

National Mobile Telecommunications Company (Wataniya Telecom) *In consolidation phase*

Reuters Code:
NMTC.KW

June, 2007

HOLD

Listing:
Kuwait Stock Exchange

CMP:
KD3.040 (12 June, 2007)

Investment Summary

- We published our last report on NMTC in July 2006, wherein we projected total revenues of KD456.4mn, EBITDA of KD174.4mn and net profit of KD86.9mn for FY2006 while NMTC reported total revenues of KD428.4mn, EBITDA of KD172.8mn and net profit of KD73.2mn.
- In a major development, Qatar-based Qatar Telecom (Qtel) acquired a controlling stake of 51% in National Mobile Telecommunications Company (Wataniya) in March 2007.
- The regulatory authorities in Iraq did not renew Asia-Cell's GSM license after December 31, 2006. As a result the majority shareholders of Asia-Cell (a company incorporated in Cayman Islands) has filed for voluntary liquidation of Asia-Cell in the Grand Court of the Cayman Islands. On April 1, 2007, the company's board of directors have resolved to discontinue its operations in Asia-Cell, Iraq with effect from January 1, 2007 and reclassify its investment in and advances to Asia-Cell as 'assets held for sale'. In FY2006, Iraq operations contributed about 24.5% to Wataniya's consolidated revenues and 27.2% to its net profit.
- In March 2007, Wataniya increased its holding in Public Telecommunication Company (PTC) – Saudi Arabia from 47% to 55.61%.
- Wataniya Palestine Mobile Telecommunications Company (WPT), the company formed by Wataniya International and the Palestine Investment Fund (PIF) will launch Palestine's second mobile services company. Wataniya Telecom International – WTI (100% owned by Wataniya Telecom) is the company responsible for leading the pursuit of global expansion opportunities on behalf of the Wataniya Telecom group of mobile operations. Wataniya group offered JD251mn (KD101mn) for the license to build and operate mobile telecommunication service in Palestine.

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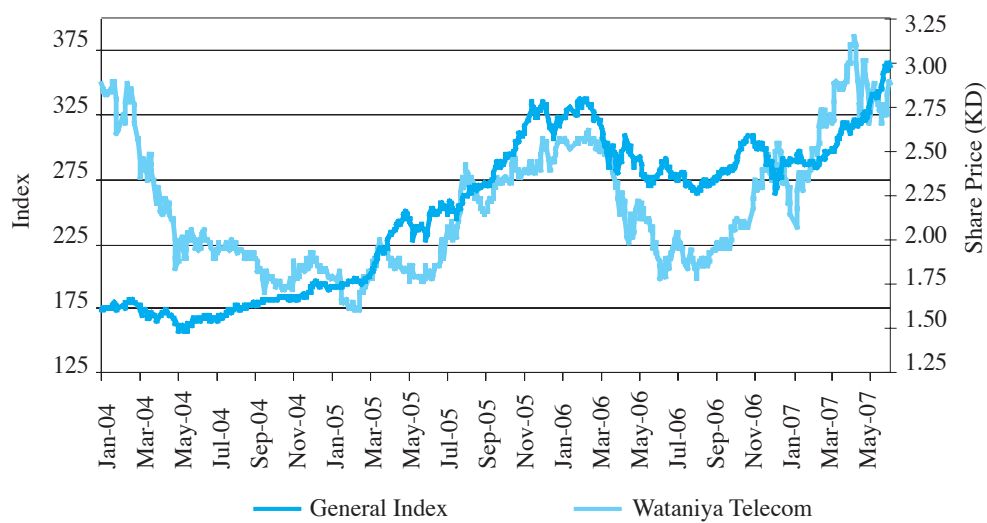
- In FY2006, total active customers of Wataniya group increased to 9.992mn versus 6.391mn during FY2005, registering an increase of 56%. Revenues for the 12-months grew to KD428.4mn, an increase of 40% compared to revenues of KD306.5mn reported for FY2005. EBITDA grew to KD192.1mn, an increase of 73%, resulting into an EBITDA margin of 44.8%. Its net profit for FY2006 increased by 38.6% to KD73.2mn as compared to KD52.8mn reported for FY2005.
- During Q1-2007, Wataniya group's revenue declined by 0.6% on y-o-y basis to reach KD91.8mn. Its EBITDA margin declined to 43.8% as compared to 44.6% in Q1-2006. On the back of decline in margins, its EBITDA declined by 2.4% to KD40.2mn. During Q1-2007, it reported an income of KD11.2mn for realized gain on sale of investments held for trading, which significantly improved its bottom line by 130.9% to KD25.7mn as compared to KD11.1mn reported in Q1-2006. The impact closing down of Iraq operations is clearly visible in Q1-2007 financials, however, it is likely to be recovered with future growth of Wataniya Kuwait and other international operations.
- NMTC has high growth potential telecom markets under its belt such as Kuwait and in Saudi it does not have any competitive pressure for its iDEN network. However, closing down of operations in Iraq will definitely have significant impact on its group performance. In Palestine, though it will be a second GSM operator and has good growth potential, the prevailing situation in the country is of major concern. Therefore, for NMTC the year 2007 will be the year to be watched for with changeover in management, rolling out of new operations and the launch of HSDPA (High Speed Downlink Packet Access) network in Kuwait market.
- Based on consolidation of the individual country operations, our sum-of-parts valuation estimates the fair value of NMTC's stock at KD3.036, which is lower by 0.13% vis-à-vis the current market price of the stock. We, therefore, revise our recommendation on the stock from "BUY" to "HOLD".

