debt (Cash)	(188)								
Equity Value	2,391								
Etisalat Stake (26%)*	691								
Value per Etisalat share (AED)	0.42								

*Including NPV of management fees

Source: EFG-Hermes estimates

EGYPT - ETISALAT MISR

MARKET

Competition getting more aggressive

Competition in the mobile market in Egypt became more aggressive in 2008, triggered by the introduction of mobile number portability (MNP) on 7 April. A few days after the introduction of MNP, Mobinil slashed its on-net tariffs across its entire product range to EGP0.20 per minute, a decline of 33% to 56% (depending on the package). Only one week later, Etisalat Misr slashed its on-net tariffs to the same EGP0.20 per minute across all its products for its first minute and gave 119 minutes free for on-net calls during the rest of the day. This new tariff implied a price reduction of 31-39%. However, Etisalat Misr had to end its offer a few days later in order to optimize network traffic, as the demand exceeded the company's expectations.

While these aggressive price cuts will help subscriber growth, it will undoubtedly put pressure on the company's margins over the short to medium term, especially as the ratio of on-net traffic to total traffic, we believe, remains much lower than that of its competition, given Etisalat's much smaller subscriber base. We have updated our subscriber growth figures upwards in the short term but have reduced Etisalat Misr's ARPUs as a result of the accelerated subscriber growth and aggressive price cuts. Etisalat Misr's ARPU came in at USD6 in 2007, versus our expected ARPU of USD11, which we were basing on management guidance and announcements.

Table 1.9: Egypt Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	77.0	78.6	80.2	81.9	83.6	85.4	87.2	89.0	90.9
Mobile Market Indicators									
Mobile Addressable Mkt.	59.3	60.7	62.1	63.6	65.1	66.6	68.2	69.8	71.4
Additions	13.5	11.0	8.8	7.0	5.6	4.5	3.6	2.9	2.3
Subscribers	31.5	42.5	51.2	58.2	63.9	68.3	71.9	74.8	77.1
Penetration to Addressable	53%	70%	82%	92%	98%	103%	105%	107%	108%
Penetration Rate	41%	54%	64%	71%	76%	80%	82%	84%	85%
Etisalat Misr									
Etisalat Subscribers	3.1	5.3	7.9	10.2	12.1	13.6	14.8	15.7	16.5
Etisalat Market Share	10%	12%	15%	18%	19%	20%	21%	21%	21%

Source: Mobinil, VFE, Etisalat and EFG-Hermes estimates

VALUATION

We have raised our risk free rate estimate in Egypt by 150 bps to 11.0% based on the average tax-adjusted yield on recent 9-year treasury bonds, a yield our economists believe is a suitable reflection of the current sovereign risk-free rate. This resulted in a WACC of 12.8% versus our previous WACC of 12.3%.

The reduction in our forecast ARPU for Etisalat Misr, the lower EBITDA margin and the higher WACC resulted in a lower estimated equity value of USD1,013 million (AED3.7 billion).

Table 1.10: KPIs and DCF Valuation for Etisalat Misr

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	3.1	5.3	8.0	10.6	12.5	14.0	15.2	16.1	16.8
ARPU (USD)	6.2	6.0	5.9	5.9	5.9	6.0	6.1	6.3	6.5
Revenue	101	302	469	658	825	954	1,066	1,181	1,286
EBITDA	(140)	(92)	(32)	91	161	230	296	352	421
EBITDA Margin	-138.3%	-30.3%	-6.7%	13.8%	19.5%	24.1%	27.8%	29.8%	32.8%
CAPEX & Change in WC		(588)	(361)	(305)	(133)	(138)	(152)	(129)	(149)
Taxes		-	-	-	-	-	-	-	(16)
FCF		(680)	(392)	(215)	27	92	144	223	256
WACC	12.8%								
Terminal Growth	6.0%								
EV	1,562								
Net Debt (Cash)	548								
Equity Value	1,013								
Etisalat Stake (66%)	669								
Value per Etisalat share (AED)	0.41								

Source: EFG-Hermes estimates

AFRICA - ATLANTIQUE TELECOM (AT)

In May 2008, Etisalat has increased its stake in Atlantique Telecom to 82% from 50% last year. We value AT using a discounted cash flow (DCF) methodology at an estimated equity value of AED1.2 billion, which is 8.1% higher than the sum of the prices paid to acquire the 82% stake. We assign a relatively high equity risk rate of 20% to reflect the high macro and political risk in the six countries where AT operates.

