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• **Higher Oil Prices, Higher Valuations for Middle East Petrochemicals:** The recent oil price surge has reflected positively on Middle East petrochemical's share price performances and led to mixed views over their valuations. The quick rebound in oil prices naturally provides strong upside potential over our forecasts and valuations for low-cost producers in the region. However, with such a strong volatility and lack of consensus globally, we opted not to change our base-case assumptions until there is evidence of changes in fundamentals. Instead, we provide investors with different scenarios highlighting the sensitivity of our assumptions to changes in long-term oil prices.

• **Who's Who in the Region?** We believe SABIC, IQ, Yansab and SAFCO are attractive plays for long-term investors seeking exposure to the next global commodity cycle upturn, and especially with their global cost advantage allowing for significant value creation should oil prices continue to rebound strongly beyond our conservative estimates. We, however, believe that given the uncertainty over the length and breadth of the current economic slowdown and lack of consensus on oil price futures, investors should focus on higher diversification of cash flow, better quality earnings, lower exposure to developed markets and most importantly, more favourable cost structures. We believe IQ and SAFCO are potential candidates meeting these criteria.

• **We Remain Cautious on the Ethylene Value Chain:** SABIC and Yansab are highly exposed to the weak fundamentals of basic thermoplastics commodities. We believe the current spread of polymers prices over monomers and feedstock prices is not sustainable. The massive ethylene capacities build-up in the Middle East and in Asia (c23 mtpa of new supply during 2009-11e), coupled with weak demand, should pressure global utilisation rates, prices and margins. This in turn should lead eventually to significant capacity closures, particularly in Western Europe.

• **...But See Attractive Medium-Term Fundamentals for Nitrogen:** IQ is the most diversified play in our petrochemical coverage universe with its annual turnover and EBITDA having a relatively low exposure to a single product/segment. We also favour IQ's and SAFCO's high exposure to nitrogen fertilisers, which we believe will be the first to benefit from any cyclical upturn. The current slowdown in consumption is in our view a function of high inventories in the supply chain. We believe, however, demand will pick up strongly in 2010e due to the significant impact of nitrogen on global agricultural yield. With changes in commodity prices always lagging changes in feedstock costs, we see upside risks to global urea prices in the next quarter.

• **Operating Leverage Does Matter During Cyclical Upturns:** IQ and SAFCO enjoy the most favourable feedstock agreements with their respective governments in Qatar and in Saudi Arabia. Unlike SABIC, IQ's petrochemicals complex is based purely on ethane (at USD1.25-1.5/mmBtu) with no exposure to heavier and higher-cost feedstocks such as propane, butane and naphtha. SAFCO receives natural gas from the Saudi government at a fixed price of USD0.75/mmBtu in Saudi Arabia compared to cUSD7/mmBtu in Western Europe and cUSD4/mmBtu in the US. IQ's and SAFCO's higher operating leverage should allow for higher economic returns should oil prices continued to surprise positively.

• **Summing It Up All:** We favour IQ and SAFCO over SABIC and Yansab due to their higher exposure to nitrogen fertilisers, better cost structures and lower business risks. We upgrade our LTFV estimate for SABIC by 14% to SAR64/share (from SAR55.0/share) mainly due to a more bullish outlook on oil and plastics commodity prices in the next two years. We maintain our LTFV estimates for IQ, SAFCO and Yansab. We maintain our ST/LT Neutral ratings for SABIC, ST Reduce/LT Neutral for Yansab and ST Neutral/LT Accumulate for SAFCO. We downgrade IQ to ST Accumulate/LT Neutral despite the lack of upside potential from our LTFV estimate as we believe the company will be a major beneficiary if oil prices continued its uptrend above our forecasts.

SECTOR NOTE

Companies Analysed in this Report

Company	Price	Rec.		LTFV	P/E (x)			P/BV (x)			Div. Yield
		ST	LT		09e	10e	11e	09e	10e	11e	
SABIC (SAR)	68.0	Neu.	Neu.	64.0	58.3	20.5	9.3	2.0	1.9	1.7	1.7%
IQ (QAR)	114.0	Acc.	Neu.	111.8	15.0	12.8	8.9	3.1	2.7	2.5	3.7%

Prices as at 31 May 2009

I. VALUATION DISCUSSIONS

WHAT DO CURRENT MARKET VALUATIONS IMPLY?

The recent rally in oil prices was reflected positively in the performance of Middle East's petrochemical stocks and led to mixed views over their current valuations. Despite the still weak fundamentals in terms of weak demand and high inventory, particularly in the US, the oil price surged to USD65/bbl recently from USD45/bbl in 1Q2009 on the back of a relatively improved investor appetite for equities and commodities following the continued depreciation of USD and the aggressive monetary measures taken globally.

Oil price defines the global cost curve for basic chemicals and sets floor prices for commodities. Higher oil prices mean higher margins for most Middle East producers who enjoy access to significantly cheaper and relatively fixed feedstock costs (particularly ethane). Therefore, valuations for the Middle East's low-cost producers appreciate as oil prices increase. In this note, we provide investors with different scenarios highlighting the sensitivity of our normalised forecasts and equity fair value estimates for SABIC, Yansab, SAFCO and IQ to different oil price assumptions.

In Figure 1, we examine the market's estimated returns over companies' invested capitals (as measured by current enterprise values over invested capital, EV/IC) vs. market's expected value creation (measured by expected returns in excess of cost of capital, ROIC/WACC). The limitation of this analysis is that it does not take into account different growth rates expected from a particular company. We therefore used normalised cash returns in estimating their economic value added. As shown in Figure 1, the current market valuations for SABIC, Yansab, SAFCO and IQ are factoring in our normalised returns forecasts, with the main upside risk being a strong uptrend in oil price beyond our conservative assumptions, we believe.

Figure 1: Analysis of Economic Value Added at USD65/bbl

SAR million, except for IQ (QAR million), unless otherwise stated

	SABIC	Yansab	SAFCO	IQ
Share Price	68	28	113	114
DCF-Based LTFV	64	25	123	112
Upside / Downside	-6%	-9%	8%	-2%
No of shares	3,000	563	250	550
Market Cap	204,000	15,919	28,250	62,700
Net Debt	29,140	11,516	(1,342)	(3,408)
EV	233,140	27,435	26,908	59,292
AIC	135,890	17,341	5,610	21,473
EV/IC	1.7	1.6	4.8	2.8
2009e ROIC	1.3%	-12.0%	39.2%	3.5%
2010e ROIC	3.0%	10.6%	42.0%	4.9%
Normalised ROIC (based on LT Oil Price of USD65/bbl)	16.5%	13.3%	55.0%	30.1%
WACC	10.6%	8.9%	11.3%	11.4%
ROIC / WACC	1.6	1.5	4.9	2.6
EV/IC / ROIC / WACC	1.10	1.10	0.99	1.04

SABIC's estimates of economic returns and net debt are stated on a proportionate basis