Table 1: NMTC at a Glance

Price (as on June 12, 2007)		Shares in issue (in mn)	Market Cap. (in KD mn)			52-week price range (KD)	
KD3.04		458.2	1,393.0			3.14 / 1.78	
Year	Revenue (KD'000)	Net Profit (KD'000)	EPS (in fils)	Book Value (in fils)	ROAE (%)	P/E	P/BV
2008 E	412,701	87,475	181.0	727.4	26.0%	16.8	4.2
2007 E	388,519	75,077	152.6	664.1	24.4%	19.9	4.6
2006 A	428,426	98,088	159.7	584.4	29.6%	15.8	4.3
2005 A	306,495	42,923	121.1	521.0	24.6%	20.1	4.7

* Historical P/E & P/BV multiples pertain to respective year-end prices, while those for future years are based on market price in the Kuwait Stock Exchange as on June 12, 2007.

Source: NMTC and Global Research estimates

Exhibit 1: Share Price Performance Chart

Source : KSE & Global Research

Major Developments

Qatar Telecom (Qtel) Bought Majority Stake in Wataniya

Qatar-based Qtel acquired a controlling stake in National Mobile Telecommunications Company (Wataniya) in March 2007. Qtel now owns 51% of the share capital of Wataniya, acquired from Kuwait Projects Company Holding KSC (KIPCO) and other parties, as well as additional direct investments in its Algeria and Iraq operations, for a total cash consideration of US\$3.8bn.

Iraq Operations

The regulatory authorities in Iraq did not renew Asia-Cell's GSM license after December 31, 2006. As a result the majority shareholders of Asia-Cell (a company incorporated in Cayman Islands) has filed for voluntary liquidation of Asia-Cell in the Grand Court of the Cayman Islands. On April 1, 2007, the company's board of directors have resolved to discontinue its operations in Asia-Cell, Iraq with effect from January 1, 2007 and reclassify its investment in and advances to Asia-Cell as 'assets held for sale'.

The valuation of assets held for sale amounting to KD32.3mn and liabilities directly associated with assets held for sale amounting to KD6.4mn. Therefore, the net assets of Asia-Cell held for sale are of the value of KD25.9mn. However, in Q1-2007 results auditors have given their qualified remark with regard to valuation of the assets held for sale.

Iraq operations contributed about 24.5% to Wataniya's consolidated revenues and 27.2% to its net profit.

Increased holding in Public Telecommunication Company – Saudi Arabia

In March 2007, Wataniya increased its holding in PTC from 47% to 55.61%. Wataniya paid about US\$18.53mn for this stake increase. As a result PTC, which was accounted for as an associate company, has been fully consolidated from the date Wataniya obtained controlling stake.

Palestine Mobile License

Wataniya Palestine Mobile Telecommunications Company (WPT) , the company formed by Wataniya International and the Palestine Investment Fund (PIF) will launch Palestine's second mobile services company. It already signed a license agreement with the Ministry of Telecommunications and Information Technology in Palestine (MTIT). Wataniya Telecom International – WTI (100% owned by Wataniya Telecom) is the company responsible for leading the pursuit of global expansion opportunities on behalf of the Wataniya Telecom group of mobile operations. Wataniya group offered JD251mn (KD101mn) for the license to build and operate mobile telecommunication service in Palestine.

As per the license conditions imposed by the Palestinian Ministry of Telecommunications and Information Technology, WTI is required to keep at all times 40% of the shareholding of WPT, 30% shall be held by the Palestinian Investment Fund (PIF) and 30% shall be held by the public. Since the public offering did not take place yet, which envisaged to take place within six months from the allocation of frequency, WTI will in the meantime owns 57% of the shares and the PIF owns 43%. Once the public offering take place the percentage of WTI's ownership shall be reduced to 40%.

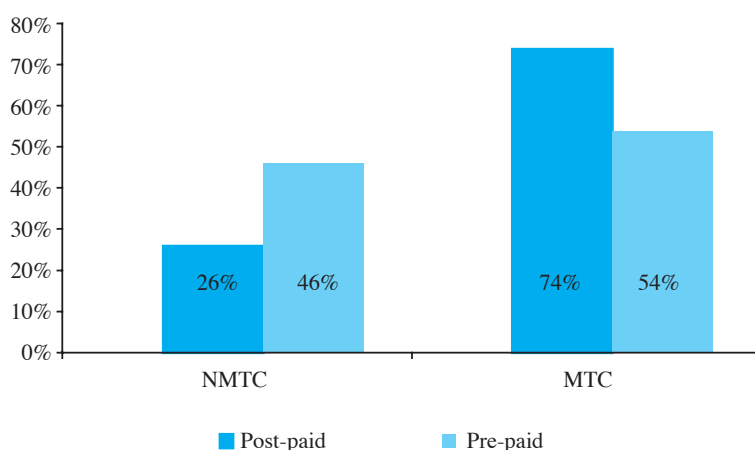
Analysis of Country Operations in 2006 and Q1-2007

Kuwait: The year 2006 witnessed a growth of 11% in total subscriber base for GSM to reach 2.530mn customers, which indicates penetration rate of 79% on total population and 90% on addressable population. Mobile Telecommunication Company (MTC) leads the GSM segment in Kuwait with a market share of 58% whereas NMTC accounts for the rest of the market share i.e. 42% as there are only two GSM operators in the market.