Table 1.11: KPIs for Atlantique Telecom Operations in African Countries

	Benin	Burkina Faso	Central African Republic	Gabon	Niger	Ivory Coast	Togo	Total
Population (mn) (2007a)	9.3	14.4	4.0	1.4	13.4	18.3	5.1	65.9
Mob. Penetration Rate (2007a)	7.4%	11.1%	7.4%	81.7%	6.4%	38.5%	23.4%	19.5%
Mob. Penetration Rate (2008e)	8.9%	17.4%	8.9%	85.2%	11.5%	53.1%	37.3%	28.8%
AT Mobile Subs. 000's (2007a)	626	240	105	104	102	1,234	303	2,714
AT Mobile Subs. 000's (2008e)	1,051	416	131	113	196	1,875	500	4,282

Source: Etisalat, ITU, IMF and EFG-Hermes estimates

Table 1.12: KPIs and DCF Valuation for Atlantique Telecom

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	2.7	4.3	5.9	7.3	8.7	9.7	10.6	11.3	11.9
ARPU (USD)	12.9	10.9	9.2	8.2	7.6	7.2	7.0	6.8	6.6
Revenue	319	456	562	647	723	792	848	887	923
EBITDA	2	16	67	110	159	214	271	328	351
EBITDA Margin	0.8%	3.5%	12.0%	17.0%	22.0%	27.0%	32.0%	37.0%	38.0%
CAPEX & Change in WC	(2)	(128)	(140)	(142)	(130)	(119)	(119)	(124)	(129)
Taxes	-	-	-	(1)	(18)	(38)	(59)	(79)	(87)
FCF	1	(112)	(73)	(33)	10	57	94	125	134
WACC	17.0%								
Terminal Growth	6.0%								
EV	416								
Net Debt (Cash)	99								
Equity Value	316								
Etisalat Stake (82%)	259								
Value per Etisalat share (AED)	0.16								

Source: EFG-Hermes estimates

NIGERIA - ETISALAT NIGERIA

MARKET

Pre-launch number booking campaign started in September

Etisalat just launched commercial operations in Nigeria two weeks ago after a pre-launch number booking campaign that started in September whereby people can reserve their preferred mobile number on the Etisalat network and benefit from promotional offers for early comers.

Downward revision to total mobile market

We have revised our mobile subscriber forecasts downwards: i) for the whole market, as 2007 figures were below our estimates; total mobile subscribers in 2007a were 40.0 million, 18% lower than our estimates of 49.1 million, and ii) for Etisalat, as we had previously expected that it would start operations in March 2008, but now expect it to have a market share of 1.8% by the end of 2008e versus 2.7% previously.

Equity consolidation instead of proportionate

We now use the equity consolidation method to account for the Nigeria operations based on indicators provided by management at its annual analyst meeting in April 2008 rather than the proportionate consolidation method based on our own estimates that we previously used.

Table 1.13: Nigeria Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	141.8	146.1	150.5	155.0	159.6	164.4	169.4	174.5	179.7
Mobile Market Indicators									
Mobile Addressable Mkt.	101.8	105.3	108.9	112.7	116.5	120.5	124.7	128.9	133.3
Additions	7.8	15.3	16.9	11.8	9.5	7.6	6.0	4.8	3.4
Subscribers	40.0	55.4	72.2	84.0	93.5	101.0	107.1	111.9	115.3
Penetration to Addressable	39%	53%	66%	75%	80%	84%	86%	87%	86%
Penetration Rate	28%	38%	48%	54%	59%	61%	63%	64%	64%
Etisalat Nigeria									
Etisalat Subscribers		1.0	3.5	5.9	7.9	9.5	11.0	12.2	13.0
Etisalat Market Share		2%	5%	7%	8%	9%	10%	11%	11%

Source: NCC, MTN, Zain and EFG-Hermes estimates

VALUATION

Following the change in mobile market forecasts, our estimated equity value for the Nigerian operation decreased to USD191 million (AED700 million), contributing only 0.2% of Etisalat's total estimate equity value.

