Kuwait

Aerated Concrete Industries Company

Growing steadily block by block...

August, 2007

BUY

Reuters Code:
ACIC.KW

Listing:
Kuwait Stock Exchange

CMP:
465fils (As on August 19th, 2007)

Key Data

CMP# (fils)	465
EPS* (fils)	47.9
BVPS* (fils)	340.5
P/E*	9.7
P/BV*	1.4
12M Avg. vol.	288,948
52 week Lo / Hi (fils)	440/540

*Source: **Global** Research*

*#As on August 19th , 2007 *2007 Projected*

Highlights

- The performance of **Aerated Concrete Industries Company KSC** (ACICO) in 2006 was above our expectations. The total revenues of the company in 2006 reached KD54.5mn as against our estimates of KD46.6mn made in our previous report in September'2006. The company reported net profit of KD13.3mn in FY2006 as compared to KD7.3mn estimated in our previous report.

- Sales of aerated concrete segment (prior to removing minority interest and inter-company transactions) contributed KD13.2mn in 2006, contributing 17.3% of the total revenues during the year. Revenues from housing development contributed KD14.4mn in 2006, contributing 18.9% of the total revenues during the year. Lastly, revenues from contracting contributed KD48.6mn in 2006, contributing 63.7% of the total revenues during the year.

- However the company's performance in 1H-2007 was not satisfactory. The company had revenues of KD17.0mn in the first six months of 2007, down 5.0% year-on-year (y-o-y). All the segments saw a decline in the revenues in 1H-2007. The gross profit of KD3.8mn was down 32.1% y-o-y, with a gross profit margin of 22.5%, as against 31.5% in first half of 2006. The company's net profit during the period of KD4.8mn (after minority interest) was up 33.3% y-o-y.

- The value of ACICO's shares derived from the weighted average of the DCF and relative valuation methods is 517 fils per share. The stock closed at 465 fils on the KSE at the end of trading on August 19, 2007, which implies that the weighted average value of ACICO's shares is at a premium of 11.1% to the share's current market price. At their current price, ACICO's shares are trading at a P/E multiple of 6.7x the 2006 earnings, and forward multiples of 9.7x and 7.7x the projected 2007 and 2008 earnings respectively. We, therefore, recommend a '**BUY**' on the ACICO stock at its prevailing price levels with a medium-term perspective.

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Recent Developments

- During May'2007, ACICO International Contracting (subsidiary of ACICO) signed a contract with Nakheel to design and build 134 town houses at Gardens, Jebel Ali. The project is valued at AED96mn and will be completed in 12 months time.

- ACICO in association with JAL Hotel Co Ltd, a subsidiary of Japan Airlines, has opened a new 5-star hotel and resort in Dibba, Fujairah during May'2007. Hotel JAL Fujairah Resort and Spa is a joint Kuwaiti and Japanese project built at a cost of AED213mn. ACICO owns JAL Fujairah Resort and Spa, whereas the hotel will be operated by JAL Hotel Co Ltd.

- Al Masaken International was established in late 2006 to continue the operations of Al Masaken Division, hitherto operating under ACICO. Al Masaken is involved in activities relating to acquisition, owning, developing and selling real estate and land, within Kuwait and abroad as well as to organize real estate exhibitions related to the company's projects. Al Masaken is an investment arm for ACICO for real estate development in using aerated concrete.

- ACICO got listed on the Dubai Financial Market (DFM) during October 2006. The company was already listed in Kuwait market. As per the management of the company, the listing at DFM was intended to elevate its status and recognition in GCC markets and in addition provide greater liquidity to investors.

- During July'2006, the shareholders of ACICO International for Real Estate Development K.S.C. (which was one of the subsidiary of ACICO) approved the optional liquidation of the company and also approved sale of assets and liabilities to ACICO for a sum of KD25.4mn. Prior to liquidation, ACICO's stake in the company was 53.4% and it was classified as investment in unconsolidated subsidiary. This transaction resulted in an increase in assets of ACICO by about KD23mn.