Source: EFG-Hermes estimates

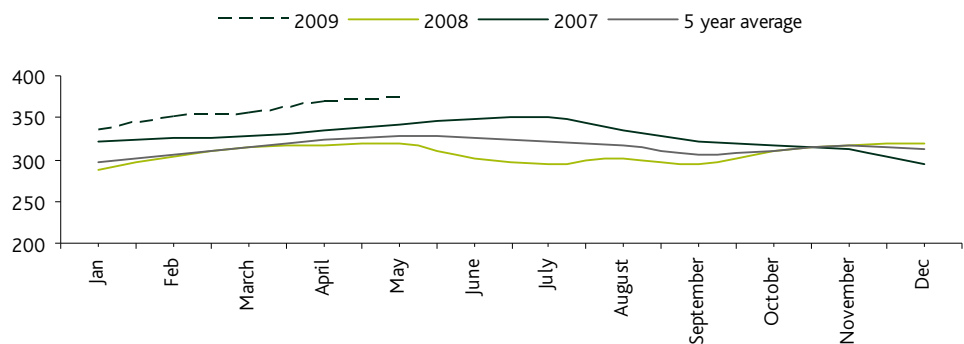
THE DEBATE OVER OIL PRICE FUTURE

Our current DCF-based valuations for SABIC, IQ, Yansab and SAFCO and are based on three-year detailed forecasts, based on our outlook on global supply and demand fundamentals, but are largely biased to our long-term oil price assumption of USD65/bbl. While being at the lower end of the current market forecasts, we believe our oil price assumptions imply average cash flow generation for a producer over a complete cycle including trough, mid-cycle and peak prices and margins. Any upward/downward movements in oil prices, however, provide a significant upside/downside potential to our forecasts.

From a fundamental perspective, we do not see material changes to global supply/demand mechanisms supporting the recent price rally. Recent data show US demand for crude oil was the lowest in 10 years during 1Q2009 with the recent cut in production insufficient to stop rising inventories. The EIA estimates crude oil inventory in the US currently at c14% above the five-year average. According to the CMAI, crude oil demand fell 2% Y-o-Y in Western Europe, 15% Y-o-Y in China and 28% Y-o-Y, in Japan. Confusingly enough, the increase in oil prices coincided with the International Energy Agency's (IEA) lowering its forecasts for global oil demand. IEA now forecasts global demand for oil will fall 3% to 83.2 bpd in 2009 (from 85.4 bpd in 2008).

Figure 2: US Crude Oil Inventory

million barrels, unless otherwise stated



Source: EIA

In addition, OPEC production data recently showed a rise of 0.2 mbd in April, reversing a seven-month downtrend in output. Therefore, it is widely believed OPEC will not further cut its production target for 2009, particularly with the recent jump in oil prices providing strong incentives to keep production constant. This scenario is supported by the fact that the level of compliance with the previous target cut is estimated by EIA at only 77%, making it more logical to first enforce reaching previous targets before calling for additional production cuts.

On the other side of the equation, supporters of a more bullish scenario believe oil will continue to surge in the foreseeable future as global GDP recovers faster than previously anticipated in reaction to the enormous economic stimulus plans in the world's developed and key emerging markets, which itself will lead to substantial budget deficits with a major inflationary impact over global commodities.

We acknowledge the aggressive monetary measures taken recently in the developed world, particularly in the US (29% of the global GDP), could weaken the USD/EUR value, which in turn should bode well for global commodity prices. We also agree that commodity prices have already bottomed out in 4Q2008, on the back of the significant capacity rationalisation and inventory management plans adopted globally. However, with such great volatility in oil prices and lack of consensus across the globe, we opt not to change our base case assumptions until we see evidence of changes in fundamentals supporting such a positive trend on our forecasts and equity fair value estimates.

VALUATION SUMMARY

Figure 3: Summary of LTFV Estimates

SAR million, except for IQ (QAR million), unless otherwise stated

Valuation Methodology	SABIC			Yansab			SAFCO			IQ		
	2009e	2010e	Normalised	2009e	2010e	Normalised	2009e	2010e	Normalised	2009e	2010e	Normalised
Net Income	3,498	9,969	23,070	(105)	565	1,657	2,185	2,431	3,065	4,176	4,874	8,131
EBITDA	20,288	27,567	44,777	284	2,186	3,051	2,341	2,587	3,172	3,614	5,157	7,948
FCF	2,418	5,723	33,810	(2,155)	2,003	2,349	2,065	2,346	2,930	554	914	7,010
AIC	147,319	153,675	150,077	17,920	18,950	19,688	5,126	5,340	5,246	16,045	19,023	23,874
ROIC	1.6%	3.7%	25.4%	-12.0%	10.6%	11.9%	40.3%	43.9%	51.7%	3.5%	4.8%	30.1%
WACC	10.6%	10.6%	10.6%	8.9%	8.9%	8.9%	11.3%	11.3%	11.3%	11.4%	11.4%	11.4%
Spread of ROIC Over WACC	-9.0%	-6.9%	14.8%	-20.9%	1.7%	3.1%	29.0%	32.6%	40.3%	-7.9%	-6.6%	18.7%
Economic Returns	(13,205)	(10,574)	22,182	(3,745)	321	877	1,484	1,742	2,287	(1,271)	(1,250)	4,366
Terminal Growth Rate			2%			2%			2%			2%
Value Added			157,303			6,106			22,923			32,474
Est. EV			307,380			25,794			28,168			56,347
Net Debt			41,629			11,516			(1,342)			(3,408)
Other Cash and Investments			8,696						1,135			1,735
Equity Value			274,447			14,278			30,645			61,490
Value of Minorities			82,351			N/A			N/A			N/A
Estimated Equity Value			192,096			14,278			30,645			61,490
Outstanding Shares			3,000			563			250			550
LTFV/Share			64			25			123			112
Current Price			68			28			113			114
Upside / Downside			-6%			-9%			8%			-2%
P/E	58.3	20.5	8.8	N/A	27.9	9.5	12.9	11.6	9.2	15.0	12.8	7.7
P/E (recurring)	43.6	20.5	8.8	N/A	27.9	9.5	12.9	11.6	9.2	19.7	12.8	7.7
EV/EBITDA*	16.4	12.1	7.5	N/A	12.5	8.7	11.5	10.4	7.9	16.4	11.4	7.4
P/BV	2.0	1.9	1.8	2.8	2.5	1.6	4.4	4.1	3.5	3.1	2.7	1.8