Table 1.14: KPIs and DCF Valuation for Etisalat Nigeria

(USD mn)	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	1.0	3.5	5.9	7.9	9.5	11.0	12.2	13.0
ARPU (USD)	8.0	7.4	7.1	6.9	6.6	6.4	6.2	6.0
Revenue	62	328	520	666	776	863	922	946
EBITDA	(95)	(66)	(26)	53	109	216	258	284
EBITDA Margin	-153.7%	-20.0%	-5.0%	8.0%	14.0%	25.0%	28.0%	30.0%
CAPEX & Change in WC	(455)	(249)	(144)	(96)	(182)	(173)	(109)	(116)
Taxes	-	-	-	-	-	-	(8)	(14)
FCF	(550)	(314)	(170)	(43)	(74)	42	141	153
WACC	14.1%							
Terminal Growth	6.0%							
EV	474							
Net Debt (Cash)	283							
Equity Value	191							
Etisalat Stake (40%)	76							
Value per Etisalat share (AED)	0.05							

Source: EFG-Hermes estimates

AFGHANISTAN - ETISALAT AFGHANISTAN

MARKET

Better-than-expected market performance in 2007

The mobile market in Afghanistan recorded better-than-expected subscribers of 4.7 million at the end of 2007 versus our estimate of 3.9 million, and mobile penetration of 14.6% versus our estimate of 12.4%.

Moreover, Etisalat Afghanistan was able to secure higher-than-expected market share in less than one full year of operation, reaching around 2.4% at the end of 2007. We have therefore increased our mobile market forecasts as well as our forecasts for Etisalat subscribers, market share and operating results.

Table 1.15: Afghanistan Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	31.9	32.7	33.6	34.4	35.3	36.3	37.2	38.2	39.2
Mobile Market Indicators									
Mobile Addressable Mkt.	18.5	19.1	19.8	20.5	21.2	21.9	22.7	23.5	24.3
Additions	3.1	3.2	3.3	2.4	2.0	1.7	1.4	1.2	1.0
Subscribers	4.7	7.9	11.1	13.6	15.5	17.2	18.6	19.8	20.8
Penetration to Addressable	25%	41%	56%	66%	73%	78%	82%	84%	86%
Penetration Rate	15%	24%	33%	39%	44%	47%	50%	52%	53%
Etisalat Afghanistan									
Etisalat Subscribers	0.1	0.6	1.1	1.6	2.0	2.4	2.7	3.0	3.2
Etisalat Market Share	2%	8%	10%	12%	13%	14%	15%	15%	15%

Source: Etisalat, EFG-Hermes estimates

VALUATION

Despite the increase in our forecasts for Etisalat Afghanistan, we have cut our estimated equity value for the operation by 52% to USD27 million (AED99 million) due to a 150 bps increase in our discount rate.

Table 1.16: KPIs and DCF Valuation for Etisalat Afghanistan

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	0.1	0.6	1.1	1.6	2.0	2.4	2.7	3.0	3.2
ARPU (USD)	9.3	7.7	6.9	6.5	6.0	5.6	5.3	5.3	5.3
Revenue	2	33	73	109	133	148	164	181	197
EBITDA	(12)	(10)	(20)	(8)	10	27	45	56	67
EBITDA Margin	-682.7%	-29.5%	-27.5%	-7.5%	7.5%	18.5%	27.5%	31.0%	34.0%
CAPEX & Change in WC	(100)	(91)	(65)	(77)	(55)	(50)	(39)	(28)	(25)
Taxes	-	-	-	-	-	-	-	-	-
FCF	(112)	(100)	(85)	(85)	(45)	(22)	6	29	42
WACC	16.5%								
Terminal Growth	5.0%								
EV	6								
Net Debt (Cash)	(21)								
Equity Value	27								
Etisalat Stake (100%)	27								
Value per Etisalat share (AED)	0.02								

Source: EFG-Hermes estimates

INDONESIA - EXCELCOMINDO (XL)

In December 2007, Etisalat announced that it will buy Rajawali Group's 15.9% stake in Indonesian-based mobile operator PT Excelcomindo Pratama (XL), the country's third mobile operator by subscribers in a seven-player market, for USD438 million. The remainder is owned 67% by Telekom Malaysia and 17% by Khazanah Nasional Berhad, the investment arm of the Malaysian Government. Excelcomindo, with 23 million mobile subscribers, has more than 15% market share.

MARKET

Very attractive country for
mobile operators

Indonesia is very attractive for mobile operators: Its population at the end of 2007 was 229 million, and it had around 104 million subscribers, implying a mobile penetration rate of 45%. With five mobile operators and six CDMA-based fixed-wireless operators, the telecoms landscape is very competitive. Three GSM-based operators dominate the market: Telkomsel (Singtel), which had an end-2007 market share of 46%, Indosat, which had a 24% share, and XL, which had a 15% share. The market in 2007 added 34.8 million subscribers, up almost 85% Y-o-Y. We believe competition will intensify in the next few years due to the large number of players, of which a significant number are small new entrants looking to increase their market share. A 20% to 40% reduction in interconnection tariffs that took effect in April should also reduce subscriber tariffs and increase competition. We believe it is highly possible that a wave of consolidation will hit the Indonesian market over the medium-term.