- On account of the above transaction, the shareholders of ACICO approved increasing the company's authorized and paid up capital from KD14.7mn to KD18.6mn by issuing 38.8mn shares representing 100 fils par value with 211 fils share premium which was subscribed by the remaining 46.6% of the shareholders of ACICO International for Real Estate Development K.S.C.

Financial Performance – FY2006

- The company's total operational revenues was KD54.5mn for the year ended December 2006, an increase of 60.1% from KD34.0mn in the previous year. Prior to removing minority interest and inter-company transactions, the total revenue of the company was KD76.2mn in 2006, up 74.4% from KD43.7mn in 2005. The growth in total revenues in 2006 was mainly driven by the contracting business segment.

- Sales of aerated concrete segment contributed KD13.2mn in 2006 (down 2.9% from KD13.6mn in 2005), contributing 17.3% of the total revenues during the year. Revenues from housing development contributed KD14.4mn in 2006 (up 65.2% from KD8.7mn in 2005), contributing 18.9% of the total revenues during the year. Lastly, revenues

from contracting contributed KD48.6mn in 2006 (up 127.6% from KD21.3mn in 2005), contributing 63.7% of the total revenues during the year. Contracting remained the major revenue earner for the company and its share in the total revenues has gone up while that of aerated concrete has gone down in 2006.

- The total cost of production of the company was KD41.6mn for the year ended December 2006, more than double of that in the previous year. The gross profit declined by 2.9% to KD12.9mn in 2006, down from KD13.2mn in 2005. As a result of a huge escalation in the cost of sales, the gross profit margin declined significantly to 23.6% in 2006 from 38.9% in 2005.

- The salaries and employees' benefits declined by 22.6% during the year, from KD3.7mn in 2005 to KD2.8mn in 2006. As a percentage of the operational revenues, the staff expenses have declined to 5.2% in 2006, down from 10.7% in 2005. General & administrative expenses saw an increase of 78.8% to KD1.7mn in 2006, up from KD0.97mn in the preceding year. As a percentage of the operational revenues, these expenses increased from 2.8% in 2005 to 3.2% in 2006. The operating profit increased by 1.3% to KD7.3mn in 2006, up from KD7.2mn in 2005. The operating profit margin declined to 13.3% in 2006 from 21.0% in 2005.

- The company realized a gain of KD5mn from the sale of projects under construction. This was on account of the sale of a building in the Dubai Healthcare City. Change in fair value of investment property yielded KD3.1mn in 2006, a ten-fold increase over 2005. As a result, the net profit of the company increased by 68.8% to KD13.3mn in 2006 from KD7.9mn in 2005. The net profit margin improved from 23.2% in 2005 to 24.5% in 2006. The company declared 50% cash dividend and 5% bonus shares for 2006.

- The total assets of the company rose by 35.7% to KD109.0mn at the end of 2006. This significant increase in the asset level was mainly due to transfer of assets from ACICO International for Real Estate Development, which was liquidated. This transaction resulted in an increase in assets of ACICO by about KD23mn. The total current assets increased by 8.9% during the year. However the level of accounts receivable came down from 94 days in 2005 to 69 days in 2006. Similarly the level of inventory also came down from 41 days in 2005 to 23 days in 2006. There was a significant rise in projects under construction, which was mainly due to transfer of assets from ACICO International for Real Estate Development.

- On the liabilities side, the level of accounts payable declined significantly to 55 days in 2006, down from 102 days in 2005. Long-term loans saw a rise of 130.4% to KD17.3mn from the end of the previous year. The average cost of debt declined to 5.7% in 2006 from 6.4% in the previous year. The owners' equity rose during the year by 26.5% to KD53.4mn.