In GSM segment, the total customer addition in 2006 was 252,868. In 2006, MTC gained larger slice of total market additions with a customer addition of 130,000 which helped it in maintaining its market share at 58%. NMTC increased its customer strength by 122,868 customers.

In Kuwait, out of the total subscriber base of 2.530mn as of Dec. 2006, 515,872 customers (20%) were postpaid customers while 2,014mn (80%) customers were prepaid customers. MTC accounted for 74% of the total postpaid customers and 54% of total prepaid subscribers while NMTC accounted for 26% of total postpaid customers and 46% of total prepaid customers.

Exhibit 2: Market Segmentation



Source: Company Reports

Kuwait is in the midst of issuing third mobile license which is likely to happen in 2007 and third operator will start providing its services in 2008, if license issuance process ends in 2007.

In 2006, Wataniya's total customer base for its Kuwait operations increased by 13% to 1.069mn. Out of the total subscriber base, 12.5% were postpaid customers while 87.5% were prepaid customers. For FY2006, Kuwait operations reported revenues of KD178.5mn, contributing 41.7% to total revenues of NMTC for the year. EBITDA was at KD86.1mn representing an EBITDA margin of 48.2%. Its net profit from Kuwait operations declined by 9.2% to reach KD63.8mn. In 2006, Average ARPU improved by 4.7% to US\$49.1, which improved further in Q1-2007 to reach US\$50.2. During Q1-2007, Wataniya increased its customer base to 1.083mn, a y-t-d increase of 13,955

customers. It reported revenues of KD49.3mn and EBITDA of KD24.6mn, representing an EBITDA margin of 49.9% for Kuwait operations. Net profit from Kuwait operations increased significantly by 124.6% to KD28.3mn, which was mainly backed by gain of KD11.2mn realized on sale of investments available for sale.

Iraq: The company's Iraq operations under Asia-Cell increased its total customer base by 66% to 2.740mn. Iraq was predominantly a prepaid customer market for NMTC as there were only 50 postpaid customers and the rest were prepaid customers. For FY2006, Asia-Cell reported revenues of KD104.9mn, contributing 24.5% to total revenues of NMTC for the year. EBITDA was at KD61.1mn representing an EBITDA margin of 58% for Iraq operations. In FY2006, Iraq operations turned the corner with a positive bottom line of KD49.7mn from a loss of KD7.0mn in FY2005. Out of the total profit of KD49.7mn, the net attributable profit to Wataniya Telecom for FY2006 was KD19.9mn, representing its 40% ownership in Asia-Cell. In 2006, Average ARPU declined by 20.9% to reach US\$12.45.

As discussed earlier, Asia-cell has to windup its Iraq operations since the beginning of 2007.

Algeria: NMTC provides telecoms services in Algeria under the brand name of "Nedjma". It more than doubled its subscriber base during 2006 to end the year with 2.991mn subscribers as compared to 1.475mn at the end of 2005. Out of the total subscriber base, 1.6% were postpaid customers while 98.4% were prepaid customers. Revenues for FY2006 were KD73.9mn, witnessed a growth of 75.1%, compared to KD42.2mn reported for FY2005. EBITDA was at KD15mn representing an EBITDA margin of 20%. It reported a net loss of KD16.8mn for FY2006 which reduced from KD19.8mn for FY2005. Out of the total loss of KD16.8mn, the net attributable loss to Wataniya Telecom for FY2006 was KD11.9mn, representing its 71% ownership in Nedjma. In 2006, Average ARPU declined by 25.6% to US\$9.7, which went down further in Q1-2007 to US\$8.3.

In Q1-2007, Nedjma's customer base declined to 2.924mn subscribers. Nedjma reported revenues of KD22.8mn and a net loss of KD3.1mn for Q1-2007, out of which KD2.2mn was attributable to Wataniya Telecom.

Tunisia: NMTC operates under Tunisiana brand name in Tunisia. It closed the year with 3.069mn customers, registered a growth of 36%. Out of the total subscriber base, 1.4% were postpaid customers while 98.6% were prepaid customers. For FY2006, Tunisiana reported revenues of KD67.0mn, contributing 15.6% to total revenues of NMTC for the year. EBITDA was at KD33.2mn representing an EBITDA margin of 49.0%. In FY2006, Tunisiana witnessed a decline of 28.4% in revenues and 6.2% in EBITDA. However, despite decline in revenues and EBITDA its net profit from Tunisia operations increased by 46.7% to KD8.8mn. NMTC accounts for Tunisiana on the 50% proportionate consolidation method. In Q1-2007, Tunisiana reported revenues of KD18.1mn and EBITDA of KD9.1mn, representing an EBITDA margin of 50.3%. The net profit of Tunisiana for Q1-2007 was at KD2.7mn. In 2006, Average ARPU declined by 10.2% to US\$13.8, which went down further in Q1-2007 to US\$12.8.

Saudi Arabia: NMTC operates iDEN network under Bravo brand name in Saudi Arabia. In 2006, Bravo subscribers grew 600% over 2005 to reach 68,191. Out of the total subscriber base, 1.4% were postpaid customers while 98.6% were postpaid customers. It reported a net loss of KD8.6mn for FY2006 which reduced from KD4.1mn for FY2005. The net attributable loss to NMTC for FY2006 was KD4mn, representing its 47% ownership in Saudi venture. Bravo became subsidiary of NMTC from March 7, 2007, due to the increase in its shareholding to 55.61%. In 2006, Average ARPU declined by 24.1% to US\$35.6, which went down further in Q1-2007 to US\$29.1.