*Our estimates for SABIC's figures are stated on a proportionate basis

Source: EFG-Hermes estimates

Figure 4: Chemicals and Fertilisers Comparable Multiples

Country	Company	EV/EBITDA			P/E			P/BV		
		2009e	2010e	2011e	2009e	2010e	2011e	2009e	2010e	2011e
Diversified Chemicals										
India	Reliance	11.3	9.4	8.8	16.7	13.0	11.9	2.7	2.3	2.0
Taiwan	Formosa Plastic	19.5	18.9	16.1	20.1	17.4	14.2	1.9	1.9	1.8
Taiwan	Nan Ya Plastics	24.4	22.1	12.6	37.1	15.9	11.5	1.5	1.5	1.4
Turkey	Petkim Petrokimya Holding	7.5	6.7	6.4	39.5	22.5	16.4	0.8	0.8	0.8
Switzerland	CIBA Holding AG	7.1	6.6	6.9	20.0	17.6	14.9	1.3	1.2	1.2
Belgium	Solvay SA	6.2	5.4	4.9	13.3	10.8	9.1	1.2	1.1	1.0
UK	Croda	7.6	7.3	6.7	11.1	10.2	9.3	2.6	2.3	2.0
Switzerland	Clariant AG	6.5	4.9	4.3	15.8	9.5	6.9	0.9	0.8	0.7
Germany	Wacker Chemie AG	5.5	4.0	3.1	19.5	11.8	8.1	1.9	1.7	1.4
Germany	Linde	7.2	6.7	6.1	12.6	11.2	9.7	1.2	1.1	1.1
Germany	BASF	6.0	5.3	4.8	19.1	14.2	11.4	1.6	1.6	1.6
USA	Dow Chemical Co	6.0	5.0	10.3	63.0	15.9	13.0	1.2	1.2	1.2
USA	Huntsman corp	9.5	7.1	6.5	N/A	24.4	20.7	1.3	1.5	1.8
Average Chemicals Multiples		9.6	8.4	7.5	24.0	14.9	12.1	1.5	1.5	1.4
Saudi Arabia	SABIC*	16.4	12.1	7.2	43.6	20.5	9.3	2.0	1.9	1.8
Saudi Arabia	Yansab	N/A	12.5	8.9	N/A	27.9	9.5	2.8	2.5	1.6
Qatar	Industries Qatar	16.4	11.4	8.3	15.0	12.8	8.9	3.1	2.7	2.5
Fertilisers										
Norway	Yara	8.9	7.6	7.1	12.1	10.1	10.4	1.8	1.6	1.4
Canada	Agrium	7.4	6.2	7.1	10.1	8.0	8.1	1.6	1.3	1.2
Israel	Israel Chem	34.6	22.9	24.4	6.3	12.9	7.9	4.7	3.3	2.9
Germany	K+S	7.2	5.7	5.6	11.7	9.2	8.6	4.2	3.2	2.6
USA	Monsato	11.1	10.0	9.3	18.8	16.8	15.5	4.2	3.7	3.2
USA	CF Industries	4.9	5.2	5.1	11.5	12.4	12.5	2.5	2.0	1.7
Canada	Potash Corp	11.6	7.7	7.6	16.1	10.2	10.4	5.2	3.7	2.8
Russia	Uralkaliy OAO	5.8	4.0	3.1	6.8	4.8	4.3	4.9	3.5	2.3
Jordan	Arab Potash	10.4	5.6	3.3	14.1	6.9	4.6	6.1	3.6	2.2
Average Fertilisers Multiples		11.3	8.3	8.1	11.9	10.1	9.2	3.9	2.9	2.3
Saudi Arabia	SAFCO	11.5	10.4	7.9	12.9	11.6	8.8	4.4	4.1	3.5

*Our PE and EV/EBITDA estimates for SABIC are based on a recurring EPS and proportionate net debt and EBITDA

Source: Reuters, EFG-Hermes estimates

SENSITIVITY ANALYSIS

As discussed earlier, the valuations for SABIC, IQ, Yansab and SAFCO are highly sensitive to the direction of oil prices. We have performed an in-depth regression analysis examining the relationship between oil and basic commodities on a monthly basis during 1990-2008. The results suggest that for every USD1 increase in the oil price, naphtha price would increase by USD8.7/ton, polymers by cUSD11/ton and urea price by USD3.5/ton. The table below highlights the sensitivity of our price assumptions for basic commodities produced by companies under coverage to changes in oil prices

Figure 5: Sensitivity of Commodity Prices Assumptions to Changes in Oil Prices

USD/Ton, unless otherwise stated

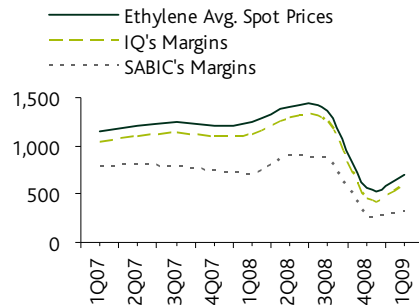
Oil Price (USD/bbl)	50	65	80	100
Feedstocks Assumptions				
Naphtha	458	586	714	885
Propane	443	554	665	812
Butane	448	561	675	826
Commodity Price Assumptions				
Ethylene	830	1,001	1,173	1,401
Propylene	834	1,017	1,200	1,444
HDPE	1,017	1,182	1,346	1,566
LDPE	1,085	1,251	1,415	1,636
LLDPE	984	1,149	1,314	1,534
PP	1,036	1,191	1,346	1,522
Methanol	322	300	497	613
MTBE	465	650	744	930
Ammonia	320	409	498	600
Urea	270	350	404	490
Steel	500	650	800	1,000

Source: CMAI, EFG-Hermes estimates

SABIC, IQ, SAFCO and Yansab enjoy relatively fixed costs for feedstock (at varying degrees). While this allows for a significant value creation at the beginning of a cyclical upturn, due mainly to their absolute cost advantages, it also increases operating leverage placing margins at the mercy of global commodity prices. That said, the impact of the dramatic freefall in prices during 4Q2008 was severely reflected in margins.

Figure 6: Ethylene Cash Margins

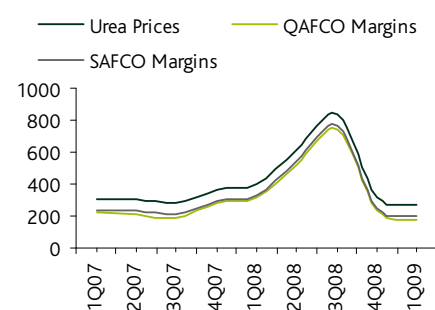
USD Per Ton, unless otherwise stated



Source: EFG-Hermes estimates

Figure 7: Urea Cash Margins

USD Per Ton, unless otherwise stated



Source: EFG-Hermes estimates

We estimate IQ's 2009e ethylene cash margins at USD450/ton (down from USD1,025/ton in 2008) and SABIC's cash margins at USD350/ton (down from USD680/ton in 2008). We also estimate SAFCO's 1Q2009 urea cash margin at USD195/ton (down from USD471/ton in 2008). Once operational, we estimate Yansab will enjoy an ethylene cash margin of USD570/ton in 2009e and normalised margins of USD750/ton (assuming a LT oil price of USD65/bbl). This justifies the high sensitivity of these companies' valuations to oil prices. The table below highlights the sensitivity of our assumptions for EPS, EBITDA and long-term fair value estimates to different long-term oil price scenarios. Obviously, producers with higher weight of fixed feedstock costs (such as IQ and SAFCO) are well positioned to generate significantly higher economic returns should oil prices rebound strongly beyond our long-term price assumptions.

Figure 8: Sensitivity of EPS, EBITDA and LTFV to Oil Price

Oil Price (USD/bbl)	50	65	80	100
SABIC				
Normalised EPS (SAR/Share)	5.0	7.7	8.8	11.6
Normalised EBITDA (SAR mn)	32,469	44,777	49,877	62,438
LTFV (SAR/Share)	41.3	64.0	73.1	92.8
Current Price (SAR)	68.0	68.0	68.0	68.0
Upside / Downside	-39%	-6%	8%	36%
IQ				
Normalised EPS (QAR/Share)	11.1	14.7	18.4	25.2
Normalised EBITDA (QAR mn)	6,204	7,948	9,578	12,788
LTFV (QAR/Share)	90.1	111.8	135.3	175.5
Current Price (QAR)	114.0	114.0	114.0	114.0
Upside / Downside	-21%	-2%	18.6%	54%
Yansab				
Normalised EPS (SAR/Share)	2.2	2.9	4.5	5.2
Normalised EBITDA (SAR mn)	2,699	3,051	3,846	4,211
LTFV (SAR/Share)	21.2	25.4	35.5	40.6
Current Price (SAR)	28.0	28.0	28.0	28.0
Upside / Downside	-24%	-9%	27%	45%
SAFCO				
Normalised EPS (SAR/Share)	8.6	12.3	15.1	19.4
Normalised EBITDA (SAR mn)	2,293	3,172	3,867	4,890
LTFV (SAR/Share)	96.5	122.6	143.2	173.5
Current Price (SAR)	113.0	113.0	113.0	113.0
Upside / Downside	-15%	8%	27%	54%

Source: EFG-Hermes estimates

II. INVESTMENT RATIONALE

SABIC: FAIRLY PRICED AT OIL PRICE OF USD65/BBL

SABIC's heavyweight status in the global petrochemical market coupled with its global cost advantage makes it an attractive play for long-term investors seeking exposure to the next cyclical upturn in commodities, especially if oil prices continue to surprise positively. In addition, SABIC's large weighting on the Tadawul stock exchange makes it a well positioned candidate to benefit from any rally in Saudi Arabia equities. We however believe the company trades at a significant premium to its global and regional (low-cost) peers on 2009-10e valuation multiples. Our model suggests SABIC would be fairly valued if one assumes normalised returns at LT oil price of USD65-USD75/bbl.