Financial Performance in the First Half of 2007

- The company had revenue of KD17.0mn in the first six months of 2007, down 5.0% y-o-y. All the segments saw a decline in the revenues in 1H-2007. Prior to eliminating the inter-company transactions, the aerated concrete segment registered a revenue decline of 22.9%, real estate revenue saw a decline of 97.4% and contracting segment witnessed a revenue decline of 5.2% on a y-o-y basis during the period. The total cost of operations

of KD13.2mn was up 7.4% y-o-y. The gross profit of KD3.8mn was down 32.1% y-o-y, with a gross profit margin of 22.5%, as against 31.5% in first half of 2006.

- General and administrative expenses during the period of KD1.4mn were up 61.9% y-o-y, while selling expenses of KD0.4mn were down 27.9% y-o-y. Gain on sale of investment property was KD1.2mn during the period, whereas change in fair value of investment properties contributed KD2.0mn. The company's net profit during the period of KD4.8mn was up 33.3% y-o-y. Though the net profit increased during the period, it was mainly driven by the non-operating income.

Table 1: Results Summary-1H-2007

Amounts in KD	**1H -2006**	**1H -2007**	**% Change**
Operational Revenue	**17,905,028**	**17,005,936**	**-5.0%**
Cost of Production	(12,263,105)	(13,173,973)	7.4%
Gross Profit	**5,641,923**	**3,831,963**	**-32.1%**
General & Administrative Expenses	(882,787)	(1,429,631)	61.9%
Selling Expenses	(549,916)	(396,579)	-27.9%
Operating Profit	**3,950,399**	**1,810,099**	**-54.2%**
Other Income	510,873	273,800	-46.4%
Gain on Sale of Investment Property	-	1,239,631	-
Unrealized Gain from Investments	426,950	-	-
Interest Expenses	(1,011,627)	(507,202)	-49.9%
Change in the Fair Value of Investment Property	-	1,971,125	-
Net Profit	**3,592,986**	**4,788,990**	**33.3%**

*Source: Company Reports & **Global** Research*

- The total assets of the company of KD122.0mn were up 11.9% from the end of 2006. Accounts receivable rose by 32.9% during the period. The projects under construction of KD63.8mn were higher by 32.3% from that at the end of 2006. On the liabilities side, bank loans went up by 45.4% to KD50.3mn at the end of the period. The period also saw the share capital of the company rising with the issue of shares to shareholders of ACICO International for Real Estate Development and the addition of the 5% stock bonus of the previous year. The paid-up capital of the company stood at KD19.5mn at the end of June 2007, whereas the owners' equity increased to KD61.4mn, up 14.8% from the end of 2006.

Outlook and Valuation

- During the year 2006, the company acquired the assets of ACICO International for Real Estate Development K.S.C. The company expects this acquisition to earn a steady inflow of revenue through management of several investment properties under construction including luxurious hotel and resort facilities that are expected to be operational soon.

- The company's aerated concrete manufacturing plants in Saudi Arabia and Qatar are expected to be operational in 2007.

- We expect the total revenues of the company to decline in 2007. However we estimate that the revenues of ACICO will increase from 2008 onwards. The contracting segment

will continue to be growth driver of the company in coming years. The revenue growth of aerated concrete segment is expected to accelerate once the facilities in Saudi Arabia and Qatar become operational.

- The value of ACICO's shares derived from the weighted average of the DCF and relative valuation methods is 517 fils per share. The stock closed at 465 fils on the KSE at the end of trading on August 19, 2007, which implies that the weighted average value of ACICO's shares is at a premium of 11.1% to the share's current market price. At their current price, ACICO's shares are trading at a P/E multiple of 6.7x the 2006 earnings, and forward multiples of 9.7x and 7.7x the projected 2007 and 2008 earnings respectively. We, therefore, recommend a '**BUY**' on the ACICO stock at its prevailing price levels with a medium-term perspective.