At the end of Q1-2007, Bravo has achieved an active customer base of 75,507 subscribers. The net attributable loss to NMTC for Q1-2007 was KD1mn.

Maldives: Wataniya Telecom Maldives' (100% owned by NMTC) ended the year 2006 with a customer base of 55,362, added 5,200 customers in a year. Out of the total subscriber base, 4.6% were postpaid customers while 95.4% were postpaid customers. For FY2006, Maldives operations reported revenues of KD4.1mn which increased from KD1.1mn in FY2005. Its EBITDA remained negative, however, it declined to KD0.5mn in FY2006 from KD1.4mn in FY2005. It reported increased net loss of KD3.5mn in FY2006 from KD1.8mn in FY2005.

In February 2007, Wataniya Telecom Maldives launched the Islands' first fibre optic cable linking the nation island to the rest of the world. Total customers at the end of Q1-2007 increased to 56,534. For Q1-2007 it reported revenues of KD1.1mn and net loss of KD1.1mn, which entirely attributable to NMTC since its has 100% ownership in Maldives operations.

Table 2: Countries of Operations and Customer base

Country	Ownership	Total Customers as of Q1-2007	Proportional Customers
Kuwait	100%	1,082,634	1,082,634
Tunisia	50%	3,112,278	1,556,139
Iraq	40%	-	-
Algeria	71%	2,923,905	2,075,973
Saudi Arabia	55.61%	75,507	41,989
Maldives	100%	56,534	56,534
Total		7,250,858	4,813,269

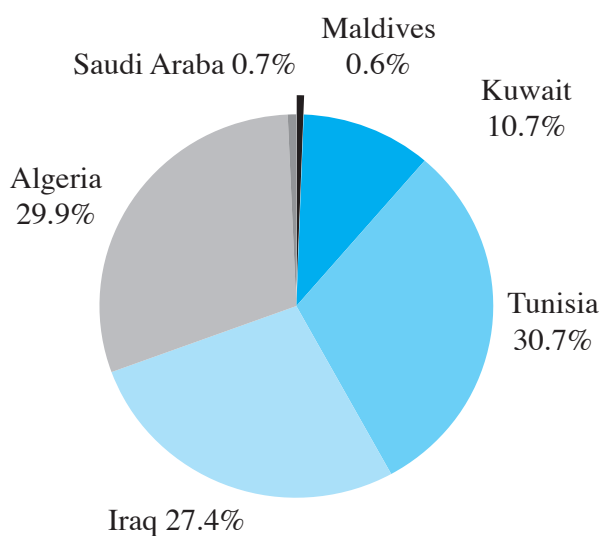
Source: Company Reports

Financial Performance

Group level Performance

In FY2006, total active customers of Wataniya group increased to 9.992mn versus 6.391mn during FY2005, an increase of 56%. Tunisia, Algeria, Iraq, Kuwait, Saudi Arabia and Maldives operations constituted 30.7%, 29.9%, 27.4%, 10.7%, 0.7% and 0.6% of total customer base respectively at the end 2006.

Exhibit 3: Country-wise Customer Segmentation



Source: Company Reports

Revenues for the 12-months grew to KD428.4mn, an increase of 40% compared to revenues of KD306.5mn reported for FY2005. EBITDA grew to KD192.1mn, an increase of 73%, resulting into an EBITDA margin of 44.8%. Net profit attributable to share holders of the parent company for FY2006 increased by 38.6% to KD73.2mn as compared to KD52.8mn reported for FY2005. In FY2006 the company's net profit margin remained almost constant at 17.1% which was at 17.2% in FY2005.

In 2006, the size of consolidated balance sheet of NMTC grew by 8.5% to KD716.3mn. Its gross fixed assets increased by 18.6% to KD480.5mn, which was mainly backed by expenditure towards network equipment and infrastructure. The non-current portion of long term debt at group level increased to KD184.7mn from 157.3mn which was for its operations in Algeria, Tunisia and Maldives.

During Q1-2007, Wataniya group's revenue declined by 0.6% on y-o-y basis to reach KD91.8mn. Its EBITDA margin declined to 43.8% as compared to 44.6% in Q1-2006. On the back of decline in margins, its EBITDA declined by 2.4% to KD40.2mn. During Q1-2007, it reported an income of KD11.2mn for realized gain on sale of investments held for trading, which significantly improved its bottom line by 130.9% to KD25.7mn as compared to KD11.1mn reported in Q1-2006. The impact closing down of Iraq operations is clearly visible in declining revenues and profitability.

Outlook

The growth potential of the regional telecom sector can be gauged from some of the high-profile deals witnessed in the recent past. The third mobile license in Saudi Arabia, for example, exceeded expectations and topped the US\$6bn, representing the highest amount paid for a license, on a per population basis, for any telecoms asset anywhere. Qtel's acquisition of Wataniya is also considered as the largest telecom acquisition in the Gulf region. The awarding of the third mobile license to Etisalat, the UAE telecom operator for US\$2.9bn, indicates the high confidence in the potential of the Egyptian telecommunication market. The industry experts are of the opinion that the Middle East's telecommunications companies will spend an estimated US\$30bn on acquisitions and licenses with some of the world's largest deals taking place in the region.