We expect SABIC's earnings and cash flow generations during 2009-10e will be restricted by its high leverage towards basic commodities with a relatively low price environment for thermoplastics commodities. We also expect the significant retreat in the US and Europe demand will put further pressure on already low operating margins at SIP and SABIC Europe. SABIC's margins and cash flow yield, however, should remain significantly higher than its global competitors. SABIC's global operations, mainly SIP (c16% of 2008 turnover, with a net loss of SAR4.6 billion in FY2008) and SABIC Europe (19% of SABIC's total ethylene capacity and c20% of 2008 turnover) lack feedstock advantage compared to SABIC's crackers in Saudi Arabia and are highly exposed to the weakening demand in the US and in Western Europe. For instance, SABIC generated average EBITDA margins of 41% during 2006-07. Its margins, however, contracted considerably to c33% following the full consolidation of SIP in 4Q2007. SABIC's average EBITDA margin in 2008 (the peak year of the last growth cycle) was 31%.

In addition, we view the current widening spread of polymers prices over monomers and feedstock prices as not sustainable, though it will certainly benefit the group's margins in the next two quarters. The rationale here is that the massive ethylene capacities build-up in the Middle East and China is likely to pressure utilisation rates, prices and margins over the global ethylene value chain. According to the CMAI, almost 23 mtpa of new ethylene capacity is expected to come on stream during 2009-11 in the Middle East and in Asia, of which c6 mtpa is expected to commence operations late in 2009. This, coupled with weak demand, will pressure global operating rates, prices and margins and lead eventually to significant capacity closures, particularly in Western Europe. We believe the global pricing mechanisms in the next two years will depend on how fast marginal capacities will be shut down. (For more on the global ethylene market, please see the appendix of our recently published initiation report on Yansab "Strong Fundamentals Priced In" 24 May 2009).

We have raised our LTFV estimate by 14% to SAR64/share (from SAR55.0) and raised our 2009-10e forecasts 33% due mainly to a more bullish outlook on oil prices in the next couple of years. SABIC's main basket of products increased by 10-25% recently over their 1Q2009 levels, which we believe warrants upgrading our forecasts for the entire year especially with the start of the new ethylene capacities in the Middle East now expected to be delayed until 4Q2009/1Q2010e.

Our new forecasts, however, remain significantly below consensus with our 2009e EBITDA and net income being 27% and 77% below the Street. We believe this wide variation in estimates is due to the lack of management guidance and different assumptions for feedstock allocation. We assume that c55% of SABIC's ethylene capacity is based on the cheap ethane at a USD0.75/mmBtu, 19% based on naphtha (mainly in Europe, at free market prices) with the remaining 26% being propane and butane, which the company receives from Aramco at a 25-30% discount to the Saudi export price of naphtha (CIF Japan). SABIC's blended feedstock allocations, however, will shift to a heavier and more expensive feedstock types (mainly propane and butane) when its new ethylene capacity come on stream during 2009-11e.

Figure 9: SABIC's Financial Summary

SAR million, unless otherwise stated

	2008	2009e	2010e	Normalised
Revenue	150,810	89,210	116,689	154,824
EBITDA	46,643	20,288	27,567	44,777
EBITDA Margins	31%	23%	24%	29%
EBIT	36,591	10,198	16,564	34,385
Net Profit	22,030	3,498	9,969	23,070
EPS	7.34	1.17	3.32	7.69
EPS (Recurring)	7.34	1.56	3.32	7.69
EBITDA Consensus Estimates	N/A	27,217	37,449	N/A
EFG-Hermes/Consensus	N/A	-25%	-26%	N/A
EPS Consensus Estimates	N/A	3.00	4.00	N/A
EFG-Hermes/Consensus	N/A	-61%	-17%	N/A
P/E (Recurring)	9.0	43.6	20.5	8.8
EV/EBITDA*	7.9	16.4	12.1	7.5
P/B	1.9	2.0	1.9	1.8

*Our P/E and EV/EBITDA estimates for SABIC are based on a recurring EPS and proportionate net debt and EBITDA

Source: EFG-Hermes estimates

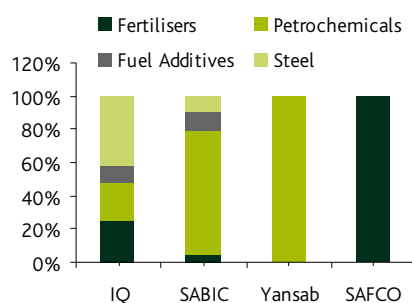
SABIC currently trades at a recurring 2009e P/E of 43.6x (significantly higher than the historical trough multiples) and a proportionate 2009e EV/EBITDA of 16.4x (12.1x 2009e blended EV/EBITDA). On a normalised basis, SABIC trades at a P/E of 8.8x and an EV/EBITDA of 7.5x. Investors should note that SABIC's different minorities stakes lie in the company's Saudi subsidiaries, where the bulk of its profits and cash flows are generated, while it owns 100% of the US and European operations. We therefore value SABIC's minority stakes based on our implied P/B multiples valuation for SABIC's parent company. This, in addition to the significantly higher market forecasts, could justify the wide variations among equity fair value estimates in the market.

INDUSTRIES QATAR: THE MOST DIVERSIFIED PLAY IN THE REGION

Of all basic commodity producers in the region, we believe IQ is the most diversified play with its annual turnover and EBITDA having a relatively low exposure to a single product/segment. SABIC and IQ have the closest business models with both companies being producers of basic petrochemicals, fuel additives, nitrogen fertilisers and steel, though SABIC has a significantly heavier weight globally in petrochemicals and its business structure is much more complex. One of the major differences between them, however, is the diversification of earnings and cash flow streams.

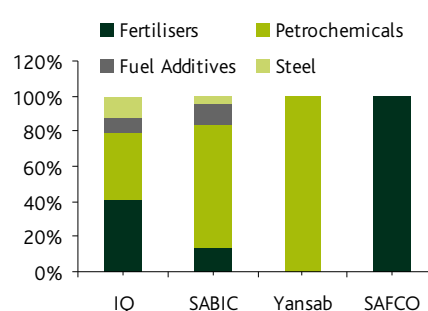
We estimate that 42% of IQ's 2009e EBITDA will be contributed by fertilisers (QAFCO – ammonia and urea), 37% by petrochemicals (QAPCO – ethylene, LLDPE and LDPE), 10% from fuel additives (QAFAC – methanol and MTBE) and 11% from steel (QASCO). While SABIC's model is widely stretched towards various products more than IQ, its margins and cash flows are highly leveraged to the weak fundamentals of the global thermoplastics industry which are the lion's share of its revenues (74% in 2009e) and EBITDA (70% in 2009e).