BALANCE SHEET

	AERATED CONCRETE INDUSTRIES CO. KSC						
Amounts in KD	**2004**	**2005**	**2006**	**2007 (F)**	**2008 (F)**	**2009 (F)**	**2010 (F)**
Assets:							
Bank & cash equivalents	201,067	498,051	3,168,622	5,792,003	4,072,125	4,878,868	3,987,109
Account receivables	7,465,928	10,051,973	10,595,356	12,744,629	14,911,735	17,471,805	18,444,049
Other Receivables	4,546,459	3,213,684	10,350,512	10,732,319	12,426,446	14,388,545	14,755,239
Inventories	2,071,760	2,629,170	2,507,071	2,551,477	3,080,764	3,716,228	4,068,195
Investment Portfolios (Trading)	45,955	1,561,376	3,008,512	3,787,815	3,977,206	4,176,066	4,384,870
Lands under development	13,535,135	9,394,807	147,104	479,273	575,127	690,152	828,183
Total Current Assets	27,866,304	27,349,061	29,777,177	36,087,515	39,043,403	45,321,664	46,467,644
Investment available for sale	2,000,000	2,460,598	-	205,742	205,742	205,742	205,742
Investment in associates	483,910	644,658	644,658	8,187,529	8,625,029	9,171,904	9,855,498
Investment in unconsolidated subsidiaries	-	11,215,260	1,175,334	174,667	174,667	174,667	174,667
Investment properties	21,967,102	4,000,000	11,626,347	5,471,222	7,402,242	10,014,798	12,876,168
Goodwill	2,705,446	3,158,661	2,250,506	2,250,506	2,250,506	2,250,506	2,250,506
Right of utilization of leasehold	1,683,301	1,574,074	895,438	837,235	782,814	731,931	684,356
Projects under construction	4,602,963	14,138,870	48,215,882	75,615,882	94,915,882	102,315,882	103,815,882
Gross fixed assets	17,763,876	24,352,528	24,151,968	26,651,968	29,151,968	31,651,968	34,151,968
Less: Accumulated depreciation	7,310,952	8,576,807	9,736,696	11,364,649	12,697,247	14,300,605	16,199,723
Net fixed assets	10,452,924	15,775,721	14,415,272	15,287,319	16,454,721	17,351,363	17,952,245
Total Assets	**71,761,950**	**80,316,903**	**109,000,614**	**144,117,618**	**169,855,006**	**187,538,457**	**194,282,708**
Liabilities:							
Accounts payable	4,920,783	6,700,036	5,887,905	6,123,545	8,009,986	10,405,439	13,265,854
Short-term loans	21,249,318	21,997,484	17,323,347	45,000,000	56,250,000	59,062,500	50,203,125
Due to related parties	-	169,726	877,459	1,955,246	2,150,771	2,365,848	2,602,432
Dividends payable	90,203	225,556	205,347	380,276	482,536	533,666	559,231
Total Current Liabilities	26,260,304	29,092,802	24,294,058	53,459,067	66,893,293	72,367,453	66,630,643
Long-term loan	5,202,989	7,495,441	17,267,948	22,267,948	32,267,948	37,267,948	38,267,948
Employees' Indemnity Provision	421,942	547,920	722,510	867,012	910,363	955,881	1,003,675
Due to shareholders of a company under liquidation	-	-	12,061,787	-	-	-	-
Minority Interest	1,023,627	959,312	1,228,185	1,706,428	1,995,651	2,404,738	2,917,145
Owner's Equity:							
Paid-up equity capital	11,902,226	12,497,337	14,684,371	19,493,213	19,493,213	19,493,213	19,493,213
Share premium	11,528,752	11,558,752	16,245,253	24,426,446	24,426,446	24,426,446	24,426,446
Statutory reserve	2,518,992	3,313,780	4,705,127	5,630,274	6,801,993	8,452,122	9,746,607
Treasury Shares	(96,169)	(96,169)	(605,684)	(415,881)	(415,881)	(415,881)	(415,881)
Gain on sale of treasury shares	2,458,046	2,458,046	2,479,912	2,577,513	2,577,513	2,577,513	2,577,513
Retained earnings	10,541,241	12,029,084	15,967,691	14,112,347	14,911,216	20,015,772	29,642,148
Cumulative changes in fair value	-	460,598	-	-	-	-	-
Foreign currency translation adjustments	-	-	(50,544)	(6,748)	(6,748)	(6,748)	(6,748)
Total Shareholder's Equity	38,853,088	42,221,428	53,426,126	65,817,163	67,787,752	74,542,438	85,463,297
Total Liabilities & Owner's Equity	**71,761,950**	**80,316,903**	**109,000,614**	**144,117,618**	**169,855,006**	**187,538,457**	**194,282,708**