Table 1.17: Indonesia's Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	228.6	231.6	234.5	237.5	240.6	243.6	246.8	249.9	253.1
Mobile Market Indicators									
Mobile Addressable Mkt.	164.6	169.0	173.6	178.1	182.8	187.6	192.5	197.4	202.5
Additions	34.8	40.0	28.0	18.2	11.8	8.3	6.2	5.6	5.0
Subscribers	103.9	143.9	171.9	190.1	201.9	210.2	216.4	222.0	227.0
Penetration to Addressable	63%	85%	99%	107%	110%	112%	112%	112%	112%
Penetration Rate	45%	62%	73%	80%	84%	86%	88%	89%	90%
Excelcomindo (XL)									
XL Subscribers	15.5	27.5	35.2	40.1	43.3	45.5	47.2	48.7	50.1
XL Market Share	15%	19%	20%	21%	21%	22%	22%	22%	22%

Source: XL, Singtel, Indosat, HTIL and EFG-Hermes estimates

VALUATION

We reach an estimated equity value for XL of IDR19.0 billion (USD2.0 billion), which implies a LT Fair Value per share of IDR2,684, in line with the consensus estimate of IDR3,000, (Range: IDR2,250 – IDR3,250), which offers upside potential to the current market price of 168%.

Table 1.18: KPIs and DCF Valuation for XL

(USD mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	15.5	27.5	35.2	40.1	43.3	45.5	47.2	48.7	50.1
ARPU (USD)	6.0	4.5	4.1	3.9	3.7	3.6	3.5	3.3	3.2
Revenue	903	1,167	1,544	1,746	1,849	1,907	1,922	1,924	1,921
EBITDA	374	514	672	751	795	820	827	827	826
EBITDA Margin	41.4%	44.0%	43.5%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
CAPEX & Change in WC	(376)	(507)	(723)	(540)	(550)	(529)	(464)	(432)	(388)
Taxes	(29)	(69)	(101)	(105)	(104)	(98)	(91)	(84)	(79)
FCF	(31)	(62)	(152)	106	141	193	271	311	359
WACC	12.1%								
Terminal Growth	5.0%								
EV	3,009								
Net Debt (Cash)	956								
Equity Value	2,053								
Etisalat Stake (15.97%)	328								
Value per Etisalat share (AED)	0.20								

Source: EFG-Hermes estimates

INDIA - SWAN TELECOM

Etisalat acquires 45% of a newly licensed mobile operator in India

On 23 September, Etisalat agreed to buy a 45% stake in India-based Swan Telecom Private Limited, which recently acquired a mobile license in India. Etisalat bought into Swan Telecom by buying new shares worth USD900 million, thus valuing the entire company at USD2 billion. The remaining 55% stake is controlled mostly by the Mumbai-based real estate and hospitality group Dynamix Balwas. Swan Telecom was recently licensed to operate in 13 "circles" in India, and plans to start operations by April 2009.

MARKET

India: one of the largest and fastest growing mobile markets in the world

India's mobile telecom market is one of the largest and fastest growing in the world. We expect the total population to reach 1,156 million by the end of 2008, the addressable market of which we estimate is 53.5%. Total mobile subscribers at the end of August 2008 were 305 million, according to the Telecom Regulatory Authority of India (TRAI). This implies a penetration rate of around 26.1%, up from 20.5% at the end of December 2007.

Crowded and competitive market

The Indian mobile market has 12 active operators, of which the main players are Bharti Airtel, with a market share of 24.5%, Reliance, with 17.8%, Vodafone Essar, with 17.3% and BSNL, with 14.1%. We believe the market is efficiently regulated, and the presence of entities other than the governmental regulator, such as AUSPI (Association of Unified Telecom Service Providers of India) and COAI (Cellular Operators Association for India), has contributed to the creation of a better and more competitive market environment, as frequent consultations take place between the three bodies prior to major decisions that could affect the industry, such as the issuing of new licenses. However, recent disagreements and conflicts of interest between these entities have caused the evolution of the industry to slow down.

According to our discussion with management, Etisalat will have management control over Swan Telecom, has signed management fees agreement with Swan Telecom's other shareholders and will probably consolidate its stake under the equity method.