To finance such mega deals, telecom operators are opting for debt route. As per the industry estimates, telecom operators have raised more than US\$14.7bn of debt in the first four months of 2007 to support expansion and acquisition strategies, which is more than that raised in entire 2006. Last year was also a record year for telecoms financing in the Middle East & Africa (MEA) region with more than \$14.07bn of debt raised by regional telecoms operators for expansion and acquisitions.

With regard to NMTC, it has some of the high growth potential telecom markets under its belt such as Kuwait, in Saudi it does not have any competitive pressure for its iDEN network. However, closing down of operations in Iraq will definitely have significant impact on its group performance as it was accounting for 24.5% of its group revenues and 27.2% to its net profit. In Palestine, though it will be a second GSM operator and has good growth potential, the prevailing situation in the country is of major concern.

Therefore, for NMTC the year 2007 will be the year to be watched for with changeover in management, rolling out of new operations and the launch of HSDPA (High Speed Downlink Packet Access) network in Kuwait market.

Valuation and Recommendation:

We have used sum-of-parts valuation method for company's operations in different countries.

Table 3: DCF Summary Sheet

Country Operations	Equity Value (in KD)
Algeria (71% owned by NMTC)	123,634,130
Tunisia (50% owned by NMTC)	231,893,133
Kuwait - Wataniya (holding company)	904,857,826
Maldives (100% owned by NMTC)	6,040,169
Saudi Arabia (55.61% owned by NMTC)	(4,502,763)
Palestine (40% will be owned by NMTC)	(1,798,360)
Cash & Bank Balances (as of Q1-2007)	105,028,000
Assets held for sale from Iraq operations (net)	25,930,000
Total Equity Value (KD)	1,391,082,134
Number of shares outstanding (nos.)	458,210,000
Per share value (KD)	3.036

Source: *Global Research*

Based on consolidation of the individual country operations, our sum-of-parts valuation estimates the fair value of NMTC's stock at KD3.036, which is lower by 0.13% vis-à-vis the current market price of the stock. We, therefore, revise our recommendation on the stock from "BUY" to "HOLD".

BALANCE SHEET

Amount in Kuwaiti Dinar		National Mobile Telecommunications Company					
	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Assets:							
Bank & cash equivalents	22,421,000	19,122,000	30,549,000	32,507,214	50,182,725	39,375,573	47,803,873
Deposits (<3 months)	33,010,000	14,550,000	12,657,000	25,314,000	44,299,500	66,449,250	86,384,025
Deposits (>3 months)	30,300,000	15,197,000	12,657,000	25,314,000	50,628,000	70,879,200	99,230,880
Investments held for trading	16,672,000	33,868,000	3,039,000	9,117,000	27,351,000	54,702,000	87,523,200
Trade & billing receivable	25,269,000	30,082,000	28,293,000	38,542,537	43,075,488	47,452,235	50,768,281
Income receivable	1,253,000	2,948,000	7,049,000	7,770,379	6,190,508	6,076,513	6,395,070
Other receivables	20,993,000	28,096,000	36,882,000	46,622,273	53,651,071	60,765,127	63,950,702
Inventories	2,775,000	4,566,000	4,541,000	5,449,200	6,539,040	7,846,848	9,416,218
Provision for doubtful debt	(3,877,000)	(4,463,000)	(4,037,000)	(5,203,242)	(5,815,191)	(6,287,421)	(6,726,797)
Assets held for sale	-	-	-	32,325,000	-	-	-
Total Current Assets	148,816,000	143,966,000	131,630,000	217,758,360	276,102,140	347,259,324	444,745,451
Non-trading investments	12,463,000	22,068,000	51,640,000	64,550,000	129,100,000	142,010,000	156,211,000
gross fixed assets	250,583,000	405,110,000	480,516,000	505,747,722	503,803,231	535,565,357	560,610,924
less: accumulated depreciation	(52,713,000)	(99,989,000)	(135,866,000)	(200,084,025)	(262,477,567)	(327,460,374)	(396,349,130)
net fixed assets	197,870,000	305,121,000	344,650,000	305,663,697	241,325,664	208,104,984	164,261,794
Intangible Assets (Gross)	294,113,000	200,563,000	208,288,000	208,332,859	174,132,859	174,132,859	174,132,859
Amortisation	(28,936,000)	(31,005,000)	(45,934,000)	(59,009,855)	(71,786,565)	(84,282,825)	(96,516,164)
Net Book Value-Intangible assets	265,177,000	169,558,000	162,354,000	149,323,004	102,346,295	89,850,034	77,616,695
Investment in Associates	-	5,324,000	5,987,000	-	-	-	-
Deferred Tax Asset relating to subsidiary	8,208,000	13,875,000	20,010,000	24,552,400	21,842,706	17,363,215	11,903,832
Total Assets	632,534,000	659,912,000	716,271,000	761,847,461	770,716,805	804,587,556	854,738,771
Liabilities:							
Trade payables & Accruals	75,178,000	117,280,000	84,387,000	76,944,240	68,472,890	75,945,935	82,224,409
Due to equipment suppliers & contractors	15,467,000	53,761,000	59,197,000	60,689,727	60,456,388	64,267,843	72,879,420
Other Payables	13,103,000	20,677,000	28,375,000	23,408,426	26,569,275	29,227,738	31,182,032
Short term debt	45,604,000	17,426,000	8,641,000	11,233,300	10,233,300	9,233,300	8,233,300
Others	-	-	-	-	-	-	-