PROFIT &LOSS ACCOUNT

	AERATED CONCRETE INDUSTRIES CO. KSC						
Amounts in KD	**2004**	**2005**	**2006**	**2007 (F)**	**2008 (F)**	**2009 (F)**	**2010 (F)**
Operational Revenue	**43,792,363**	**34,028,533**	**54,491,602**	**48,966,205**	**60,475,369**	**75,025,984**	**89,761,037**
Cost of Production	(31,328,744)	(20,782,821)	(41,630,631)	(37,251,564)	(44,979,154)	(54,256,930)	(64,560,491)
Gross Profit	**12,463,619**	**13,245,712**	**12,860,971**	**11,714,641**	**15,496,215**	**20,769,055**	**25,200,546**
General & Administrative Expenses	(946,551)	(966,939)	(1,729,169)	(2,448,310)	(2,721,392)	(3,001,039)	(3,590,441)
Staff Costs	(2,793,266)	(3,655,143)	(2,829,978)	(3,209,195)	(3,538,138)	(3,900,797)	(4,300,628)
Selling Expenses	(552,113)	(875,891)	(502,119)	(489,662)	(604,754)	(750,260)	(897,610)
Provisions	(59,427)	(63,133)	(87,446)	-	-	-	-
Depreciation and Amortization	(668,113)	(529,369)	(461,564)	(381,030)	(418,530)	(456,030)	(493,530)
Operating Profit	**7,444,149**	**7,155,237**	**7,250,695**	**5,186,445**	**8,213,403**	**12,660,929**	**15,918,336**
Other Income	1,243,129	897,149	831,313	489,662	755,942	1,125,390	1,570,818
Gain on sale of investment property	-	1,171,508	-	2,250,000	2,587,500	2,846,250	3,130,875
Gain on sale of projects under construction	-	-	5,023,116	-	-	-	-
Share of result from associates	-	-	-	350,000	437,500	546,875	683,594
Unrealized Gain from investments	-	486,000	-	-	-	-	-
Dividend income	-	500,000	164,800	171,843	316,730	333,888	354,364
Interest expenses	(1,141,919)	(1,785,094)	(1,823,861)	(1,273,241)	(1,947,324)	(2,772,726)	(2,772,023)
Profit/(loss) on disposal of investments	(39,724)	-	61,564	35,010	51,103	53,530	56,078
Interest income	-	-	63,321	134,409	172,622	179,020	199,484
Forex gain / (loss)	(17,350)	(7,410)	(21,046)	(20,000)	(20,000)	(20,000)	(20,000)
Change in the fair value of investment property	8,857,287	300,000	3,106,545	2,564,635	1,931,020	2,612,556	2,861,371
Contractual commitment expenses	(3,750,000)	-	-	-	-	-	-
Board of Directors remuneration	(85,000)	(85,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)
Contribution to KFAS	(107,536)	(74,231)	(125,221)	(77,523)	(98,003)	(138,318)	(180,043)
NLST	(215,718)	(181,597)	(347,837)	(236,531)	(299,075)	(422,013)	(527,982)
Profit before Minority Interest	**12,187,318**	**8,376,562**	**14,088,389**	**9,479,710**	**12,006,418**	**16,910,380**	**21,179,873**
Minority Interest	(647,126)	(469,508)	(742,974)	(228,243)	(289,223)	(409,088)	(512,407)
Net Profit	**11,540,192**	**7,907,054**	**13,345,415**	**9,251,467**	**11,717,195**	**16,501,292**	**20,667,466**
P&L Appropriation Account:							
Opening Balance of Retained Earnings	3,961,949	10,541,241	12,029,084	15,967,691	14,112,347	14,911,216	20,015,772
Adjustments	-	339,911	-	-	-	-	-
Net Profit for the year	11,540,192	7,907,054	13,345,415	9,251,467	11,717,195	16,501,292	20,667,466
Transfer to Statutory Reserve	(1,194,845)	(824,788)	(1,391,347)	(925,147)	(1,171,720)	(1,650,129)	(1,294,484)
Cash Dividend	(3,293,744)	(5,339,223)	(6,219,086)	(9,253,417)	(9,746,607)	(9,746,607)	(9,746,607)
Stock Dividend	(472,311)	(595,111)	(624,867)	(928,248)	-	-	-
Due to a company under liquidation	-	-	(1,171,508)	-	-	-	-
Closing Balance of Retained Earnings	10,541,241	12,029,084	15,967,691	14,112,347	14,911,216	20,015,772	29,642,148