Table 1.19: India Mobile Market Indicators

(mn)	2007a	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Population	1,138	1,156	1,174	1,192	1,211	1,229	1,249	1,268	1,288
Mobile Market Indicators									
Mobile Addressable Mkt.	597.7	618.5	639.8	661.7	684.0	706.9	730.4	754.4	779.0
Additions	84.0	110.9	113.1	101.8	78.4	52.5	34.1	25.6	20.5
Subscribers	233.6	344.5	457.6	559.4	637.8	690.3	724.4	750.0	770.5
Penetration to Addressable	39%	56%	72%	85%	93%	98%	99%	99%	99%
Penetration Rate	21%	30%	39%	47%	53%	56%	58%	59%	60%
Swan Telecom									
Swan Tel. Subscribers			2.3	6.3	10.3	14.5	17.2	19.2	20.9
Swan Tel. Market Share			0.5%	1.1%	1.6%	2.1%	2.4%	2.6%	2.7%

Source: TRAI, EFG-Hermes estimates

VALUATION

Not a value accretive acquisition over the short to medium term

We believe that Swan Telecom will not be accretive for Etisalat over the short to medium term, given the highly competitive Indian market that the operator will have to grab market share in, the relatively low ARPU level and the relatively high capex that the company will have to spend to build its own network, unless it signs network sharing agreements with other operators. We believe that Etisalat's acquisition was more of a strategic move, as it enables it to expand its foothold in one of the fastest growing mobile markets in the world.

Swan Telecom cuts 1.7% off of our estimated equity value for Etisalat, or AED0.33 per share. Our forecasts may be on the conservative side, as we still do not have any guidance from the company.

Table 1.20: KPIs and DCF Valuation for Swan Telecom

(USD mn)	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Total Subscribers (mn)	2.3	6.3	10.3	14.5	17.2	19.2	20.9
ARPU (USD)	4.6	4.4	4.0	3.9	3.8	3.8	3.8
Revenue	15	241	412	593	731	827	908
EBITDA	(185)	(207)	(119)	12	110	248	278
EBITDA Margin	-1218.8%	-86.0%	-29.0%	2.0%	15.0%	30.0%	30.6%
CAPEX & Change in WC	(673)	(433)	(505)	(220)	(181)	(211)	(121)
Taxes	-	-	-	-	-	-	-
FCF	(858)	(640)	(625)	(208)	(71)	37	157
WACC	17.5%						
Terminal Growth	5.0%						
EV	(1,210)						
Net Debt (Cash)	-						
Equity Value	(1,210)						
Etisalat Stake (45%)	(545)						
Value per Etisalat share (AED)	(0.33)						

Source: EFG-Hermes estimates

II. NEW FORECASTS

Increase in consolidated revenue and EBITDA forecasts ...

We kept our forecasts for revenue and EBITDA for the UAE operation almost unchanged, but we have significantly lowered our forecasts for Etisalat Misr due to the considerably lower-than-expected ARPUs reported so far. This major decline in consolidated revenue and EBITDA was more than compensated by the consolidation into Etisalat financials of new operations such as Atlantique Telecom (full consolidation), which had a positive impact on the total revenue and EBITDA. This has resulted in an increase in our consolidated revenue forecast for 2008e of 2.4% and for 2009e of 4.6%, and an increase in our consolidated EBITDA forecasts of 3.5% for 2008e and 6.8% for 2009e.

... But a reduction in consolidated earnings for 2009 and afterwards

We have however lowered our consolidated earnings forecasts, mainly due to: i) an increase in royalty fees payments to 50% versus our previous assumption of 40%, ii) a significant downgrade in our forecasts for both the Pakistani and Egyptian operation, and iii) the consolidation under the equity method of Swan Telecom (India), a start-up that we expect will generate net losses until 2015e.

We forecast consolidated earnings for 2008e of AED9,313 million, 9.7% higher than our previous forecast because 2008e earnings include a one-off gain of AED1.8 billion related to the sale of a stake in Mobily. Excluding this one-off gain and adjusting the royalty fees accordingly, 2008e earnings would have been AED8,422 million, only 0.7% lower than our previous forecast. We now expect earnings of AED8,610 million for 2009e, 6% lower than our previous forecast.

As illustrated in tables 2.1 - 2.4 below, the impact on 2008e consolidated figures is minimal, while it is more apparent for the following years.

