QATAR NATIONAL CEMENT

Cementing the Qatar Growth Story

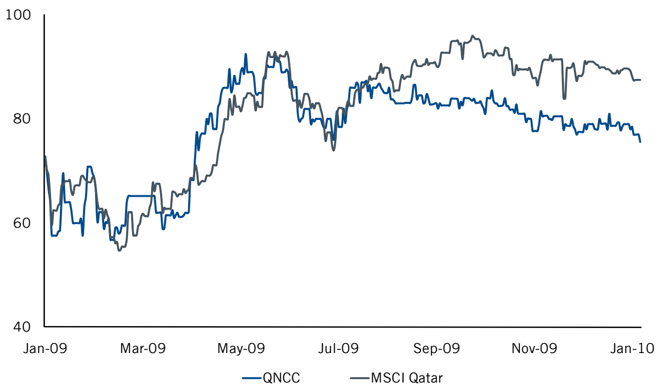
January 19, 2010

KEY DATA

Closing Price*	Avg. Value Traded per Day
QAR 75.70	QAR 620,312
52-Week High	**Market Cap**
QAR 91.90	QAR 3,379 million
52-Week Low	**Shares Outstanding**
QAR 57.60	44.64 million
Reuters	**Bloomberg**
QANC.QA	QNCD QD
Ownership Structure	
Closely Held : 44.30%	Public: 55.70%

** As of January 18, 2010 Sources: Reuters and Doha Securities Market*

REBASED PERFORMANCE



Sources: Reuters and NBK Capital

KEY RATIOS

	2008 a	2009 f	2010 f	2011 f	2012 f
EBITDA Margin	23.3%	25.5%	33.2%	33.0%	33.9%
Net Profit Margin	29.3%	23.9%	28.2%	28.1%	29.2%
ROAE	25.2%	20.9%	17.2%	16.2%	16.7%
P/E	8.2	9.2	10.1	10.1	9.3
EV / EBITDA	12.9	10.9	10.8	10.8	10.1
Dividend Payout Ratio	34.5%	50%	70%	75%	75%
Dividend Yield	4.2%	5.4%	6.9%	7.4%	8.1%

1H2009 EBITDA a	1H2010 EBITDA f
QAR 214.5 million	QAR 220 million
FY2009 EBITDA e	**2H2010 EBITDA f**
QAR 389.8 million	QAR 174.7 million

a = actual, f = forecast, e = estimates Sources: Company financial statements and NBK Capital

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HIGHLIGHTS

12-Month Fair Value: QAR 84.5
Recommendation: Accumulate – Risk Level**: 3
Reason for Report: Initiation of Coverage

- Qatar National Cement, 43% owned by the Qatari government, was the first, and not long ago the only, cement player in the country. Since Qatar National Cement's inception, the company has enjoyed a monopoly status and currently controls around 80% to 85% of the domestic cement market. The company's near-monopoly status in the domestic market results in Qatar National Cement being a perfect proxy for the Qatar growth story. The company more than quadrupled its clinker and cement capacity in the recent past to reach a current capacity of 3.6 million tons per annum (Mtpa) and 4.42 Mtpa, respectively.
- We feel the ongoing and future government and private projects will favorably boost cement demand in the country. Qatar has lined up several high-value infrastructure and construction projects that will be the main trigger for the local cement sector going forward. According to Meed Projects, Qatar has an estimated 245 current and planned infrastructure and construction projects in the pipeline, all of which are worth an estimated USD 138 billion.
- We forecast the EBITDA margin to expand from 23.3% in 2008 to 25.5% in 2009. Thereafter, we forecast the EBITDA margin to significantly expand to 33.2% in 2010 mainly due to lower cement and clinker imports. We expect clinker imports to be in the range of 400,000–600,000 tons from 2010 onwards, and we forecast no further cement imports beginning 2010. Accordingly, we forecast the EBITDA margin to expand to 33.9% (five-year average from 2010 to 2014) compared to the historical average of 23.7% (four-year average from 2005 to 2008).
- We are optimistic about the company's future dividend payouts, keeping in mind significant free cash flows going forward leading to a cash-rich, low-debt balance sheet status. No planned capacity addition in the medium term only strengthens our argument. On an expected payout of 50% for 2009, the company is currently trading at an attractive dividend yield of 5.4%.
- We arrived at a 12-month fair value for Qatar National Cement of QAR 84.5 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison (using forward EV/EBITDA multiples). With an upside of 11.6%, we are initiating coverage on the company with an "Accumulate" recommendation.

