

Qtel & Wataniya Telecom

Diversified Business Models



March 31, 2010

VALUATION

	Price*	12-Month Fair Value	Upside	Recom.	Mkt Cap in million
Qatar Telecom	QAR 150.70	QAR 205	36%	Buy	QAR 22,103
Wataniya Telecom	KD 1.560	KD 2.240	44%	Buy	KD 782

*Price as of close on March 30, 2010. Sources: Reuters, Zawya, and NBK Capital

KEY RATIOS

Qtel	Adj. P/E	Adj. EPS Growth	Adj. EV/EBITDA	Adj. EBITDA Margin	Adj. EBITDA Growth
2010	6.6	20%	3.7	48%	11%
2011	6.5	3%	3.5	48%	4%

Wataniya Telecom	Adj. P/E	Adj. EPS Growth	EV/EBITDA	EBITDA Margin	EBITDA Growth
2010	9.8	42%	3.7	40%	13%
2011	10.2	-4%	3.5	40%	5%

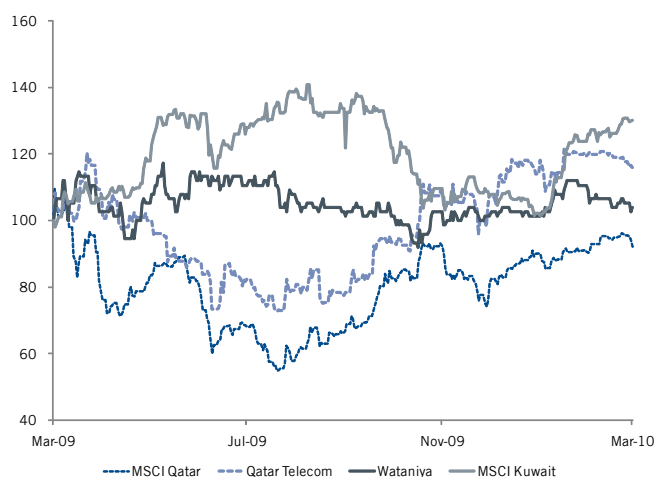
Source: NBK Capital

FORECASTS

In million	4Q2009 EBITDAa	4Q2009 EBITDAf	1Q2010 EBITDAf	2Q2010 EBITDAf
Qatar Telecom	QAR 2,974	QAR 3,384	QAR 2,935	QAR 3,151
Wataniya Telecom	KD 48	KD 50	KD 50	KD 54

a = actual, f = forecast. Sources: Reuters, and NBK capital

REBASED PERFORMANCE



Sources: MSCI, Reuters, and NBK Capital

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HIGHLIGHTS

- The financial results posted by Qtel were below our expectations. FY2009 revenue grew by 18% YoY to QAR 24,025 million. The group-adjusted EBITDA came in at QAR 11,318 million for FY2009, a 16% YoY increase. Net income grew by 21% YoY to QAR 2,780 million.
- However, the financial results posted by Wataniya Telecom for FY2009 were in line with our expectations. The company reported flat growth in revenue for FY2009, which reached KD 475 million. The group EBITDA for FY2009 came in at KD 190 million, down 6% YoY, with the EBITDA margin in FY2009 contracting to 40% from 42% in FY2008. Net profit for the year came in at KD 108 million in FY2009, up 31% YoY (FY2009 net income included a one-off positive reversal).
- In Qatar, the entry of Vodafone in 2009 stimulated the mobile market. During 4Q2009, we saw real competition between the operators on prepaid and international calls tariffs.
- In Iraq, Asiacell's management is still focusing on network growth and expanding services to meet demand.
- In Indonesia, the appointment of the new management team is starting to pay off as Indosat witnessed a strong 4Q2009 in terms of net subscriber additions and financial growth.
- Qtel announced that the Qatari operation royalty fee has been reduced, retroactively to October 7, 2007, which will result in an increase in Qtel's FY2010 profit by around QR 554 million.
- In Kuwait, Wataniya followed a segmented approach as a way to protect the company's market share. We believe the establishment of a telecom regulator is a must to regulate such a competitive environment and to potentially setup a proper interconnection agreement between the fixed-line operator and the mobile operators.
- In Algeria, Nedjma capitalized on its sponsorship of the Algerian football team and Djezzy's service interruptions in the aftermath of the Egypt/Algeria football match riots. During 4Q2009, Nedjma added around 2 million subscribers after an aggressive promotion of free SIM cards.
- We arrived at a 12-month fair value for Qtel and Wataniya based on sum of the parts using the discounted cash flow for each major operation and peer comparison based on forward PEG (price-to-earnings ratio to growth) and EV/EBITDA multiples. We value Qtel at QAR 205 and Wataniya at KD 2.240, which represent an upside potential of 36% and 44%, respectively. Hence, our recommendation on the stocks is "Buy."