REVENUE

Table 2.1: Old vs. New Consolidated Net Revenue Breakdown Forecasts for Etisalat

	2007a			2008e			2009e			2010e		
(AED mn)		Old	New	Var.	Old	New	Var.	Old	New	Var.		
UAE	20,125	22,683	22,782	0.4%	23,268	23,918	2.8%	23,783	24,449	2.8%		
Egypt	371	2,067	1,108	-46.4%	3,093	1,722	-44.3%	3,931	2,413	-38.6%		
Afghanistan	6	121	122	1.3%	230	267	16.0%	358	399	11.5%		
AT & Others	837	284	1,750		611	2,554		961	2,893			
Total	21,340	25,155	25,763	2.4%	27,203	28,462	4.6%	29,033	30,155	3.9%		
<i>Y-o-Y Growth</i>			20.7%			10.5%			5.9%			

Source: Etisalat, EFG-Hermes estimates

EBITDA

Table 2.2: Old vs. New Consolidated EBITDA Breakdown Forecasts for Etisalat

	2007a			2008e			2009e			2010e		
(AED mn)		Old	New	Var.	Old	New	Var.	Old	New	Var.		
UAE	15,985	17,928	17,930	0.0%	18,015	18,632	3.4%	18,286	18,875	3.2%		
Egypt	(513)	(355)	(336)		134	(116)		840	333			
Afghanistan	(44)	(36)	(36)	1.3%	(63)	(74)	16.0%	(27)	(30)	11.5%		
AT & Others	137	(85)	505		(122)	740		(48)	921			
Total	15,565	17,452	18,063	3.5%	17,964	19,183	6.8%	19,051	20,099	5.5%		
<i>Y-o-Y Growth</i>			16.0%			6.2%			4.8%			

Source: Etisalat, EFG-Hermes estimates

Table 2.3: Old vs New Consolidated EBITDA Margin Breakdown Forecasts for Etisalat

(AED mn)	2007a		2008e		2009e		2010e	
	Old	New	Old	New	Old	New	Old	New
UAE	79.4%	79.0%	78.7%	77.4%	77.9%	76.9%	77.2%	
Egypt	-138.3%	-17.2%	-30.3%	4.3%	-6.7%	21.4%	13.8%	
Afghanistan	-682.7%	-29.5%	-29.5%	-27.5%	-27.5%	-7.5%	-7.5%	
AT & Others	16.3%	-30.0%	28.9%	-20.0%	29.0%	-5.0%	31.8%	
Total	72.9%	69.4%	70.1%	66.0%	67.4%	65.6%	66.7%	

Source: Etisalat, EFG-Hermes estimates

EARNINGS

Table 2.4: Old vs New Income from Associates and Consolidated Earnings Forecasts for Etisalat

	2007a			2008e			2009e			2010e		
(AED mn)		Old	New	Var.	Old	New	Var.	Old	New	Var.		
Mobily - Saudi	473	726	485	-33.2%	810	583	-28.0%	852	693	-18.7%		
PTCL - Pakistan	(172)	327	171	-47.6%	380	198	-47.8%	427	221	-48.3%		
Nigeria	-		(221)			(275)			(282)			
XL - Indonesia	-		111			164			170			
Swan Tel - India	-		-			(373)			(519)			
Others	79	(55)	(28)		(7)	10		13	13			
Total	380	998	519	-48.0%	1,183	306	-74.1%	1,292	297	-77.1%		
Y-o-Y Growth			36.6%			-41.0%			-3.2%			
Conso. Earnings	7,296	8,488	9,313	9.7%	9,150	8,610	-5.9%	9,992	8,815	-11.8%		
Y-o-Y Growth			27.6%			-75%			2.4%			

Source: Etisalat, EFG-Hermes estimates

LEVERAGE

Fig 2.5: Debt Breakdown Forecasts for Etisalat

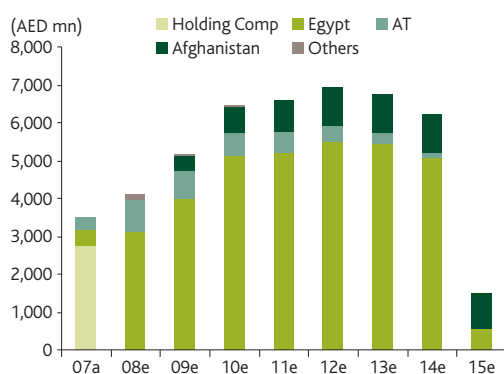
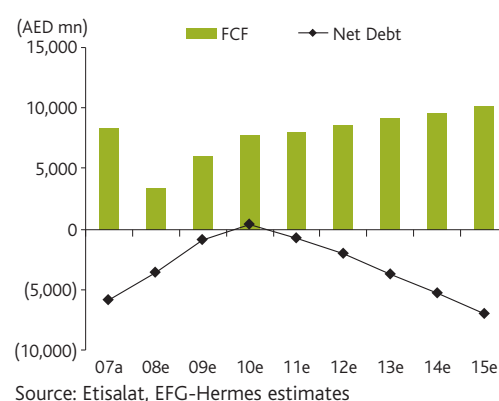