BALANCE SHEET - Continued

<i>Amount in Kuwaiti Dinar</i>	National Mobile Telecommunications Company					
	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)
Current Portion of long-term debt	39,404,000	37,733,000	19,516,000	39,896,886	33,953,682	28,288,033
Current Portion of finance lease	10,151,000	-	-	-	-	-
Liabilities directly associated with assets held for sale	-	-	-	6,395,000	6,395,000	6,395,000
Total Current Liabilities	198,907,000	246,877,000	200,116,000	218,567,579	206,080,534	213,357,849
Total	198,907,000	246,877,000	200,116,000	218,567,579	206,080,534	213,357,849
Other non-current liabilities	-	-	-	-	-	-
Employee Indemnity Provision	947,000	1,518,000	2,098,000	2,517,600	3,021,120	3,625,344
Long term Liabilities (Finance Lease)	259,000	-	-	-	-	-
Total Long term Debt	159,765,000	157,277,000	184,654,000	169,711,805	157,001,595	147,204,363
Total non-current liabilities	160,971,000	158,795,000	186,752,000	172,229,405	160,022,715	150,829,707
Minorities Interest	70,860,000	26,898,000	61,614,000	66,763,257	71,296,856	74,153,987
Total	70,860,000	26,898,000	61,614,000	66,763,257	71,296,856	74,153,987
Owner's Equity:						
paid-up equity capital	43,639,000	43,639,000	45,821,000	45,821,000	45,821,000	45,821,000
Share premium	66,634,000	66,634,000	66,634,000	66,634,000	66,634,000	66,634,000
statutory reserve	10,707,000	16,181,000	23,785,000	31,070,959	39,715,494	45,821,000
voluntary reserve	10,707,000	16,181,000	23,785,000	31,070,959	38,259,653	38,259,653
treasury shares	(10,026,000)	(9,796,000)	(9,796,000)	(3,598,000)	(3,598,000)	(3,598,000)
gain on sale of treasury shares	803,000	803,000	803,000	803,000	803,000	803,000
foreign currency translation reserve	5,640,000	(456,000)	(511,000)	(511,000)	(511,000)	(511,000)
Fair Value Reserve	432,000	492,000	2,200,000	2,200,000	2,200,000	2,200,000
Retained earnings	73,260,000	93,664,000	115,068,000	130,796,302	143,992,553	170,816,360
Total Shareholder's Equity	201,796,000	227,342,000	267,789,000	304,287,220	333,316,700	366,246,014
Total	201,796,000	227,342,000	267,789,000	304,287,220	333,316,700	412,657,242
Total Liabilities	632,534,000	659,912,000	716,271,000	761,847,461	770,716,805	804,587,556
Total	632,534,000	659,912,000	716,271,000	761,847,461	770,716,805	804,587,556
Total Liabilities	632,534,000	659,912,000	716,271,000	761,847,461	770,716,805	804,587,556
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Total Liabilities	632,534,000	659,912,000	716,271,000	761,847,461	770,716,805	

OPERATING STATEMENT

	National Mobile Telecommunications Company						
<i>Amount in Kuwaiti Dinar</i>	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Sales Revenue	236,983,000	306,495,000	428,426,000	388,518,939	412,700,542	434,036,619	456,790,726
Total Cost of Sales	(101,735,000)	(118,426,000)	(152,659,000)	(137,696,623)	(147,607,084)	(162,376,323)	(173,233,511)
Gross Profit	135,248,000	188,069,000	275,767,000	250,822,316	265,093,459	271,660,296	283,557,216
EBITDA	87,197,000	119,366,000	172,806,000	164,757,211	179,461,825	191,795,887	206,645,499
Financial Charges	(10,037,000)	(9,131,000)	(15,663,000)	(19,021,037)	(16,946,548)	(14,861,737)	(13,486,343)
Depreciation	(26,596,000)	(57,792,000)	(47,796,000)	(59,193,870)	(62,393,542)	(64,982,807)	(68,888,756)
Amortisation	(16,438,000)	(15,115,000)	(14,067,000)	(13,075,855)	(12,776,709)	(12,496,260)	(12,233,339)
Deferred Tax relating to subsidiary	5,989,000	7,502,000	5,678,000	4,542,400	3,633,920	2,907,136	2,325,709
Profit Before Minority Interests, KFAS & Taxes	40,115,000	44,830,000	100,958,000	78,008,848	90,978,945	102,362,219	114,362,769
Minority Interest	1,350,000	9,910,000	(24,924,000)	(5,149,257)	(4,533,598)	(2,857,131)	(503,261)
Profit Before KFAS	41,465,000	54,740,000	76,034,000	72,859,591	86,445,347	99,505,088	113,859,508
KFAS	(373,000)	(493,000)	(684,000)	(728,596)	(864,453)	(995,051)	(1,138,595)
NLST	(920,000)	(1,214,000)	(1,886,000)	(1,803,275)	(2,139,522)	(2,462,751)	(2,818,023)
Director's Fees	(150,000)	(200,000)	(300,000)	(400,000)	(500,000)	(600,000)	(700,000)
Net Profit for the year	40,022,000	52,833,000	73,164,000	69,927,720	82,941,371	95,447,286	109,202,890
Attributable to minority interests	(1,350,000)	(9,910,000)	24,924,000	5,149,257	4,533,598	2,857,131	503,261
Net profit attributable to equity holders	38,672,000	42,923,000	98,088,000	75,076,978	87,474,969	98,304,418	109,706,151
P&L Appropriation Account:							
<i>Op Balance of Retained Earnings</i>	44,194,000	73,260,000	93,664,000	115,068,000	130,796,302	143,992,553	170,816,360
Adjustments							
Net Profit for the year	40,022,000	52,833,000	73,164,000	69,927,720	82,941,371	95,447,286	109,202,890
Trfr to Statutory Reserve	(4,146,000)	(5,474,000)	(7,604,000)	(7,285,959)	(8,644,535)	(6,105,506)	(0)
Trfr to Voluntary Reserve	(4,146,000)	(5,474,000)	(7,604,000)	(7,285,959)	(7,188,694)	-	-
Proposed Dividend KD		(21,481,000)	(34,370,000)	(39,627,500)	(53,911,891)	(62,517,973)	(62,791,662)
Forex changes	(367,000)						
Bonus Shares	(2,297,000)		(2,182,000)				
<i>Cl Balance of Retained Earnings</i>	73,260,000	93,664,000	115,068,000	130,796,302	143,992,553	170,816,360	217,227,589