QATAR TELECOM

Valuation

Our new 12-month fair value estimate for Qtel's share price is QAR 205, which is 14% higher than our previous estimate. This change was driven by a 28% increase in the fair value derived from the valuation based on peer multiples and a 9% increase in the valuation based on our discounted cash flow (DCF) model. Given that our fair value estimate is 36% above the latest market price, our recommendation for Qtel is "Buy."

Figure 1 Fair Value per Share

*Our new 12-month fair value
for Qtel is QAR 205*

Valuation Method	Old		New		Change
	Weight	Value (QAR)	Weight	Value (QAR)	
Discounted cash flow - SOTP	70%	186	70%	202	9%
Peer comparison	30%	164	30%	210	28%
Weighted Average Fair Value	100%	180	100%	205	14%

Source: NBK Capital

Market Overview and Outlook

Qtel is facing increased competition in the company's key markets, mainly Qatar, Kuwait, Indonesia, and Iraq. The FY2009 results posted by Qtel were below our expectations. Thus, we reviewed our market forecast, taking into consideration the latest financial performance. Below is a summary for each market and the most important changes we have made to our forecasts:

Qatar: Impact of Competition

Since the award of a second mobile license, Qtel has flooded the market with attractive offers and packages. The entry of Vodafone Qatar in 2009 stimulated the mobile market; the number of total mobile subscribers grew by 52% during 2009 compared to 2008. Both Qtel and Vodafone Qatar added around the same number of net additional subscribers in 2009. Vodafone Qatar has been able to grasp around 17% of the market share since the company's commercial launch (March 2009). We estimate that Qtel's market share will decline from 83% in 2009 to 67% in 2013. During the last quarter of 2009, we saw real competition between the operators on prepaid and international calls tariffs. We believe that this strong competition will continue between the operators in the coming years. Qtel's blended average revenue per user (ARPU) will be negatively impacted: during last year, blended ARPU declined by 22% and reached around USD 59. We forecast that Qtel's blended ARPU will drop to USD 43 in 2013. On the fixed-line front, Vodafone Qatar has yet to launch its services; hence, Qtel remains the monopoly operator. We revisited our forecast for revenue and EBITDA as both metrics were below our expectations during 2009. We now forecast that revenue will grow at a CAGR of 2.5% between 2009 and 2013 instead of 2.9%. As for the EBITDA margin, we believe it will decline from 59% in 2009 to 56% in 2013.

Iraq: A Growth Story

Asiacell continues to present itself as a source of growth for Qtel. The company was able to acquire 43% of the overall net additional subscribers during 2009, and Asiacell's market share reached 36%. We expect Asiacell to protect its market share in the coming five years and for the market share to reach 37% in 2013. Management is still focusing on network growth and expanding services to meet demand. In our previous report, dated October 15, 2009, we did not

anticipate an increase in blended ARPU: according to management, value-added services and roaming contributed to steady blended ARPU growth. Hence, we revisited our forecast, taking into consideration the latest financial performance. We now estimate revenue will grow at a CAGR of 4% between 2009 and 2013 versus our previous forecast of 1.7%. As for the EBITDA margin, we now estimate it will reach 53% in 2010 and drop to 51% in 2013.

Indonesia: New Management

As per Indosat's strategy to focus on revenue-generating subscribers, the company started disconnecting inactive subscribers in 9M2009. Post the employment of new management during 4Q2009, Indosat was able to grow its subscriber base by 4.4 million subscribers during the last quarter of 2009 (15% QoQ growth). As a result, Indosat remained the second-largest player in the mobile field with a market share of around 21% at end of 2009. Going forward we believe the lion's share of the net additions will be taken by Excelcomindo, due to its notably cheaper price offering, with Indosat taking the second spot. The same can be seen by Excelcomindo's and Indosat's capture of 37% and 34%, respectively, of the net additional subscribers during 4Q2009. Furthermore, we also note Indosat's new strategy of value optimization via a focus on high-ARPU-generating users. Indosat's management did not give any guidance for FY2010 as Qtel imposed a blackout period. We forecast Indosat will increase its market share to 23% in 2013 from 21% in 2009. We also forecast Indosat's revenues will grow at a CAGR of 5.5% during 2009-2013 vs our previous forecast of 5%.