CASH FLOW STATEMENT

	AERATED CONCRETE INDUSTRIES CO. KSC						
Amounts in KD	**2004**	**2005**	**2006**	**2007 (F)**	**2008 (F)**	**2009 (F)**	**2010 (F)**
Operating							
Operating Activities	**4,317,292**	**8,643,287**	**9,646,564**	**7,663,304**	**10,270,716**	15,306,739	19,296,636
Profit before KFAS & NLST	12,510,572	8,717,390	14,656,447	9,660,521	12,209,273	17,156,624	21,470,491
Depreciation and Amortization	1,558,943	1,661,249	1,634,712	1,627,953	1,332,598	1,603,358	1,899,118
Gain on sale of investment property	-	(1,171,508)	-	(2,250,000)	(2,587,500)	(2,846,250)	(3,130,875)
Unrealized gain from investments	-	(486,000)	-	-	-	-	-
Dividend income	-	(500,000)	(164,800)	(171,843)	(316,730)	(333,888)	(354,364)
Change in fair value of investment property	(8,857,287)	(300,000)	(3,106,545)	(2,564,635)	(1,931,020)	(2,612,556)	(2,861,371)
Gain on sale of property, plant and eqpt	(1,031,663)	(4,020)	(31,426)	-	-	-	-
Provision for slow-moving inventory	-	60,000	82,679	-	-	-	-
Gain on sale of lands under development	(1,114,038)	(791,031)	(717,702)	-	-	-	-
Gain / loss from Investments	39,724	-	(61,564)	(35,010)	(51,103)	(53,530)	(56,078)
Fixed assets written off	-	-	532,192	-	-	-	-
Provision for doubtful debts	59,427	3,133	4,767	-	-	-	-
Increase in indemnity provisions	152,171	164,403	235,227	144,502	43,351	45,518	47,794
Payment for staff indemnity	(15,756)	(38,425)	(60,637)	-	-	-	-
Interest expenses	1,141,919	1,785,094	1,823,861	1,273,241	1,947,324	2,772,726	2,772,023
Interest income received	(1,016)	-	(63,321)	(134,409)	(172,622)	(179,020)	(199,484)
Gain on sale of projects under construction	-	-	(5,023,116)	-	-	-	-
Foreign currency translation adjustments	-	-	27,094	43,796	-	-	-
Payment for KFAS	(50,704)	(168,626)	(17,536)	(77,523)	(98,003)	(138,318)	(180,043)
Payment of Board of Directors fees	(75,000)	(85,000)	(85,000)	(95,000)	(95,000)	(95,000)	(95,000)
NLST	-	(203,372)	(18,768)	(236,531)	(299,075)	(422,013)	(527,982)
Change in minority interest	-	-	-	478,243	289,223	409,088	512,407
Working Capital Changes	**228,890**	**531,337**	**(7,726,716)**	**(1,262,059)**	**(2,308,554)**	(2,547,104)	1,406,095
Dec/(inc.) in receivables	119,090	(916,401)	(5,928,273)	(2,531,080)	(3,861,233)	(4,522,169)	(1,338,938)
Dec / (inc) in Inventories	146,925	(617,410)	39,420	(44,406)	(529,287)	(635,464)	(351,967)
Inc/(dec) in accounts payable	(37,125)	2,065,148	(1,837,863)	235,640	1,886,442	2,395,452	2,860,416
Change in other current liabilities	-	-	-	1,077,787	195,525	215,077	236,585
Total Operating	**4,546,182**	**9,174,624**	**1,919,848**	**6,401,245**	**7,962,162**	**12,759,635**	**20,702,731**
Investing							
Purchase of fixed assets	(1,103,058)	(3,096,642)	(930,085)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Proceeds from sale of fixed assets	77,236	63,258	129,797	-	-	-	-
Purchase of land	(3,416,071)	(3,769,984)	(3,750,265)	-	-	-	-