CASH FLOW STATEMENT

Amount in Kuwaiti Dinar		National Mobile Telecommunications Company					
	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Operating							
Operating Activities (a)							
Net Profit	86,292,000	118,412,000	170,461,000	158,261,925	178,883,333	193,344,035	210,435,157
Depreciation & Amortisation	38,672,000	42,923,000	98,088,000	69,927,720	82,941,371	95,447,286	109,202,890
Interest income	43,432,000	73,391,000	62,351,000	72,269,725	75,170,252	77,479,067	81,122,096
Share of loss of associate	(1,810,000)	(2,654,000)	(3,349,000)				
		1,558,000	3,527,000				
(Gain)/Loss on investments							
(Gain)/Loss on property & eqpt disposal	359,000	156,000	(573,000)				
Provision for receivables	718,000	852,000	(426,000)	1,166,242	611,948	472,230	439,376
Deferred Costs	(5,989,000)	(7,502,000)	(5,678,000)	(4,542,400)	2,709,694	4,479,491	5,459,383
Dividend Income	(249,000)	(1,228,000)	(1,608,000)				
Financing Expenses	10,037,000	9,131,000	15,663,000	19,021,037	16,946,548	14,861,737	13,486,343
Income from investments							
NLST	920,000	1,214,000	1,886,000				
Provision for post employment benefits	202,000	571,000	580,000	419,600	503,520	604,224	725,069
Working Capital (b)	5,389,000	53,984,000	(1,007,000)	(32,218,996)	(34,849,558)	(26,092,652)	(24,366,403)
Profit on sale of investments held for trading							
(Increase)/ Decrease in investments held for trading	(8,800,000)	(17,196,000)	30,829,000	(6,078,000)	(18,234,000)	(27,351,000)	(32,821,200)
Dec/(inc.) in trade and other receivables	(15,404,000)	(24,078,000)	(10,216,000)	(20,711,188)	(9,981,878)	(11,376,808)	(6,820,179)
Dec / (inc) in Inventories	(1,319,000)	(1,966,000)	25,000	(908,200)	(1,089,840)	(1,307,808)	(1,569,370)
Inc/(dec) in trade & other payables	30,912,000	97,224,000	(21,645,000)	(10,916,607)	(5,543,840)	13,942,963	16,844,346
Inc/(dec) in short term loans							
Inc/(dec) other current liabilities							
Liabilities directly associated with assets held for sale				6,395,000	-	-	-
Total Operating (a+b)	91,681,000	172,396,000	169,454,000	126,042,930	144,033,775	167,251,383	186,068,754
Investing							
Capex (c)	(125,930,000)	(209,883,000)	(89,061,000)	(52,532,567)	34,269,491	(31,762,126)	(25,045,567)
Increase in intangible assets	(124,810,000)	(698,000)	(5,488,000)	(44,859)	34,200,000	-	-