Royalty: A One-off Gain

Qtel announced the following on March 24, 2009: *"Qatar Telecom (Qtel) QSC announced that as per the decree issued by the government, the royalty/fee payable to the government has been reduced with retroactive effect from 7 October 2007. The royalty of 25 percent of company's net profit has been reduced to 12.5 percent fee on profits from Qatar operations. In addition, a one percent fee is payable on Qtel Qatar operation's regulated revenue from the effective date. The backdated reduction of the fee will result into an increase in Qtel's profit of approximately QR 554 million."*

This new announcement will boost Qtel's net profit during 2010 by QAR 554 million and will reduce the company's account payables. Hence, this announcement had a positive impact on the company's valuation.

Figure 2 New 2010 Forecast Compared to Previous Forecast

Figures in QAR million	2009 Actual	2010 F		2010 New Forecast Versus	
		Old	New	2009 Actual	Old 2010 F
Revenue	24,025	26,463	25,857	8%	-2%
Adj.EBITDA	11,318	12,785	12,508	11%	-2%
Adj.EBITDA margin	47%	48%	48%		
Net Profit	2,780	3,307	3,879	40%	17%
Net Profit margin	12%	12%	15%		

Source: NBK Capital

Financial Performance

The Qtel Group reported FY2009 revenue of QAR 24,025 million, up 18% YoY from QAR 20,319 million in FY2008. The major drivers of revenue growth were Indonesia, Qatar, and Iraq, which contributed 27%, 24%, and 17%, respectively, to the FY2009 revenue. Qtel's 4Q2009 revenue came in at QAR 6,550 million, an increase of 8% YoY from QAR 6,045 million in 4Q2008.

Figure 3 4Q2009 and FY2009 Results

Income Statement (QAR million)	Fourth-Quarter Results			Full-Year Results		
	4Q2008	4Q2009	Change	2008	2009	Change
<i>In FY2009, revenue growth made its way to the bottom line</i>						
Total Revenue	6,045	6,550	8%	20,319	24,025	18%
EBITDA	2,853	2,993	5%	9,775	11,318	16%
EBITDA margin	47%	46%		48%	47%	
Net Income	446	431	-3%	2,306	2,780	21%
Net margin	7%	7%		11%	12%	

Sources: Qtel financial statements and NBK Capital

The Qatari operation's FY2009 revenues grew at 4% YoY to QAR 5,686 million, due to a 26% YoY increase in subscribers during 2009 that mitigated the 22% YoY decline in FY2009 ARPU levels (a consequence of heightened competition from the new market entrant, Vodafone Qatar).

The Indonesian operation's revenues stood at QAR 6,579 million for FY2009, up 58% YoY. The comparison is distorted because Indosat was fully consolidated into Qtel's operations only after June 2008; before, Indosat was accounted for as an associate under the equity method. On a standalone basis, however, Indosat's revenues declined 8% YoY to QAR 6,579 million in FY2009 from QAR 7,126 million in FY2008. The decline was largely driven by Indosat's ARPU declining 23% over the year in response to a strong price war between Indonesian operators.

The Iraqi operation's FY2009 revenues grew notably by 40% YoY to QAR 3,998 million due to 8% annual growth in ARPU levels coupled with a 20% annual increase in the subscriber base.

Figure 4 Highlights of Key Operations

Segmental Highlights (QAR million)	Qatar (Qtel)			Indonesia (Indosat)*			Iraq (Asia Cell)		
	2008	2009	Change	2008	2009	Change	2008	2009	Change
<i>Indonesia is now the largest contributor to the top line</i>									
Revenue	5,447	5,686	4%	4,164	6,579	58%	2,847	3,998	40%
EBITDA	3,399	3,340	-2%	2,080	3,207	54%	1,502	2,162	44%
EBITDA margin	62%	59%		50%	49%		53%	54%	
Net Income	1,705	1,660	-3%	404	622	54%	351	787	124%
Net margin	31%	29%		10%	9%		12%	20%	

* FY2008 Revenues from Indonesia only consolidated post June 2008. Sources: Qtel financial statements and NBK Capital