Figure 10: 2009e Revenue Breakdown
%, unless otherwise stated



Source: EFG-Hermes estimates

Figure 11: 2009e EBITDA Breakdown
%, unless otherwise stated



Source: EFG-Hermes estimates

Strategically, we also favour IQ's relatively higher exposure to nitrogen fertilisers, which we believe will be the first to benefit from any cyclical upturn compared to commodity plastics (GDP-correlated). Historically, there has been no correlation between demand for food and GDP growth with the current slowdown in consumption being related mainly to the relatively high inventory levels in the global supply chain. We, however, believe demand should pick up strongly in 2010e due to the high impact of nitrogen fertilisers on global agricultural yield.

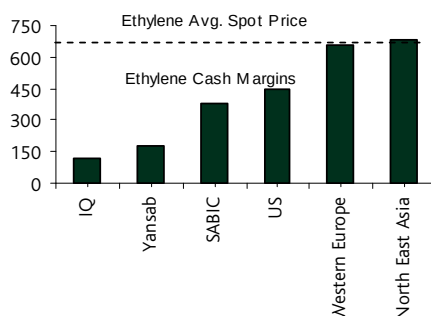
Furthermore, IQ has a significantly lower exposure to weak demand in the developed markets with several off-take agreements with its business partners naturally reducing risks on volumes. IQ enjoys 70% off-take in fertilisers with Yara, 70% off-take agreement in petrochemicals with Total and 50% off-take agreement in fuel additives with Qatar Petroleum. In steel, QASCO (IQ's 100% owned subsidiary) enjoys a monopoly status in Qatar with strong government support (historically through 20% import tariffs on steel), which limits the threat of imports from other producers in the region. This strong support was clearly shown in the Qatari government recent decision to compensate IQ with QAR1 billion for capping steel prices at USD930/ton during 2008.

In addition, while both SABIC and IQ are engaged in aggressive capacity expansion in petrochemicals, fertilisers and steel, we believe the impact of new volumes on revenues and margins will be materially higher for IQ than SABIC due to its relatively smaller size. In 3Q2009e, IQ will add 450 ktpa of new LLDPE capacity (QATOFIN - 63% owned) and 1.3 mtpa of new ethylene in 3Q2009e (RLOC cracker – 28.7% owned). In 2011e, IQ's plans to add 1.2 mtpa of additional ammonia/urea capacity (QAPCO 5) and 250 ktpa of new LLDPE capacity.

We also believe IQ enjoys a more favourable cost structure than SABIC with its petrochemicals complex being purely ethane-based. While the natural gas price in Qatar (USD1.25-1.5/mmBtu) is higher than Saudi Arabia (USD0.75/mmBtu), IQ is not exposed to the fluctuations in the prices of heavier feedstocks such as naphtha, propane and butane. This makes the company's margins on fertilisers, petrochemicals and methanol by far less vulnerable to the fluctuations in global energy prices than its global and regional peers. Both SABIC and IQ, however, have a limited cost advantage in steel.

Figure 12: Ethylene Cash Costs

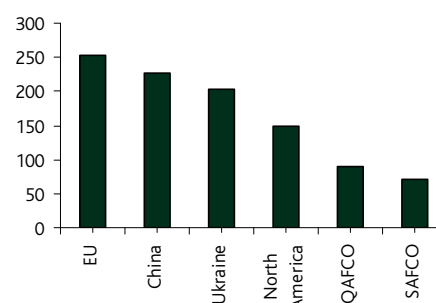
USD Per Ton, unless otherwise stated



Source: CMAI, EFG-Hermes estimates

Figure 13: Urea Cash Costs

USD Per Ton, unless otherwise stated



Source: EFG-Hermes estimates

IQ is the most diversified play in our petrochemicals coverage universe

We update our forecasts for IQ (last updated November 2008). In 2009e, we forecast IQ's revenue will drop 39% Y-o-Y due to the significant correction in the prices of all its commodities (fertilisers, polymers, fuel additives and steel). With a relatively high operating leverage, a drop in price will essentially lead to a higher decline in margins. That said, we expect IQ's EBITDA will decline 52% with an EBITDA margin of 40% (vs. 51% in 2008), and net income will fall 45% Y-o-Y. It is worth mentioning that our 2009e net income forecasts include the government's QAR1 billion compensation for steel price differentials during 2008.

We maintain our LTFV of QAR111.8 for IQ, implying 2% downside potential over the current market price of QAR114.0 per share. We maintain our ST Accumulate recommendation despite the lack of upside potential over our LTFV estimate due mainly to the company being one of the best candidates to deliver strong value creation in case of further positive surprises on oil price.. We also downgrade our LT recommendation from Buy to Neutral. IQ currently trades at a 2009e P/E of 15.0x (19x 2009e recurring EPS) and 16.4x 2009e EV/EBITDA. On a normalised basis, IQ trades at a P/E of 7.7x, EV/EBITDA of 7.4x and P/B of 1.8x.

Figure 14: IQ's Financial Summary

QAR million, unless otherwise stated

IQ's Financial Highlights	2008	2009e	2010e	Normalised
Revenue	14,743	8,984	12,342	16,769
EBITDA	7,528	3,614	5,157	7,948
EBITDA Margins	51%	40%	42%	47%
EBIT	7,067	2,910	4,294	7,025
Net Profit	7,605	4,176	4,874	7,982
EPS	13.83	7.59	8.86	14.51
EPS (Recurring)	13.83	5.78	8.86	14.51
EBITDA Consensus Estimates	N/A	4,234	6,151	N/A
EFG-Hermes/Consensus	N/A	-15%	-16%	N/A
EPS Consensus Estimates	N/A	10.00	11.33	N/A
EFG-Hermes/Consensus	N/A	-24%	-22%	N/A
P/E	7.7	15.0	12.8	7.7
P/E (Recurring)	7.7	19.7	12.8	7.7
EV/EBITDA	7.3	16.4	11.4	7.4
P/B	3.2	3.1	2.7	1.8

Source: IQ, EFG-Hermes estimates

YANSAB: ABSOLUTE COST ADVANTAGE, BUT NOT RISK FREE

Yansab is a simple play on low costs. Yansab (51% owned by SABIC) is gearing up to start its greenfield plant in Saudi Arabia with a combined capacity of c4 mtpa including polymers (polyethylene and polypropylene), fibre intermediates ethylene glycol and aromatics. Once operational, Yansab will use a mixture of ethane (at USD0.75/mmBtu) and propane (at 25-30% discount to Saudi export price of naphtha).

Our model suggests that c38% of Yansab's ethylene capacity will be based on the cheap ethane with the remaining c62% being propane-based. We assume Yansab will start commercial production in 4Q2009. Accordingly, we estimate Yansab's 2010e cash costs at USD191/ton of ethylene, USD345/ton of HDPE, USD363/ton of LLDPE, and USD280/ton of MEG. This, we believe, should allow the company to generate an EBITDA margin of c41% in 2010e and normalised margins of 44% onwards based on our LT price assumptions.