CASH FLOW STATEMENT - Continued

National Mobile Telecommunications Company							
Amount in Kuwaiti Dinar	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Interest received	1,440,000	2,874,000	2,467,000				
Dividend received	249,000	1,228,000	1,608,000				
Income from investments	-	-	-	-	-	-	-
Proceeds from sale of property & eqpt		3,204,000	939,000				
Decrease/(increase) in term deposits	(13,254,000)	14,001,000	2,540,000	(12,657,000)	(25,314,000)	(20,251,200)	(28,351,680)
Increase in investments held for trading-net							
Increase in investments available for sale	6,966,000	-	-	(12,910,000)	(64,550,000)	(12,910,000)	(14,201,000)
Purchase of non trading investments	(5,873,000)	(9,545,000)	(27,864,000)				
Investment in Associate		(6,882,000)	(4,190,000)	5,987,000	-	-	-
Acquisition of subsidiary (d)							
Total Investing	(261,212,000)	(205,701,000)	(119,049,000)	(72,157,426)	(21,394,509)	(64,923,326)	(67,598,247)
Financing							
Increase/(decrease) in shareholders' capital	72,336,000	-	-	-	-	-	-
Increase/(decrease) in short term debt	19,389,000	(19,375,000)	(8,785,000)				
Increase/(decrease) in long term debt	127,761,000	52,953,000	9,160,000	5,438,691	(18,653,414)	(15,462,881)	(13,332,688)
Decrease in obligations under finance lease	(9,879,000)	(10,060,000)	-				
Proceeds from sale of treasury shares	(9,125,000)	230,000	-	6,198,000	-	-	-
Loan origination fees paid							
Financing expenses	(9,867,000)	(9,324,000)	(15,663,000)	(19,021,037)	(16,946,548)	(14,861,737)	(13,486,343)
Increase in dues to banks			-	2,592,300	(1,000,000)	(1,000,000)	(1,000,000)
Increase in other non-current liabilities	(12,566,000)	-	-	-	-	-	-
Payment of dividend		(21,481,000)	(34,370,000)	(39,627,500)	(53,911,891)	(62,517,973)	(62,791,662)
Total Financing	178,049,000	(7,057,000)	(49,658,000)	(44,419,547)	(90,511,853)	(93,842,590)	(90,610,693)
Minority Interest	26,808,000	8,960,000	9,792,000	5,149,257	4,533,598	2,857,131	503,261
Effect of Foreign Currency translation	(19,461,000)	9,643,000	(1,005,000)				
Net Change in Cash	15,865,000	(21,759,000)	9,534,000	14,615,214	36,661,011	11,342,598	28,363,075
Net Cash at beginning	39,566,000	55,431,000	33,672,000	43,206,000	57,821,214	94,482,225	105,824,823
Net Cash at end	55,431,000	33,672,000	43,206,000	57,821,214	94,482,225	105,824,823	134,187,898

Fact Sheet

Ending Date:	National Mobile Telecommunications Company						
	2004 (A)	2005 (A)	2006 (A)	2007 (F)	2008 (F)	2009 (F)	2010 (F)
LIQUIDITY RATIOS							
- Current Ratio	0.7	0.6	0.7	1.0	1.3	1.6	2.0
- Quick Ratio	0.7	0.6	0.6	1.0	1.3	1.6	1.9
- Cash Flow from Operations ratio	0.4	0.5	0.9	0.7	0.9	0.9	0.9
PROFITABILITY ANALYSIS							
- Gross Profit Margin	57%	61%	64%	65%	64%	63%	62%
- EBITDA to Revenues	37%	39%	40%	42%	43%	44%	45%
- Net Profit Margin	17%	17%	17%	18%	20%	22%	24%
- Return on assets	8%	8%	11%	9%	11%	12%	13%
- Return on Equity	27%	25%	30%	24%	26%	27%	28%
- Return on Common Capital	101%	121%	164%	153%	181%	208%	238%
ACTIVITY RATIOS							
- Inventory Turnover Ratio	37	26	34	25	23	21	18
- Debtor turnover Ratio	9.4	10.2	15.1	10.1	9.6	9.1	9.0
- Creditors Turnover Ratio	1.4	1.0	1.8	1.8	2.2	2.1	2.1
LEVERAGE RATIOS							
- Current Liability/ Equity	1.0	1.1	0.7	0.7	0.6	0.6	0.5
- Interest Coverage	8.7	13.1	11.0	8.7	10.6	12.9	15.3
- Cash from Operations to Debt	0.4	0.6	0.8	0.7	0.9	1.0	1.2
- Long term Debt to equity ratio	0.8	0.7	0.7	0.6	0.5	0.4	0.3
- Current Liability / Assets	0.3	0.4	0.3	0.3	0.3	0.3	0.3
- Net debt to EBITDA	1.9	1.1	0.8	0.7	0.1	-0.2	-0.6
RATIOS USED FOR VALUATION							
- EPS (fils)	91.7	121.1	159.7	152.6	181.0	208.3	238.3
- Book Value Per Share (fils)	462.4	521.0	584.4	664.1	727.4	799.3	900.6
- Price per share (KD)	1.733	2.438	2.520	3.040	3.040	3.040	3.040
- P/E (x)	18.9	20.1	15.8	19.9	16.8	14.6	12.8
- P/BV (x)	3.7	4.7	4.3	4.6	4.2	3.8	3.4

Historical P / E & P / BV multiples pertain to respective year -end prices, while those for future years are based on closing prices on the KSE as of June 12 2007.

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist				
Company	Recommendation	Ticker	Price	Disclosure
National Mobile Telecom Co.	HOLD	NMTC.KW	3.040KD	1, 10
<ol style="list-style-type: none"> 1. Global Investment House did not receive and will not receive any compensation from the company or anyone else for the preparation of this report. 2. The company being researched holds more than 5% stake in Global Investment House. 3. Global Investment House makes a market in securities issued by this company. 4. Global Investment House acts as a corporate broker or sponsor to this company. 5. The author of or an individual who assisted in the preparation of this report (or a member of his/her household) has a direct ownership position in securities issued by this company. 6. An employee of Global Investment House serves on the board of directors of this company. 7. Within the past year, Global Investment House has managed or co-managed a public offering for this company, for which it received fees. 8. Global Investment House has received compensation from this company for the provision of investment banking or financial advisory services within the past year. 9. Global Investment House expects to receive or intends to seek compensation for investment banking services from this company in the next three months. 10. Please see special footnote below for other relevant disclosures. 				

Global Research: Equity Ratings Definitions	
Global rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

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