The Qtel Group's adjusted EBITDA grew by 16% YoY to QAR 11,318 million for FY2009 compared to QAR 9,775 million in FY2008. A large part of that growth stems from strong improvements in Iraq, with an EBITDA growth of 44% YoY to QAR 2,162 million in FY2009. The Qatari operation exhibited a minor 2% YoY decline in EBITDA to QAR 3,340 million for FY2009 with the EBITDA margin for FY2009 coming in at 59%, down from 62% in FY2008. Although the Indonesian operation reported that its EBITDA increased 54% YoY (full consolidation only since June 2008) to QAR 3,207 million in FY2009, on a standalone basis Indonesia's EBITDA declined 10% YoY due to the price war between Indonesian telecommunication providers during FY2009.

Net income for the Qtel Group came in at QAR 2,780 million for FY2009, having increased 21% YoY from QAR 2,306 million in FY2008. Last quarter, the net profit for the group stood at QAR 431 million, down 3% YoY.

CAPEX (capital expenditures) as a percentage of sales stood at 35% for FY2009 compared to 28% for FY2008, with a majority of the spending in Indonesia and Iraq.

Dividends for FY2009 were announced at QAR 7 per share, down 30% from the FY2008 dividends, with a FY2009 payout ratio of 37% and a dividend yield of 4.6%. Management did not give a reason for this drop. The share goes ex-dividend on April 19, 2010.

Qtel's net debt at the end of FY2009 increased 20% YoY to QAR 24,171 million with the debt-to-equity ratio increasing to 2.17x at the end of FY2009 from 1.59x at the end of FY2008. The expected mandatory IPOs for Nawras (Qtel owns 55.6%) and Wataniya Palestine (Wataniya owns 57%) during this year are expected to raise cash for Qtel and hence pay part of the company's debt.

Figure 5 FY2009 Balance Sheet Highlights

Balance Sheet highlights (QAR million)	Full-Year Results		
	2008	2009	Change
Net Debt (Cash)	20,130	24,171	20%
Debt-to-equity Ratio (x)	1.59	2.17	
CAPEX	5,663	8,455	49%
CAPEX as % Sales	28%	35%	
Dividend per share	10	7	-30%
Payout Ratio (x)	64%	37%	

*Leverage is on the increase
with declines in dividends*

Sources: Qtel financial statements and NBK Capital

WATANIYA TELECOM

Valuation

Our new 12-month fair value estimate for Wataniya Telecom's share price remains at KD 2.240. Although we made several changes to our forecasts, the changes in our discounted cash flow (DCF) model were offset by the 10% drop in the fair value derived from the valuation based on PEG multiples. Given that our fair value estimate is 44% above the latest market price, our recommendation for Wataniya Telecom is "Buy."

Figure 6 Fair Value per Share

*Our new 12-month fair value
for Wataniya is KD 2.240*

Valuation Method	Old		New		Change
	Weight	Value (KD)	Weight	Value (KD)	
Discounted cash flow - SOTP	70%	2.581	70%	2.649	2.6%
Peer comparison	30%	1.435	30%	1.295	-10%
Weighted Average Fair Value	100%	2.240	100%	2.240	0.0%

Source: NBK Capital

Market Overview and Outlook

As anticipated, the competitive environment in Wataniya Telecom's various operations continues to persist. The financial results posted by Wataniya Telecom for FY2009 were in line with our expectations. Below is a summary for each market and the most important changes we have made to our forecasts:

Kuwait: Segmented Approach

The mobile market in Kuwait witnessed a revival with the aggressive entry of Viva. We estimate active mobile subscribers grew in 2009 by 23% YoY, with Viva capturing the highest portion of the net additional subscribers (61%) followed by Wataniya (30%) and Zain (9%). Viva's rapid growth in the net adds capture negatively impacted Zain's market share, which dropped from 55% in 2008 to 46% in 2009. After the cancellation of the long-standing called-party-pays fees for receiving calls from local landlines as well as from abroad, margins were severely hit. Wataniya followed a segmented approach as a way to protect the company's market share. For example, during 2009, the company introduced Maxpress, which targets prepaid subscribers with high minutes of usage. The company is also focusing on higher ARPU customers. We believe that competition will persist in Kuwait between the mobile operators. We do not believe that Wataniya will see another sharp drop in blended ARPU in the coming years similar to the 22% drop seen in 2009, which is mainly linked to the cancellation of the called-party-pays charge. We believe the establishment of a telecom regulator is a must in such a competitive environment, as the regulator would have input on many levels, such as the flow of offers and promotions and cost structure, and potentially setting up a proper interconnection agreement between the fixed-line operator and the mobile operators. On the financial front, we reviewed our forecast for revenue and EBITDA margins, taking into consideration the FY2009 results and the Wataniya Telecom subscriber level (6% above our 2009 forecast).