Fig 2.6: Consolidated Net Debt & FCF for Etisalat



III. VALUATION

We maintain our LT Buy recommendation but reduce ST to Accumulate

The across-the-board increase in our discount rate was the main reason for the 23.3% reduction in our LT Fair Value for Etisalat to AED20.0. We nevertheless maintain our LT Buy recommendation, as the upside potential remains significant even in the most pessimistic scenario. We however reduce our ST recommendation to Accumulate from Buy, due to the lack of a short-term price catalyst and due to the delay in allowing foreign ownership of the stock, which we believe would be an important driver to the performance of its share price.

Most of our estimated equity value for Etisalat continues to be generated from its UAE operations, which contribute 86% of its total value.

Table 3.1: Etisalat SOTP Valuation Breakdown

Country	Consolidation Method	Valuation Method	Equity Value (AED mn)	Etisalat Stake	Attrib. Equity	% of Valuation
UAE	Full	DCF	102,664	100%	102,664	85.5%
Saudi	Equity	DCF	43,922	26%	11,608	9.7%
Pakistan	Equity	DCF	8,506	26%	2,537	2.1%
Egypt	Full	DCF	3,719	66%	2,454	2.0%
Excelcomindo	Equity	DCF	7,536	16%	1,203	1.0%
Atlantique Telecom	Full	DCF	1,161	82%	952	0.8%
Nigeria	Equity	DCF	700	40%	280	0.2%
Afghanistan	Full	DCF	99	100%	99	0.1%
Swan Telecom	Equity	DCF	(4,442)	45%	(1,999)	-1.7%
Others		Book Value			234	0.2%
Total					120,033	
Value per share					20.0	

Source: EFG-Hermes estimates

SCENARIO ANALYSIS - UAE OPERATIONS

We investigate the impact on the valuation of the UAE operation, which represents the bulk of Etisalat's valuation, under a pessimistic scenario by testing key macro and company-specific variables such as population growth, size of the addressable market and ARPU, in an attempt to quantify the downside risk of the current global credit crunch and its impact on the UAE.

Our current forecasts are based on the assumption that population growth will be driven mainly by expatriates. Although we do not believe that our growth estimates are too optimistic, we nonetheless believe that a slowdown in the UAE economy could have a significant impact on the country's population growth. Under our pessimistic scenario we made the following changes:

- We reduced short-term (three-year) population growth by 200 bps and long-term (starting the fourth year) growth by 100 bps. This results in a smaller mobile addressable market in absolute terms and, accordingly, a smaller subscriber base.
- We assumed lower usage levels, and therefore reduced ARPU and ARPLs by 5% across our forecast period (2009e-2015e).
- We also added 100 bps to our estimated cost of equity to reflect a more pessimistic macro view.

The pessimistic scenario cuts AED2.40 per share from our LTFV

This results in a 14.0% reduction in our estimated equity value for the UAE operations that translates into a cut of AED2.40 per share from our LT Fair Value. It renders an estimated equity value for the UAE operations alone of AED88.4 billion and a total equity value for Etisalat of AED105.2 billion, implying a LT Fair Value of AED17.6, still 35% higher than the stock's current market price.

Consolidated Financial Statements (December year end)