*** Please refer to page 22 for recommendations and risk ratings.*

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EXECUTIVE SUMMARY

Qatar National Cement, 43% owned by the Qatari government, was the first, and not long ago the only, cement player in the country. Since Qatar National Cement's inception, the company has enjoyed an almost monopoly status and currently controls around 80% to 85% of the domestic cement market. The company's domestic market share is easily the highest among the regional cement companies. The company's near-monopoly status in the country results in Qatar National Cement being a perfect proxy for the Qatar growth story. The company has almost quadrupled both its clinker and cement capacity over the years which stand at 3.6 Mtpa and 4.42 Mtpa, respectively. Timely capacity expansions by the company has not only met Qatar's insatiable cement demand in the recent past but also maintained its stronghold in the domestic market.

We are optimistic regarding the Qatari cement sector due to the ongoing infrastructure and real estate projects undertaken by the local government as well as the private players. We expect the airport expansion projects and other tourism and road projects to act as a trigger for the sector going forward. Qatar in isolation is likely to continue as an attractive cement market within the Gulf Cooperation Council (GCC), but we expect the country to bear the brunt of the regional cement market dynamics. On a comparative basis within the GCC, we definitely have a more positive outlook on the Qatari cement sector vis-à-vis the Saudi Arabian or the United Arab Emirates (UAE) cement markets. However, on the regional cement front, we are meticulously following every development connected to the eventual lifting of the cement export ban in Saudi Arabia due its proximity to Qatar. Continuing with the supply-side woes, we are tightly monitoring the likely impact of Gulf Holding's upcoming integrated capacity addition of 1.5 Mtpa, which is expected to be operational by beginning 2Q2010.

We expect the rise in cement sales volume to result in 8.2% growth in total revenue to QAR 1.53 billion in 2009 compared to 2008. Thereafter, we expect total revenues to slip by 22% in 2010 due to the forecasted drop in sales volume and cement prices. In general, we forecast total revenues to decrease at a six-year CAGR of 0.9% from QAR 1.41 billion in 2008 to QAR 1.34 billion in 2014.

We expect clinker imports to be in the range of 400,000–600,000 tons from 2010 onwards, and we forecast no further cement imports beginning 2010. We expect this would result in margin expansion at all levels for the company from 2010 onwards. We forecast the EBITDA margin to expand from 23.3% in 2008 to 25.5% in 2009. Thereafter, we forecast the EBITDA margin to significantly expand to 33.2% in 2010 mainly due to lower cement and clinker imports.

We are optimistic about the company's future dividend payouts, keeping in mind significant free cash flows going forward leading to a cash-rich, low-debt balance sheet status. No planned capacity addition in the medium term only strengthens our argument. On an expected payout of 50% for 2009, the company is currently trading at an attractive dividend yield of 5.4%. We have maintained future dividend payout ratios at 70% from 2010 onwards, which translates into a dividend yield of 6.9%. Our free cash flow analysis suggests there is still significant upside potential for the dividend yield from current levels, taking into account a notable free cash flow yield of 9.1% on forecasted free cash flows in 2010.

We arrived at a 12-month fair value for Qatar National Cement of QAR 84.5 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison (using forward EV/EBITDA multiples). With an upside of 11.6%, we are initiating coverage on the company with an "Accumulate" recommendation.

VALUATION

The purpose of this valuation exercise is to arrive at a fair-value estimate of the share price using fundamental analysis that should prevail for Qatar National Cement over the next 12 months. This does not represent a guarantee that this value is achievable within this timeframe, as a wide range of variables and market dynamics affect the market price of an asset.