Algeria: Window of Opportunity

The mobile market in Algeria is witnessing fierce competition among the three mobile operators. Nedjma's subscriber base grew 57% YoY as the company capitalized on its sponsorship of the

Algerian football team and Djezzy's service interruptions in the aftermath of the Egypt/Algeria football match riots. Djezzy's operational activities were interrupted between November 15 and 17 due to the attack on the company's headquarters, shops, and warehouses. During 4Q2009, Nedjma added around 2 million subscribers after an aggressive promotion of free SIM cards. We do not believe that the growth in net subscriber additions that the Algerian mobile market witnessed in 2009 will be repeated again in the coming years. This growth was due to exceptional conditions. We do, however, believe that the additional 2 million subscribers added during 4Q2009 will have a positive effect on 2010 revenue. We are expecting 2010 revenue to grow by 34% compared to 2009. As for EBITDA, it will be affected by the introduction of the 5.5% tax on prepaid recharge. We now forecast the EBITDA margin will drop from 33% in 2009 to 31% in 2010 and reach 34% in 2013, compared to our previous forecast of 38%. We have also revised upward our forecast for CAPEX, taking into account the new network requirement capacity imposed by the sudden growth in subscribers. We now forecast that CAPEX as a percentage of sales will be around 30% in 2010 and decline to 15% in 2013.

Tunisia: Threat of Orange

Ahead of the entry of Orange Telecom (expected during the first half of 2010), Tunisiana's strategy was to focus on postpaid subscribers and loyalty programs. The company was able to acquire 63% of the net additional subscribers during 2009, which pushed Tunisiana's market share to 53%. The entry of Orange is expected to put some pressure on pricing, especially on roaming and international calls. Orange Telecom has 3G license exclusivity until the end of 2011. With regard to Tunisiana's acquisition of a 3G license in the future, management have not revealed their strategy in this regard. We believe that if Tunisiana wants to compete head-to-head with Orange Telecom, then Tunisiana must acquire a 3G license. Thus, we increased our forecast for CAPEX from KD 80 million between 2010 and 2013 to KD 129 million.

Figure 7 New 2010 Forecast Compared to Previous Forecast

Figures in KD million	2009 Actual	2010 F		2010 New Forecast Versus	
		Old	New	2009 Actual	Old 2010 F
Revenue	475	508	536	13%	6%
EBITDA	190	206	215	13%	4%
<i>EBITDA margin</i>	<i>40%</i>	<i>41%</i>	<i>40%</i>		
Net Profit	108	67	80	-26%	19%
<i>Net Profit margin</i>	<i>23%</i>	<i>13%</i>	<i>15%</i>		

Source: NBK Capital

Financial Performance

Wataniya Group reported flat growth in revenue for FY2009, which reached KD 475 million. The annual growth in revenue contributed by the Algerian (30% of FY2009 revenue) and Tunisian (22% of FY2009 revenue) operations was negated by a revenue decline in the Kuwaiti operation (43% of FY2009 revenue). The group's quarterly revenue for 4Q2009 came in at KD 124 million, a mere 3% YoY increase.

Figure 8 4Q2009 and FY2009 Results

Income Statement (KD million)	Fourth-Quarter Results			Full-Year Results		
	4Q2008	4Q2009	Change	2008	2009	Change
<i>Wataniya's group EBITDA declined by 6% during 2009</i>						
Total Revenue	121	124	3%	476	475	0%
EBITDA	52	48	-7%	201	190	-6%
EBITDA margin	43%	39%		42%	40%	
Net Income	9	7	-19%	82	108	31%
Net margin	7%	6%		17%	23%	

Sources: Wataniya financial statements and NBK Capital

Revenue for the Kuwaiti operation declined 10% YoY to KD 203 million in FY2009. Wataniya's 17% annual increase in the FY2009 subscriber base was not enough to negate a 22% YoY decline in FY2009 ARPU. The decline in ARPU was largely driven by the cancellation of called-party-pays charges. As a result, FY2009 EBITDA declined by 21% YoY and reached KD 96 million, which translates into an EBITDA margin of 47%, down from 53% in FY2008.