One of the main concerns we have over Yansab's future performance is that the company seems to be over-leveraged, especially with our net debt/EBITDA estimates being 6x in 2010e. This makes the company's bottom-line earnings highly vulnerable to any decline in polymer prices. We believe the expected strong margins and dividend potential will be undermined by high financing costs until 2011e.

We recently initiated coverage on the company with a ST Reduce/LT Neutral rating as we believe the company's attractive fundamentals, expected risks and returns are priced in. Our model suggests a LTFV of SAR25.4 per share, which implies 9% downside potential from current levels. Due to the industry's inherent cyclicality, we run our DCF on three-year detailed forecasts followed by a normalised free cash flow on which we base Yansab's perpetual value. Yansab trades at a 2009e P/B of 2.8x, significantly higher than global peers at 1.5x. (For more information, please see our initiation report "Strong Fundamentals Priced In" 24 May 2009).

Figure 15: Yansab's Financial Summary

SAR million, unless otherwise stated

	2008	2009e	2010e	Normalised
Revenue	N/A	809	5,303	6,941
EBITDA	N/A	284	2,186	3,051
EBITDA Margin	N/A	35%	41%	44%
EBIT	(26)	45	1,160	1,913
Net Profit	(26)	(105)	565	1,657
EPS	(0.05)	(0.19)	1.00	2.95
EPS (Recurring)	-0.05	-0.19	1.00	2.95
P/E (Recurring)	N/A	N/A	27.9	9.5
EV/EBITDA	N/A	N/A	12.5	8.9
P/B	2.7	2.8	2.5	1.6

Source: Yansab, EFG-Hermes estimates

SAFCO: A UNIQUE PLAY ON NITROGEN FERTILISERS

SAFCO is one of the world's largest and most profitable, producers of nitrogen-based fertilisers (mainly ammonia and urea). SAFCO has one of the highest operating margins and free cash-flow generation in the industry as its EBITDA averaged c76% in the last three years and peaked at 86% in 2008. This is due to its access to significantly lower cost feedstock in Saudi Arabia than its global peers, and its low tax environment. SAFCO enjoys a long-term natural gas supply agreement with the Saudi government at a fixed price of USD0.75 per mmBtu, which compares very favorably to the effective gas price in any region of the world.

We estimate SAFCO's operating cash cost is USD75/ton of urea in 2009e, almost 70% lower than current production costs for the world's marginal producers in Europe. This makes SAFCO much less vulnerable to fluctuations in urea prices than its global peers. We forecast SAFCO's revenue will drop 43% Y-o-Y in 2009e based on an average urea price of USD280/ton (down from USD580/ton in 2008). We also expect SAFCO's EBITDA will decline 48% in 2009e with an EBITDA margin of 78% from 86% in 2008. Going forward, we forecast a floor price of USD350/ton for urea based on a long-term oil price of USD65 per barrel, meaning the effective gas price will be USD9 per mmBtu in Western Europe—currently the world's marginal producers. We have a ST Neutral/LT Accumulate recommendation for SAFCO with an estimated LTFV of SAR123.0 per share, implying a 12% upside potential over the current market price. SAFCO trades at a 2009e P/E of 12.9x, EV/EBITDA of 11.5x and P/B of 4.4x. (For more information, please see our initiation report "A Simple Play on Saudi Arabia's Cheap Energy" 15 April 2009).

Figure 16: SAFCO's Financial Summary

SAR million, unless otherwise stated

	2008	2009e	2010e	Normalised
Revenue	5,236	3,000	3,279	4,220
EBITDA	4,505	2,341	2,587	3,172
EBITDA Margin	86%	78%	79%	75%
EBIT	4,250	2,079	2,316	2,876
Net Profit	4,280	2,185	2,431	3,065
EPS	17.12	8.74	9.72	12.26
EPS (Recurring)	17.12	8.74	9.72	12.26
P/E (Recurring)	6.4	12.9	11.6	9.2
EV/EBITDA	11.2	11.5	10.4	7.9
P/B	4.3	4.4	4.1	3.5

Source: SAFCO, EFG-Hermes estimates

Short-Term Rec.: Neutral
Long-Term Rec.: Neutral
Current Price*: SAR 68.0
LT Fair Value : SAR 64.0

• **Strong Oil Price Gains Bode Well for SABIC:** SABIC's share price has surged 70% since 1Q2009 results, despite the disappointing earnings which saw the stock plummet c10% on the day they were released. Subsequent to this, the stock has risen steadily driven by improved investor sentiment on a faster economic recovery and the recovery in the oil price, which should result in improved margins and cash flow yields for SABIC.

• **Raising Forecasts, LTFV:** We raise our net income forecasts for 2009-10e by c32% and our LTFV estimate by 16% to SAR64.0/share (from SAR55.0) mainly on a higher outlook for oil and commodity prices in 2009-10e. Despite the recent gains in oil prices on the back of the aggressive monetary measures taken globally and the depreciation of USD, we shy away from changing our long-term oil price forecasts (currently at USD65/bbl) until there is evidence of a positive change in the industry's fundamentals. We view any further upward movement in oil prices as a positive catalyst for the stock's performance.

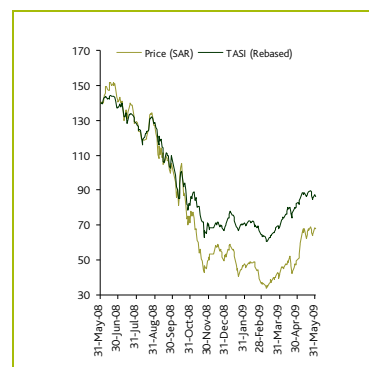
• **Looks Expensive at Trough Multiples, Maintaining ST/LT Neutral Rating:** Our new LTFV implies 6% downside potential over current levels. We maintain our ST/LT Neutral recommendation. SABIC trades at a recurring 2009e P/E of 43.6x (significantly above historical trough multiples) and a proportionate 2009e EV/EBITDA of 16.4x (c12x 2009e blended EV/EBITDA). On a normalised basis, SABIC trades at a P/E of 8.8x and EV/EBITDA of 7.5x. SABIC owns different stakes in its Saudi operations, the main contributors to profits, and 100% of the significantly less attractive US and European operations. We therefore value SABIC's minority stakes based on our implied P/B multiples valuation for SABIC.

• **What to Expect in 2Q2009e?:** The prices of SABIC's main basket of products (including ethylene, PE, PP, MEG, methanol, MTBE) increased c15% from 1Q2009 levels. This, in addition to the widening spread of PE prices over ethylene, should improve SABIC's margins in the next two quarters, we believe. Assuming no further goodwill impairment or one-off charges, we estimate SABIC's 2Q2009e revenues at SAR22 billion, EBITDA at SAR5.3 billion, implying an EBITDA margin of 23.6% (vs. 19.6% in 1Q2009) and net income at SAR1.4 billion.

• **Looming Oversupply on the Horizon:** Recent CMAI data show demand for polymers in China has moderately improved after aggressive de-stocking since 4Q2008. Demand in the US and Western Europe, however, remains weak. We remain concerned over the massive increase in ethylene supply in the Middle East and Asia, which would pressure operating rates and prices. We view downside risks over the current spot prices and expect the market will be oversupplied by c15-20 million tons of ethylene (11-15% of global capacity in 2008) in the next two years.