Each investor must use his or her favorite mix of fundamental research, technical analysis, and market intelligence to arrive at an investment decision that matches his or her objectives and risk tolerance. We arrived at a 12-month fair value for Qatar National Cement of QAR 84.5 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward EV/EBITDA multiples.

As for the DCF method, the future free cash flows were favorably affected by EBITDA margin expansion from 2010 onwards primarily due to no further cement imports from 2010 onwards. The free cash flows were also boosted by considerably lower capex compared to the last five years as we do not expect any further capacity addition over our forecast period. Though we expect slight declines in cement prices in Qatar over the next two years, the two previously mentioned factors more than compensate for the expected dip in cement prices.

On the regional cement front, we are meticulously following every development connected to the eventual lifting of the cement export ban in Saudi Arabia due its proximity to Qatar. Significant clinker stock of around 11 million tons at the end of October 2009 in Saudi Arabia makes us extremely wary of such a development. The sustainable cost advantage of the Saudi cement players makes them well positioned in a price-sensitive market. Continuing with the supply-side woes, we are tightly monitoring the likely impact of Gulf Holding's upcoming integrated capacity addition of 1.5 Mtpa, which is expected to be operational by beginning 2Q2010.

We specified a weight for each valuation method, as shown in Figure 1. A greater weight is assigned to DCF, as this method examines the fundamentals of the company to determine its future cash-generating ability. The 12-month fair value of QAR 84.5 is 11.6% higher than the last closing price on January 18, 2010, hence, our "Accumulate" recommendation.

Figure 1 Weighted Average Fair Value per Share

Our 12-month fair value for Qatar National Cement is QAR 84.5, 11.6% higher than the current price

Valuation Method	Value (QAR)	Weight
Discounted cash flow	88.6	80%
Peer comparison	68.5	20%
Weighted average fair value	**84.5**	**100%**

Source: NBK Capital

Discounted Cash Flow Valuation

Our DCF valuation (Figure 2) is based on forecasted financial results through 2015. The DCF valuation is a function of the following major variables, which have been estimated using our models:

- Future net operating profit less adjusted taxes (NOPLAT), which is driven primarily by expectations of revenues and operating expenses
- Future changes in working capital
- Future net expenditures on fixed assets

- The weighted average cost of capital (WACC), which is a weighted average of our estimated cost of equity and the after-tax cost of debt
- The long-term expected growth rate in NOPLAT and the expected rate of return on net new invested capital (RONIC)

From the forecasted financial results, we have extracted the free cash flows that were used in our valuation. We have discounted those cash flows to a point in time 12 months into the future, to obtain an estimate of the value of the company's operations. After subtracting net debt and minority interest, and adding the value of non-operating assets, we arrived at a total equity value of QAR 3.95 billion.

To estimate the value of Qatar National Cement's operations, we incorporated a varying WACC into our model. Our selection of a cost of equity of 10.8% is based mainly on interest rate levels and the operating environment.

Using the DCF valuation method, we arrived at a fair value per share of QAR 88.6

Figure 2 DCF Valuation

Figures in QAR Thousands*	Forecast						
Fiscal Year Ends December	2009	2010	2011	2012	2013	2014	2015
Net Operating Profit After Tax	**296,255**	**298,430**	**295,163**	**318,844**	**338,128**	**363,445**	**394,188**
Add: Depreciation and Amortization	**93,518**	**96,281**	**99,127**	**102,058**	**105,077**	**108,187**	**111,390**
Gross Cash Flow	**389,773**	**394,711**	**394,290**	**420,902**	**443,205**	**471,632**	**505,577**
(Increase)/ Decrease in Working Capital	73,286	(6,403)	(5,285)	(5,079)	(6,305)	(6,216)	(4,015)
(Incr.)/ Decrease in Operating Fixed Assets	(82,968)	(80,361)	(82,729)	(85,169)	(87,681)	(90,269)	(92,935)
Free Cash Flow from Operations	**380,091**	**307,946**	**306,276**	**330,654**	**349,219**	**375,147**	**408,627**
Terminal Value							**4,079,630**