Revenue in the Tunisian operation increased 3% YoY to KD 102 million in FY2009. Tunisiana was able to grow its subscriber base by 22% over FY2009, before the arrival of the new operator, Orange Telecom. Tunisiana exhibited a 14% YoY decline in FY2009 ARPU, in a likely attempt to attract new subscribers and retain existing subscribers. EBITDA increased 6% YoY to KD 55 million for FY2009, which led to the EBITDA margin for FY2009 improving to 54% compared to 52% in FY2008.

The Algerian operation's revenue increased 8% YoY to KD 141 million in FY2009. The main revenue growth driver was the 2.9 million surge in subscribers during 2009. FY2009 ARPU, on the other hand, declined by 20% YoY, because nearly 2 million of these subscribers were added toward the end of 4Q2009, driven by aggressive price promotion on new connections issued by Nedjma. Hence, the real revenue impact of these lines remains to be seen in FY2010. EBITDA improved by 24% YoY to KD 47 million in FY2009, and the FY2009 EBITDA margin increased to 33% from 29% in FY2008.

Figure 9 Highlights of Key Operations

Segmental Highlights (KD million)	Kuwait (Wataniya)			Tunisia (Tunisiana)			Algeria (Nedjma)		
	2008	2009	Change	2008	2009	Change	2008	2009	Change
<i>Algeria and Tunisia were the main moneymakers</i>									
Revenue	227	203	-10%	99	102	3%	131	141	8%
EBITDA	121	96	-21%	52	55	6%	38	47	24%
EBITDA Margin	53%	47%		52%	54%		29%	33%	
Net Income	84	109	29%	21	24	12%	-9	-7	-26%
Net Margin	37%	54%		21%	23%		-7%	-5%	

Sources: Wataniya financial statements and NBK Capital

The group EBITDA for FY2009 came in at KD 190 million, down 6% YoY, with the EBITDA margin contracting to 40% from 42% in FY2008, again due to the deterioration of margins in the Kuwaiti operation, which contributed 50% to the group EBITDA in FY2009. The 4Q2009 EBITDA came in at KD 48 million, down 7% YoY, while the EBITDA margin for 4Q2009 declined to 39% from 43% in 4Q2008.

Net profit for the year came in at KD 108 million in FY2009, up 31% YoY. The FY2009 net income included a one-off positive reversal of a previously recorded accrual amounting to KD 52 million; this amount relates to a positive court ruling in favor of Wataniya Kuwait. The 4Q2009 net profit stood at KD 7 million, down 19% YoY. The 4Q2009 net profit included an impairment loss of KD 4 million against the goodwill related to two of Wataniya's subsidiaries.

CAPEX as a percentage of sales declined to 22% for FY2009 from 24% in FY2008. The main investments during 2009 were in Kuwait and Algeria, where the company invested around 30% and 38% of total CAPEX, respectively.

The board of directors proposed a cash dividend of 50 fils per share for FY2009, similar to the amount in FY2008. This translates into a dividend yield of 3.2%, and the stock goes ex-dividend on April 6, 2010.

Wataniya's net debt at the end of FY2009 stood at KD 10 million, down 76% YoY, with the debt-to-equity ratio coming in at 0.32x at the end of FY2009, down from 0.42x at the end of FY2008.

Figure 10 FY2009 Balance Sheet Highlights

Balance Sheet highlights (KD million)	Full-Year Results		
	2008	2009	Change
Net Debt (Cash)	43	10	-76%
Debt-to-Equity (x)	0.42	0.32	
CAPEX	113	105	-6%
CAPEX as % Sales	24%	22%	
Dividend per share	0.050	0.050	0%
Payout Ratio	28%	23%	