December Year-End	2008a	2009e	2010e	2011e
Revenue	150.8	89.2	116.7	149.3
EBITDA	46.6	20.3	27.5	46.3
Operating Profit	36.6	10.2	16.5	35.2
Net Attributable Income	22.0	3.5	9.9	21.9
EPS	7.34	1.17	3.31	7.29
DPS	3.00	1.00	2.00	3.00
Net Debt (Cash)	41.6	46.6	49.9	44.9
P/E (Attrib.)	9.3	58.3	20.5	9.3
P/E (Recurring)	9.3	43.6	20.5	9.3
EV/EBITDA (proportionate)	8.2	16.4	12.1	7.2
P/BV	2.0	2.0	1.9	1.7
P/CF (Proportionate)	6.8	19.4	15.7	8.6
Div. Yield	10.8%	1.7%	4.9%	10.8%
RoAE	22.7%	3.5%	9.4%	19.7%

Figures in SAR billion, unless otherwise stated



Estimate Change (SAR bn)	2008a	2009e Old	2009e New	2010e Old	2010e New
Revenue	150.8	88.4	89.2	109.4	116.7
EBITDA	46.6	16.8	20.3	20.5	27.5
EBITDA Margin	30.9%	19.0%	22.7%	18.7%	23.6%
Net Attrib. Income	22.0	3.5	3.5	5.8	9.9

Stock Data	
Last Ex-Div Date	SAR1.24 on 12 Apr 09
Mkt. Val. / Shares (mn)	SAR147,900 / 3000
Av. Mthly Liqd. (mn)	SAR15,300
52-Week High / Low	SAR163.0 / 33.6
Bloomberg / Reuters	SABIC AB / 2010.SE
Est. Free Float	30%

Ahmed Shams El Din
+20 2 3332 1143
ashamseldin@efg-hermes.com

*Prices as at 31 May 2009

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Income Statement (December Year End)

SAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Revenue	150,810	89,210	116,689	149,290	152,678
Cash Costs	(94,994)	(61,311)	(79,956)	(91,210)	(96,174)
Depreciation and Ammortization	(10,052)	(10,090)	(11,003)	(11,069)	(10,841)
Gross Profit	45,763	17,809	25,730	47,012	45,662
S,G&A	(9,172)	(7,612)	(9,218)	(11,794)	(12,062)
EBITDA	46,643	20,288	27,515	46,287	44,442
EBITDA Margin	30.9%	22.7%	23.6%	31.0%	29.1%
Net Operating Profit	36,591	10,198	16,512	35,218	33,601
Net Operating Margin	24.3%	11.4%	14.2%	23.6%	22.0%
Net Interest Income (Expense)	(3,801)	(1,279)	(823)	(774)	(623)
Other Income (Expense)	4,545	(1,181)	741	1,695	2,008
EBT	37,335	7,738	16,429	36,140	34,985
Zakat	(1,400)	(395)	(657)	(1,446)	(1,399)
Net Income before Minorities	35,935	7,343	15,772	34,694	33,586
Minority Interest	(13,905)	(3,845)	(5,836)	(12,837)	(12,427)
Net Income	22,030	3,498	9,936	21,857	21,159

Source: SABIC, EFG-Hermes estimates

Balance Sheet (December Year End)

SAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Cash and Time Deposits	51,028	41,720	32,137	19,208	17,890
Receivables	16,104	18,086	23,658	30,267	30,954
Inventory	24,360	18,938	24,697	28,173	29,706
Other Debit Balances	3,963	733	959	1,227	1,255
Total Current Assets	95,455	79,478	81,450	78,875	79,804
Net Fixed Assets	141,440	150,971	154,969	155,900	152,692
Other LT Assets	34,865	34,058	34,841	36,581	38,633
Total Assets	271,760	264,507	271,261	271,355	271,130
ST Debt	4,289	6,313	15,313	12,658	9,841
Payables	8,261	11,791	15,376	17,540	18,495
Other Current Liabilities	14,030	5,962	7,747	8,889	9,358
Total Current Liabilities	26,580	24,066	38,436	39,088	37,694
LT Debt	88,367	82,055	66,742	51,429	38,771
Other Liabilities	53,881	54,956	58,715	66,615	74,282
Net Worth	102,932	103,430	107,367	114,224	120,383

Source: SABIC, EFG-Hermes estimates

Cash Flow Statement (December Year End)

SAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Operating Profit after Tax	45,243	19,893	26,857	44,841	43,043
Change in Working Capital	4,014	2,132	(6,186)	(7,047)	(825)
Cash Flow after Change in WC	49,258	22,024	20,672	37,794	42,218
CAPEX	(28,394)	(19,606)	(15,000)	(12,000)	(7,634)
Free Cash Flow	20,864	2,418	5,672	25,794	34,584
Non-Operating Cash Flow	4,205	(389)	(43)	(44)	(45)
Cash Flow before Financing	25,068	2,029	5,629	25,750	34,540
Net Financing	(20,096)	(11,336)	(15,212)	(38,679)	(35,858)
Change in Cash	4,973	(9,308)	(9,584)	(12,929)	(1,318)

Source: SABIC, EFG-Hermes estimates

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

Current Price*: QAR 114.0
LT Fair Value : QAR 111.8

• **Maintaining LTFV, Downgrading Recommendation to ST Accumulate/LT Neutral:** Our LTFV of QAR111.8 implies 2% downside potential over current levels. Despite the lack of upside potential from our LTFV. We maintain our ST Accumulate recommendation and downgrade our LT to Neutral from Buy. We believe IQ is poised to deliver significant value creation should oil price continued to surprise positively beyond our conservative forecasts. IQ currently trades at 2009e P/E of 15x (19.7x 2009e recurring EPS) and 16.4x 2009e EV/EBITDA. On a normalised basis, IQ trades at a P/E of 7.7x and EV/EBITDA of 7.4x.

• **Volumes Growth Partially Offset Low Price Environment:** In 3Q2009e, IQ will add 450 ktpa of new LLDPE capacity (QATOFIN 63%-owned) and 1.3 mtpa of new ethylene in 3Q2009e (RLOC cracker 28.7%-owned). We believe the new volumes will help reduce the impact of the current environment of relatively low fertilisers and petrochemicals prices. Going forward, IQ's plans to add 1.2 mtpa of additional ammonia/urea capacity (QAPCO 5) and 250 ktpa of new LLDPE capacity by 2011e.

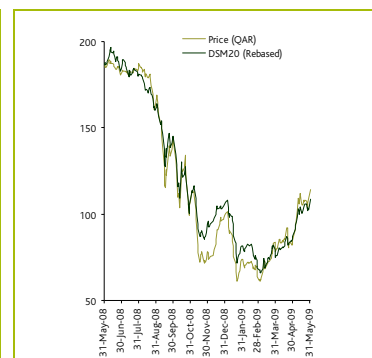
• **Diversification Limits Cash Flow Risks:** We estimate 42% of IQ's 2009e EBITDA will be contributed by fertilisers (QAFAC—ammonia and urea), 37% by petrochemicals (QAPCO—ethylene, LLDPE and LDPE), 10% from fuel additives (QAFAC—methanol and MTBE) and 11% from steel (QASCO). This, coupled with its absolute cost advantage in petrochemicals and fertilisers, limits risks on cash flow generation. In 2009e, we estimate IQ will continue to enjoy a net cash balance of cQAR3 billion.