Value of Operations in 12 Months	**3,861,566**
Add: Excess Cash	59,221
Add: Value of Long-Term Investments	228,798
Add: Value of Other Long-Term Assets	247,000
Less:Total Debt	(443,787)
Less: Minority Interest	-
Value of Equity in 12 Months	**3,952,798**
Per Share Value in QAR	**88.6**

*Source: * Except per share value, NBK Capital*

The long-term investment portfolio consists of investment securities worth QAR 159.5 million and investment in associates worth QAR 69.2 million. The investment portfolio is composed of listed local equities. The investment in associates consists of a 33.32% stake in Qatar Saudi Gypsum Industries Co. and a 20% stake in Qatar Quarries & Building Materials. In addition, the company has real estate properties on its books at a cost of QAR 13.9 million. According to management estimates (available in financial statements for 2008), these properties were valued at QAR 495 million. Taking a conservative stance, we have applied a 50% discount to this valuation.

Sensitivity Analysis

We performed a sensitivity analysis (Figure 3) on two important inputs for our DCF valuation model: the cost of equity and the perpetual growth rate used in computing the terminal value.

Figure 3 DCF Sensitivity

		Perpetual Growth Rate				
		4.50%	4.75%	5.00%	5.25%	5.50%
Cost of Equity*	9.8%	102.9	103.7	104.6	105.5	106.6
	10.3%	95.0	95.4	95.8	96.2	96.7
	10.8%	88.4	88.5	88.6	88.6	88.7
	11.3%	82.7	82.6	82.5	82.4	82.2
	11.8%	77.8	77.6	77.3	77.0	76.7

** Variations in the cost of equity result in variations in WACC, Source: NBK Capital*

Peer Group Comparison

We compared Qatar National Cement with publicly traded regional cement players that share similar characteristics. We obtained the consensus-forward EBITDA for each of the companies for 2010. The peers we chose are all regional players from Saudi Arabia, Oman, Egypt, and the United Arab Emirates (UAE). We did not include cement companies from other regional countries due to a lack of information on consensus-forward estimates for EBITDA in 2010. This limited our peer basket to 16 companies. For the valuation, we obtained the current EV (in this case from 9M2009 financial statements) and consensus 2010 EBITDA for each company to arrive at the forward EV/EBITDA multiple. We have calculated the enterprise value for Qatar National Cement based on only a simple average (excluding outliers) of the forward EV/EBITDA multiple for the peer basket.

Using the simple average (excluding outliers) of forward EV/EBITDA multiples of the peer basket, we estimated the value of a Qatar National Cement share to be QAR 68.5.

Using the simple average (excluding outliers) of forward EV/EBITDA multiples for the sample, we arrived at a fair value of QAR 68.5 per share

Figure 4 Forward EV/2010 EBITDA Multiples Comparison

Company Name	Country	Market Data		EBITDA 2010	EV / 2010 EBITDA
		Market Cap.* (USD '000)	EV (USD '000)	(USD '000)	
Saudi Cement Co.	KSA	1,563,932	1,960,347	221,246	8.9
Yamama Cement Co.	KSA	1,713,525	1,677,587	179,797	9.3
Yanbu Cement Co.	KSA	1,341,141	1,315,909	167,737	7.8
Eastern Province Cement Co.	KSA	1,082,406	1,043,963	103,974	10.0
Arabian Cement Co.	KSA	938,626	1,256,010	256,789	4.9
Raysut Cement	Oman	832,653	821,303	74,974	11.0
Oman Cement	Oman	640,203	586,628	73,321	8.0
Sinai Cement	Egypt	548,843	537,937	98,399	5.5
Misr Beni Suef Cement Co.	Egypt	497,121	460,223	115,109	4.0
Misr Cement Qena	Egypt	462,322	365,430	59,291	6.2
Tabuk Cement	KSA	460,780	355,290	46,030	7.7
EgyptianTourah Portland Cement Co.	Egypt	444,426	364,119	50,352	7.2
Gulf Cement Co.	UAE	357,650	338,169	77,519	4.4
Fujairah Cement Industries Co.	UAE	290,637	433,371	75,409	5.7
Union Cement Co.	UAE	275,970	266,054	43,013	6.2
RAK Cement	UAE	137,032	116,394	10,197	11.4
Simple Average					**7.4**
Simple Average (excluding outliers)					**7.5**
Weighted Average					**7.1**