CASH FLOW STATEMENT - Continued

	AERATED CONCRETE INDUSTRIES CO. KSC						
Amounts in KD	**2004**	**2005**	**2006**	**2007 (F)**	**2008 (F)**	**2009 (F)**	**2010 (F)**
Proceeds from sale of land	9,683,550	8,701,343	13,715,670	-	-	-	-
Projects under construction	(3,425,563)	(4,255,850)	(18,421,347)	(27,400,000)	(19,300,000)	(7,400,000)	(1,500,000)
Purchase of investment property	(10,927,458)	(4,920,548)	(2,202,347)	-	-	-	-
Proceeds from sale of investment property	-	16,387,425	-	8,405,125	656,480	233,694	269,504
Proceeds from sale of projects under construction	-	-	10,371,007	-	-	-	-
Gain / loss from Sale of Investments	-	-	16,500	35,010	51,103	53,530	56,078
Unrealized gain from investments	-	-	-	-	-	-	-
Right of utilization of leasehold	-	-	578,038	58,203	54,420	50,883	47,576
Changes in lands under development	-	-	-	(332,169)	(95,855)	(115,025)	(138,030)
Paid for purchase of investment in associates	-	(160,748)	-	(7,542,871)	(437,500)	(546,875)	(683,594)
Subscription in unconsolidated subsidiaries	-	(12,361,000)	(1,175,344)	-	-	-	-
Interest income received	1,016	-	43,538	134,409	172,622	179,020	199,484
Dividend income received	-	160,000	164,800	171,843	316,730	333,888	354,364
Change in fair value of investment property	-	-	-	2,564,635	1,931,020	2,612,556	2,861,371
Goodwill	-		908,155	-	-	-	-
Purchase of investments	(1,882,711)	(1,029,421)	(1,651,724)	(985,045)	(189,391)	(198,860)	(208,803)
Total Investing	**(10,993,059)**	**(4,282,167)**	**(2,203,607)**	**(26,390,192)**	**(19,340,370)**	**(7,297,190)**	**(1,242,050)**
Financing							
Changes in Loan	2,459,265	3,040,618	2,549,963	32,676,653	21,250,000	7,812,500	(7,859,375)
Dividend paid	(3,250,005)	(5,203,870)	(6,239,295)	(9,078,488)	(9,644,346)	(9,695,476)	(9,721,041)
Cash dividend to subsidiary	(300,321)	(647,127)	(468,524)	-	-	-	-
Decrease in minority interest	-	-	(5,577)	-	-	-	-
Proceeds from treasury shares	-	-	(295,547)	287,404	-	-	-
Increase in Capital & premium	7,934,817	-	6,248,668	-	-	-	-
Interest expenses	(1,141,919)	(1,785,094)	(1,823,861)	(1,273,241)	(1,947,324)	(2,772,726)	(2,772,023)
Total Financing	**5,701,837**	**(4,595,473)**	**(34,173)**	**22,612,328**	**9,658,330**	**(4,655,702)**	**(20,352,439)**
Net Change in Cash	(745,040)	296,984	(317,932)	2,623,381	(1,719,878)	806,743	(891,759)
Cash attributable to a company under liquidation	-	-	2,988,503	-	-	-	-
Net Cash at beginning	946,107	201,067	498,051	3,168,622	5,792,003	4,072,125	4,878,868
Net Cash at end	**201,067**	**498,051**	**3,168,622**	**5,792,003**	**4,072,125**	**4,878,868**	**3,987,109**