Sources: Wataniya financial statements and NBK Capital

No dividend growth and an improving debt profile

FINANCIAL STATEMENTS

Qatar Telecom

Balance Sheet (QAR Thousands)		Historical		Forecast			
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and Short-Term Investments	7,845,307	11,511,570	8,026,466	8,484,574	10,359,526	13,939,994	17,736,813
Total Receivables, Net	2,053,600	2,331,261	3,102,855	3,265,704	3,370,260	3,439,538	3,517,963
Total Inventory	272,257	254,531	292,539	313,254	327,791	337,584	349,899
Prepaid Expenses	1,808,668	1,868,438	1,755,232	1,879,525	1,966,749	2,025,504	2,099,396
Total Current Assets	11,979,832	15,965,800	13,177,091	13,943,056	16,024,325	19,742,620	23,704,070
Property/Plant/Equipment, Total - Net	23,351,567	29,597,692	33,001,815	35,774,239	37,203,252	37,023,182	36,817,479
Intangibles, Net	32,671,282	34,104,052	31,395,665	30,126,489	28,856,228	27,583,236	26,307,779
Long-Term Investments	3,790,839	3,643,393	3,643,393	3,643,393	3,643,393	3,643,393	3,643,393
Other-Long Term Assets	1,356,407	1,627,716	1,627,716	1,627,716	1,627,716	1,627,716	1,627,716
TOTAL ASSETS	73,149,927	84,938,653	82,845,679	85,114,894	87,354,914	89,620,147	92,100,437
LIABILITIES & EQUITY							
Accounts Payable	6,428,193	6,888,221	5,881,851	6,891,591	7,211,412	7,426,849	7,697,784
Accrued Expenses	3,281,204	3,071,580	4,406,230	4,637,485	4,785,960	4,884,339	4,995,707
Other Current Liabilities	3,245,014	4,206,945	4,286,078	4,511,027	4,655,454	4,751,150	4,859,481
Total Current Liabilities	12,954,411	14,166,746	14,574,159	16,040,102	16,652,826	17,062,338	17,552,972
Total Debt	27,975,283	35,682,842	30,330,416	28,813,895	27,949,478	27,390,489	26,842,679
Other Liabilities, Total	19,519,918	19,483,557	19,483,557	19,943,997	20,395,118	20,837,094	21,257,227
Total Liabilities	60,449,612	69,333,145	64,388,131	64,797,994	64,997,423	65,289,920	65,652,878
Total Equity	12,700,315	15,605,508	18,457,548	20,316,900	22,357,491	24,330,227	26,447,559
TOTAL LIABILITIES AND EQUITY	73,149,927	84,938,653	82,845,679	85,114,894	87,354,914	89,620,147	92,100,437
Income Statement (QAR Thousands)		Historical		Forecast			
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Total Revenue	20,318,927	24,025,256	25,857,121	27,214,196	28,085,498	28,662,814	29,316,354
Cost of Revenue	5,239,747	5,871,341	5,850,773	6,265,082	6,555,829	6,751,680	6,997,986
Gross Profit	15,079,180	18,153,915	20,006,348	20,949,114	21,529,669	21,911,133	22,318,369
Selling/General/Admin. Expenses	5,304,631	6,835,814	7,498,565	7,892,117	8,144,794	8,312,216	8,501,743
Depreciation/Amortization	3,982,045	5,489,762	5,105,514	5,786,951	6,274,406	6,478,787	6,532,432
Operating Income	5,792,504	5,828,339	7,402,268	7,270,046	7,110,469	7,120,131	7,284,195
Interest Income (Exp), Net Non-Operating	(1,315,195)	(1,498,233)	(1,617,860)	(1,390,922)	(1,227,053)	(1,006,194)	(784,129)
Others	(522,615)	561,356	295,429	(272,142)	(280,855)	(286,628)	(293,164)
Net Income before Taxes	3,954,694	4,891,462	6,079,837	5,606,982	5,602,561	5,827,309	6,206,902
Provision for Income Taxes & Royalties	1,026,440	1,010,337	1,066,709	1,065,114	1,049,442	1,073,540	1,116,318
Net Income after Taxes	2,928,254	3,881,125	5,013,128	4,541,869	4,553,119	4,753,769	5,090,584
Minority Interest	(621,808)	(1,101,216)	(1,134,421)	(1,131,034)	(1,148,194)	(1,248,817)	(1,396,023)
Net Income	2,306,446	2,779,909	3,878,707	3,410,835	3,404,925	3,504,952	3,694,561
Cash Flow (QAR Thousands)		Historical		Forecast			
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Cash from Operating Activities	5,597,837	9,968,129	10,788,401	12,630,639	12,277,083	12,401,082	12,700,805
Cash from Investing Activities	(8,918,696)	(12,233,916)	(5,324,235)	(7,213,679)	(6,298,263)	(4,770,873)	(4,667,662)
Cash from Financing Activities	8,460,254	6,647,554	(8,949,270)	(4,958,851)	(4,103,868)	(4,049,740)	(4,236,324)
Foreign Exchange Effect	(544,180)	(715,504)	-	-	-	-	-
Net Change in Cash	4,595,215	3,666,263	(3,485,104)	458,108	1,874,951	3,580,469	3,796,818