**Prices as of last close. Sources: Respective company financial statements, Reuters Knowledge, and NBK Capital*

Although trailing EV per ton was not accounted for in our final computation of fair value, the significance of that multiple was too important to ignore. We did not consider trailing EV per ton in our final computation of fair value because of a lack of information about the installed cement capacity of the peer companies from the respective companies or other authentic sources. However, we compared Qatar National Cement against its peers on a trailing EV per-ton basis to get an idea of how the company compares to its regional counterparts.

The simple average (excluding outliers) for EV per ton for our sample was USD 222 per ton. Qatar National Cement currently trades at a premium compared to its peers at USD 245 per ton. Most Saudi and Omani cement companies trade at a significantly higher EV per ton; this premium is justified due to cost efficiencies (mainly due to lower energy expenses). On the other hand, most UAE cement companies are penalized due to high raw material and energy costs. We feel Qatar National Cement somewhat lies in the middle of the band in terms of efficiency, mired by the lack of energy subsidies from government. However, the company's near-monopoly status in the local market stands out. Currently, Qatar National Cement trades at a significant discount to all Saudi cement companies (with the exception of Saudi Cement Co.) and both Omani cement companies on EV per ton. We forecast an EBITDA margin of 33.2% for the current year for the company, which is below the peer group average (simple average excluding outliers) of 44.3%. The high EBITDA margin for the peer basket is mainly bolstered by the six Saudi Arabian cement companies with a forecasted average 2010 EBITDA margin of 59.3% per the consensus analysts' estimates from Reuters.

Qatar National Cement currently trades at a premium on trailing EV per ton of USD 245 compared to the peers' USD 222 per ton

Figure 5 Trailing EV Per-ton Multiples

Company Name	Country	Capacity	Market Data		EBITDA Margin	EV / Ton
			Market Cap.*	EV		
		('000 Tons)	(USD '000)	(USD '000)	2010	(USD)
Saudi Cement Co.	KSA	11,500	1,563,932	1,960,347	52.0%	170
Yamama Cement Co.	KSA	6,370	1,713,525	1,677,587	65.7%	263
Yanbu Cement Co.	KSA	4,530	1,341,141	1,315,909	57.7%	290
Eastern Province Cement Co.	KSA	3,500	1,082,406	1,043,963	50.1%	298
Arabian Cement Co.	KSA	5,000	938,626	1,256,010	69.9%	251
Raysut Cement	Oman	2,700	832,653	821,303	40.6%	304
Oman Cement	Oman	2,160	640,203	586,628	46.0%	272
Sinai Cement	Egypt	3,000	548,843	537,937	44.7%	179
Misr Beni Suef Cement Co.	Egypt	1,500	497,121	460,223	53.4%	307
Misr Cement Qena	Egypt	1,700	462,322	365,430	49.2%	215
Tabuk Cement	KSA	1,300	460,780	355,290	60.1%	273
EgyptianTourah Portland Cement Co.	Egypt	3,000	444,426	364,119	30.6%	121
Gulf Cement Co.	UAE	2,700	357,650	338,169	31.9%	125
Fujairah Cement Industries Co.	UAE	2,100	290,637	433,371	28.6%	206
Union Cement Co.	UAE	4,200	275,970	266,054	21.3%	63
RAK Cement	UAE	1,100	137,032	116,394	18.6%	106
Simple Average					**45.0%**	**215**
Simple Average (excluding outliers)					**44.3%**	**222**
Qatar National Cement	**Qatar**	**4,425**	**926,628**	**1,082,076**	**33.2%**	**245**

**Prices as of last close. Sources: Company financial statements, Reuters Knowledge, and NBK Capital*

According to Holtec Consulting, when equipment is procured from European suppliers, the required investment for setting up a 1-Mtpa integrated cement plant in the region is around USD 150–160 per ton. However, when only critical equipment is sourced from European suppliers and the rest is sourced from Chinese suppliers, the required investment is likely to be around USD 120–130 per ton. This implies that the cost of setting up a greenfield project of a size similar to that of Qatar National Cement is lower than what a company would pay if it were to acquire the company. Obviously, the premium is justified considering the near-monopoly status Qatar National Cement enjoys in its home territory.