FACT SHEET

	AERATED CONCRETE INDUSTRIES CO. KSC						
	2004	**2005**	**2006**	**2007 (F)**	**2008 (F)**	**2009 (F)**	**2010 (F)**
Profitability Ratios							
- Total Assets Turnover (x)	0.7	0.4	0.6	0.4	0.4	0.4	0.5
- Total Net Fixed Assets Turnover (x)	4.1	2.6	3.6	3.3	3.8	4.4	5.1
- Equity Turnover (x)	1.4	0.8	1.1	0.8	0.9	1.1	1.1
- Gross Profit Margin (%)	28.5	38.9	23.6	23.9	25.6	27.7	28.1
- Operating Margin (%)	17.0	21.0	13.3	10.6	13.6	16.9	17.7
- Net Profit Margin (%)	26.4	23.2	24.5	18.9	19.4	22.0	23.0
- Return on Average Assets (%)	18.6	10.4	14.1	7.3	7.5	9.2	10.8
- Return on Average Equity (%)	37.5	19.5	27.9	15.5	17.5	23.2	25.8
- Return on Common Capital (%)	108.1	64.8	98.2	54.1	60.1	84.7	106.0
Liquidity Ratios							
- Current Ratio (x)	1.1	0.9	1.2	0.7	0.6	0.6	0.7
- Quick Ratio (x)	1.0	0.8	1.1	0.6	0.5	0.6	0.6
- Inventory stock (days)	25	41	23	25	23	23	22
- Receivables outstanding (days)	42	94	69	87	83	79	73
- Length of operating cycle (days)	67	135	92	112	106	102	95
- Payables outstanding (days)	56	102	55	59	57	62	67
- Length of cash cycle (days)	11	33	36	53	49	40	28
Activity Ratios							
- Inventory Turnover Ratio (x)	14.6	8.8	16.2	14.7	16.0	16.0	16.6
- Debtor turnover Ratio (x)	8.7	3.9	5.3	4.2	4.4	4.6	5.0
- Creditors Turnover Ratio (x)	6.5	3.6	6.6	6.2	6.4	5.9	5.5
Leverage Ratios							
- Current Liability / Equity (x)	0.7	0.7	0.5	0.8	1.0	1.0	0.8
- Debt / Equity (x)	0.7	0.7	0.6	1.0	1.3	1.3	1.0
Ratios Used for Valuation							
- EPS (fils)	59.7	40.9	69.1	47.9	60.6	85.4	106.9
- Book Value Per Share (fils)	201.0	218.5	276.4	340.5	350.7	385.7	442.2
- Dividend Payout Ratio (%)	46.3%	78.7%	69.3%	105.4%	83.2%	59.1%	47.2%
- Market Price (KD) *	0.581	0.586	0.443	0.465	0.465	0.465	0.465
- P/E Ratio (x)	9.7	14.3	6.4	9.7	7.7	5.4	4.3
- P/BV (x)	2.9	2.7	1.6	1.4	1.3	1.2	1.1
- Dividend Yield (%)	4.8%	5.5%	10.8%	10.8%	10.8%	10.8%	10.8%

** Market price for 2007 and subsequent years as on August 19, 2007.*

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Aerated Concrete Industries Company K.S.C.	BUY	ACIC.KW	465 fils	1, 10

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