• **Lowering Estimates:** We forecast 2009e revenue will drop 39% Y-o-Y to QAR9 billion (down from our previous estimate of QAR12 billion) due to a higher-than-estimated correction in the prices of ammonia, urea, PE and methanol as well as a later-than-expected start of IQ's new ethylene/LLDPE capacity. We expect IQ's 2009e EBITDA will decline 52%, with an EBITDA margin of 40% (vs. 51% in 2008) and net income will fall 45% Y-o-Y to QAR4.2 billion (down from our previous estimate of QAR5.4 billion).

• **What to Expect in 2Q2009e:** We believe IQ's margins should improve Q-o-Q as a result of higher prices mainly for polymers and fuel additives. We forecast 2Q2009e revenues at QAR2.2 billion and EBITDA at QAR890 million, implying an EBITDA margin of 40% (from 33.8% in 1Q2009). We forecast net income of QAR980 million in 2Q2009e, which includes QAR200 million in compensation from the government on capping local steel prices in 2008.

December Year-End	2008a	2009e	2010e	2011e
Revenue	14,743	8,984	12,372	14,342
EBITDA	7,528	3,614	5,185	7,156
Operating Profit	7,067	2,910	4,322	6,391
Net Attributable Income	7,605	4,176	4,902	7,010
EPS	13.83	7.59	8.91	12.74
DPS	8.00	4.00	4.00	8.00
Net Debt (Cash)	(3,408)	(2,965)	(2,121)	(1,698)
P/E (Attrib.)	8.2	15.0	12.8	8.9
P/E (Recurring)	8.2	19.7	12.8	8.9
EV/EBITDA	7.9	16.4	11.4	8.3
P/BV	3.4	3.1	2.7	2.5
P/CF	10.3	14.5	14.3	8.9
Div. Yield	7.4%	3.7%	3.7%	7.4%
RoAE	44.3%	15.1%	20.0%	26.4%

Figures in QAR million, unless otherwise stated



Estimate Change (QAR mn)	2008a	2009e Old	2009e New	2010e Old	2010e New
Revenue	14,743	12,116	8,984	14,536	12,372
EBITDA	7,528	5,494	3,614	6,844	5,185
EBITDA Margin	51.1%	45.3%	40.2%	47.1%	41.9%
Net Attrib. Income	7,605	5,466	4,176	6,813	4,902

Stock Data	
Last Ex-Div Date	QAR8 on 12 Apr 2009
Mkt. Val. / Shares (mn)	QAR60,060 / 550
Av. Mthly Liqd. (mn)	QAR5,143
52-Week High / Low	QAR113.8 / 57.4
Bloomberg / Reuters	IQCF QD / IQCD.QA
Est. Free Float	30%

Ahmed Shams El Din
+20 2 3332 1143
ashamseldin@efg-hermes.com

*Prices as at 31 May 2009

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Income Statement (December Year End)

QAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Revenue	14,743	8,984	12,372	14,342	17,093
Cash Costs	(6,623)	(4,925)	(6,530)	(6,400)	(7,759)
Depreciation and Ammortization	(461)	(704)	(863)	(765)	(891)
Gross Profit	7,660	3,355	4,979	7,177	8,443
S,G&A	(593)	(510)	(657)	(786)	(923)
EBITDA	7,528	3,614	5,185	7,156	8,410
EBITDA Margin	51.1%	40.2%	41.9%	49.9%	49.2%
Net Operating Profit	7,067	2,910	4,322	6,391	7,519
Net Operating Margin	47.9%	32.4%	34.9%	44.6%	44.0%
Net Interest Income (Expense)	306	278	419	419	448
Other Income (Expense)	431	1,264	461	522	600
EBT	7,605	4,176	4,902	7,010	8,263
Tax	-	-	-	-	-
Net Income	7,605	4,176	4,902	7,010	8,263

Source: IQ, EFG-Hermes estimates

Balance Sheet (December Year End)

QAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Cash and Time Deposits	9,445	10,473	10,473	10,473	11,905
Receivables	1,298	1,764	2,457	2,827	3,297
Inventory	2,521	2,149	2,893	2,828	3,426
Other Debit Balances	812	369	508	589	702
Total Current Assets	14,076	14,755	16,331	16,717	19,330
Net Fixed Assets	11,324	14,382	16,961	19,743	19,413
Other LT Assets	2,050	2,051	2,208	2,380	2,570
Total Assets	27,450	31,189	35,499	38,840	41,312
ST Debt	2,668	1,512	908	1,161	845
Payables	2,226	2,866	3,591	3,900	4,736
Other Current Liabilities	343	302	342	342	377
Total Current Liabilities	5,237	4,680	4,841	5,403	5,958
LT Debt	3,369	5,996	7,445	7,614	6,769
Other Liabilities	601	292	292	292	292
Net Worth	18,243	20,219	22,921	25,531	28,294

Source: IQ, EFG-Hermes estimates

Cash Flow Statement (December Year End)

QAR million, unless otherwise stated

	2008	2009e	2010e	2011e	2012e
Operating Profit after Tax	7,528	3,614	5,185	7,156	8,410
Change in Working Capital	(1,456)	702	(811)	(78)	(310)
Cash Flow after Change in WC	6,072	4,316	4,374	7,078	8,100
CAPEX	(3,145)	(3,762)	(3,441)	(3,547)	(561)
Free Cash Flow	2,927	554	933	3,531	7,539
Non-Operating Cash Flow	133	1,509	304	349	411
Cash Flow before Financing	3,060	2,062	1,237	3,880	7,949
Net Financing	357	(1,034)	(1,237)	(3,880)	(6,518)

Source: IQ, EFG-Hermes estimates

EGYPT SALES TEAM Local call center 16900 Int'l call center +20 2 33 33 94 00 cc-hsb@efg-hermes.com Head of Western Institutional Sales Mohamed Ebeid +20 2 33 32 1054 mebeid@efg-hermes.com Local Institutional Sales Amr El Khamissy +20 2 33 32 1045 amrk@efg-hermes.com GCC Business Development Ahmed Salem +20 2 33 32 1078 asalem@efg-hermes.com	UAE SALES TEAM call center +971 4 306 9333 uaerequests@efg-hermes.com Western Institutional Sales Julian Bruce +971 4 363 4092 jbruce@efg-hermes.com Head of GCC Institutional Sales Amro Diab +971 4 363 4086 adiab@efg-hermes.com Gulf HNW Sales Chahir Hosni +971 4 363 4090 chosni@efg-hermes.com UAE Retail Sales Reham Tawfik +971 4 306 9418 rtawfik@efg-hermes.com	KSA SALES TEAM call center +800 123 4566 ksa-callcenter@efg-hermes.com Deputy Head of Gulf Sales Ahmed Sharawy +966 1 279 8677 asharawy@efg-hermes.com	RESEARCH MANAGEMENT Cairo General + 20 2 33 38 8864 UAE General + 971 4 363 4000 efgresearch@efg-hermes.com Head of Research Eiji Aono +971 4 363 4006 eaono@efg-hermes.com Head of Egypt Research Wael Ziada +20 2 33 32 1154 wziada@efg-hermes.com Head of Publ. and Distribution Rasha Samir +20 2 33 32 1142 rsamir@efg-hermes.com
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CONTACTS AND STATEMENTS

Background research prepared by EFG-Hermes Holding SAE. Report prepared by EFG-Hermes Holding SAE (main office), 58 Tahrir Street, Dokki, Egypt 12311, Tel +20 2 33 32 1140 | Fax +20 2 33 36 1536 which has an issued capital of EGP 1,939,320,000.

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