(AED mn)	9M2007a	2007a	9M2008a	2008e	2009e	2010e	2011e	2012e
Balance Sheet								
Cash & Liquid Assets	10,187	9,433	12,008	7,733	6,047	6,006	7,363	9,003
Receivable & Prepayment	3,541	2,257	4,054	4,166	4,343	4,653	4,836	5,041
Due from Telecom Administrations	468	1,035	993	472	496	507	515	524
Inventory	153	175	218	167	209	232	250	265
Total Current Assets	14,348	12,901	17,273	12,537	11,096	11,398	12,965	14,834
Net Plant	10,662	11,874	13,510	14,451	15,900	16,911	17,752	18,127
Investments	12,330	13,772	14,752	15,319	17,277	19,225	19,877	20,759
Licenses + Other Intangibles	12,739	13,886	13,443	13,300	12,851	12,402	11,953	11,504
Others	-	14	87	81	81	81	81	81
Total Assets	50,080	52,448	59,064	55,689	57,204	60,017	62,628	65,304
CPLTD	-	343	720	52	20	723	3,103	-
Due to Other Telecom Admin.	943	1,299	1,681	113	126	128	130	133
Dividends Payable	-	1,747	-	1,909	1,722	1,697	1,757	1,786
Accrued Expenses and Payables	10,281	6,980	10,992	7,276	7,367	6,482	6,353	6,226
Other Current Liabilities	5,534	7,296	7,252	9,313	8,610	8,815	9,126	9,400
Total Current Liabilities	16,757	17,665	20,645	18,663	17,845	17,845	20,468	17,544
LTD	2,941	3,141	2,219	4,027	5,147	5,720	3,508	6,925
Shareholder Loan	1,565	1,643	446	90	90	90	90	90
Employees' end of Service Benefits	440	534	723	700	721	743	765	788
Others	2,547	3,570	2,567	2,524	1,512	1,512	1,512	1,512
Minority Interest	1,883	1,838	2,805	2,442	2,953	3,395	3,788	4,139
Total Liabilities & Minority Interest	26,134	28,390	29,406	28,446	28,268	29,305	30,131	30,998
Net Worth	23,945	24,057	29,659	27,243	28,936	30,712	32,497	34,306
Income Statement								
Net Revenue								
UAE		20,125		22,782	23,918	24,449	24,811	25,257
Egypt		371		1,108	1,722	2,413	3,027	3,503
Afghanistan		6		122	267	399	488	543
AT & Others		837		1,750	2,554	2,893	3,186	3,455
Total Net Revenue	15,386	21,340	19,069	25,763	28,462	30,155	31,513	32,758
EBITDA								
UAE		15,985		17,930	18,632	18,875	19,055	19,246
Egypt		(513)		(336)	(116)	333	590	844
Afghanistan		(44)		(36)	(74)	(30)	37	101
AT & Others		137		505	740	921	1,116	1,333
Total EBITDA	11,692	15,565	13,753	18,063	19,183	20,099	20,798	21,524
EBITDA Margin	76%	73%	72%	70%	67%	67%	66%	66%
Depreciation and Amortization	(1,412)	(1,962)	(1,762)	(2,294)	(2,604)	(2,801)	(2,953)	(3,121)
Net Operating Profit	10,280	13,603	11,991	15,769	16,579	17,298	17,845	18,403
NOP (EBIT) Margin	67%	64%	63%	61%	58%	57%	57%	56%
Net Interest Income (Expenses)	(103)	120	(70)	4	(44)	(160)	(133)	(248)
Other Income (Expenses)	31	35	1,839	1,906	124	(54)	(56)	(57)
Income from Associates	360	380	438	519	306	297	505	735
Earnings before Minority Interest	10,568	14,137	14,198	18,198	16,965	17,381	18,161	18,834
Minority Interest	499	578	433	563	370	251	158	106
Earnings before Taxes & Royalty Fees	11,067	14,715	14,631	18,761	17,335	17,632	18,319	18,940
Taxes	-	(122)	(126)	(135)	(115)	(3)	(68)	(140)
Earnings before Royalty Fees	11,067	14,593	14,505	18,626	17,220	17,629	18,251	18,800
Royalty Fees	(5,534)	(7,296)	(7,252)	(9,313)	(8,610)	(8,815)	(9,126)	(9,400)
Net Attributable Income	5,533	7,296	7,252	9,313	8,610	8,815	9,126	9,400
Cash Flow Statement								
Cash Operating Profit After Tax	6,158	8,146	6,375	8,615	10,458	11,282	11,604	11,984
Change in Working Investment	4,277	4,810	1,209	(210)	(810)	(9)	(27)	(79)
Cashflow Post Chg in WI	10,435	12,956	7,584	8,405	9,648	11,273	11,577	11,905
Capex & Investments	(3,135)	(4,747)	(3,876)	(5,032)	(3,603)	(3,363)	(3,344)	(3,047)
Free Cash Flow	7,300	8,209	3,708	3,373	6,045	7,910	8,233	8,859
Non-operating Cashflow	289	(2,907)	3,001	471	(1,520)	(1,874)	516	458
Cashflow before Financing	7,589	5,302	6,709	3,844	4,525	6,036	8,749	9,317
Net Financing	(7,885)	(6,174)	(3,919)	(5,543)	(6,211)	(6,077)	(7,392)	(7,677)
Change in Cash	(296)	(872)	2,790	(1,699)	(1,686)	(41)	1,357	1,640

Source: Etisalat, EFG-Hermes estimates

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