Sources: Company's financial statements and NBK Capital

Wataniya Telecom

Balance Sheet (KD Thousands)		Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014	
ASSETS								
Cash and Short-Term Investments	113,352	135,260	149,595	168,803	179,981	282,877	341,192	
Total Receivables, Net	55,167	66,542	75,103	78,701	80,793	82,774	84,826	
Total Inventory	6,474	7,488	6,837	7,159	7,331	7,490	7,631	
Prepaid Expenses	29,597	19,911	17,093	17,896	18,327	18,726	19,076	
Total Current Assets	204,590	229,201	248,628	272,558	286,431	391,867	452,725	
Property/Plant/Equipment, Total - Net	380,810	413,139	449,071	459,788	467,621	433,886	398,801	
Intangibles, Net	256,637	205,417	186,697	174,313	161,863	149,339	136,741	
TOTAL ASSETS	893,703	888,425	925,564	948,336	958,112	1,017,820	1,031,536	
LIABILITIES & EQUITY								
Accounts Payable	56,610	70,934	60,984	63,851	65,387	66,810	68,062	
Accrued Expenses	171,220	110,299	123,384	129,294	132,731	135,986	139,357	
Other Current Liabilities	47,744	60,559	53,645	56,215	57,709	59,124	60,590	
Total Current Liabilities	293,817	258,607	270,807	282,154	288,622	285,947	268,010	
Long-term Debt	138,080	128,863	96,069	63,274	30,480	56,454	51,454	
Other Liabilities, Total	46,794	15,861	16,020	16,180	16,342	16,505	16,670	
Total Liabilities	523,692	436,478	415,355	393,522	366,535	388,435	363,533	
Total Equity	370,011	451,947	510,210	554,814	591,577	629,385	668,003	
TOTAL LIABILITIES AND EQUITY	893,703	888,425	925,564	948,336	958,112	1,017,820	1,031,536	
Income Statement (KD Thousands)		Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014	
Total Revenue	475,970	475,421	536,451	562,147	577,092	591,244	605,901	
Cost of Revenue	160,715	137,040	170,926	178,963	183,268	187,256	190,765	
Gross Profit	315,255	338,381	365,525	383,184	393,824	403,988	415,136	
Selling/General/Admin. Expenses	101,068	194,523	134,113	140,537	144,273	147,811	151,475	
Depreciation/Amortization	78,213	83,176	98,049	108,482	119,734	127,639	136,252	
Other Operating Expenses/Income	12,887	(46,342)	16,094	16,864	17,313	17,737	18,177	
Operating Income	123,087	107,024	117,270	117,301	112,504	110,801	109,232	
Interest Income (Exp), Net Non-Operating	(9,833)	(9,791)	(6,377)	(4,423)	(677)	2,684	6,326	
Other, Net	(29,807)	22,834	(19,176)	(20,075)	(20,598)	(21,094)	(21,607)	
Net Income before Taxes	83,447	120,067	91,717	92,803	91,229	92,391	93,952	
Provision for Income Taxes	11,832	22,807	11,307	15,764	15,397	15,516	15,548	
Net Income After Taxes	71,615	97,260	80,411	77,039	75,832	76,875	78,404	
Minority Interest	10,814	11,031	(688)	(545)	(822)	(1,562)	(2,130)	
Net Income	82,429	108,291	79,723	76,494	75,010	75,312	76,274	
Cash Flow (KD Thousands)		Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014	
Cash from Operating Activities	241,241	171,086	191,517	211,594	216,246	222,684	230,367	
Cash from Investing Activities	(152,051)	(109,932)	(126,765)	(117,801)	(125,808)	(92,037)	(95,592)	
Cash from Financing Activities	(60,932)	(47,061)	(50,418)	(74,585)	(79,261)	(27,751)	(76,460)	
Foreign Exchange Effect	5,625	7,815						
Net Change in Cash	33,883	21,908	14,335	19,208	11,178	102,896	58,315	

Sources: Company's financial statements and NBK Capital

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION			UPSIDE (DOWNSIDE) POTENTIAL	
BUY			MORE THAN 20%	
ACCUMULATE			BETWEEN 5% AND 20%	
HOLD			BETWEEN -10% AND 5%	
REDUCE			BETWEEN -25% AND -10%	
SELL			LESS THAN -25%	
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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