EV per Ton – Is the discount justified?

Qatar National Cement currently trades at a 5% and 18% discount to all Saudi cement companies and the Omani cement companies, respectively, on EV per ton. We have compared Qatar National Cement to the two Omani cement companies that we feel are more similar as opposed to some of the Saudi cement companies. Limited information on the Saudi companies also restricted us. We wanted to make the comparison a bit more comprehensive by including several other parameters as illustrated in Figure 6 below.

We observe that Qatar National Cement scores well in terms of its market leadership, scalability of operations, and overall prospects of the company's home territory. However, the company's lower expected EBITDA margin in 2010 compared to both Omani cement companies probably justifies Qatar National Cement's discount on EV per ton. Lower energy subsidies from the local government compared to the Omani companies is one of the factors instrumental for Qatar National Cement's lower EBITDA margin. However, we strongly believe that value unlocking is likely to happen considering the company's near-monopoly status in the domestic market, which, in turn, results in Qatar National Cement being a perfect proxy for the Qatar growth story.

Lower EBITDA margins are mainly responsible for Qatar National Cement's lower valuation on EV per ton compared to Omani cement companies

Figure 6 Trailing EV Per-ton Multiples

Comparative parameters	Qatar National Cement	Raysut Cement	Oman Cement
		Market positioning and competitiveness	
Country of operation	Qatar	Oman	Oman
Domestic market demand (million tons)	5 - 5.5	4.5 - 5	4.5 - 5
Domestic market share (%) - 2009	85%	50%	50%
Market leadership	Yes	No	No
Export potential	No	Yes	No
Proximity to market	Close	Close to southern Oman Far from northern Oman	Close
Proximity to raw material source	Close	Close	Close
Energy subsidies from government	Less compared to Oman	Yes	Yes
Cement import threats	Mainly from Saudi Arabia	Mainly from UAE	Mainly from UAE
Competitiveness against imports	Well positioned	Well positioned	Well positioned
Potential threat from upcoming capacity	Yes	Yes	Yes
		Technical parameters	
Clinker capacity (million tons)	3.6	2.6	2.4
Cement capcity (million tons)	4.4	3.8	2.6
Intergrated capacity	No	No	Yes
Requirement for clinker/cement imports	Clinker	No imports	No imports
Make of production facility	European	Mix of European and Chinese	Mix of European and Chinese
Multiple line production facilty	Yes	Yes	Yes
		Operating and Financial parameters	
Cement sales volume (million tons) - 2010	4.2	2.7	2.2
Total revenue (USD million) - 2010	326	184	159
Average domestic cement price (USD per ton) - 2010	69.1	69.1	72.2
EBITDA (USD million) - 2010	108	75	73
EBITDA margin (%)	33.2%	40.6%	46.0%
Shareholders' equity (USD million)- 9M2009	496	266	340
Net Debt-to-equity ratio (x) - 9M2009	0.3	Debt free	Debt free
Investments (as a % of equity) - 9M2009	8.8%	4.0%	16.5%
		Valuation	
Market capitalization (USD million)	927	833	640
EV/2010 EBITDA	10.8	11.0	8.0
EV per ton (USD per ton)	245	304	272
Dividend payout (%) - 2008	35%	74%	58%
Dividend yield (%) - on 2009 payout	5.4%	7.1%	4.0%

Sources: Company financial statements and NBK Capital

BULLS VS. BEARS

Bull Story

- Qatar National Cement, 43% owned by the Qatari government, was the first, and not long ago the only, cement player in the country. Since Qatar National Cement's inception, the company has enjoyed a monopoly status and currently controls around 80% to 85% of the domestic cement market. The company's near-monopoly status in the domestic market results in Qatar National Cement being a perfect proxy for the Qatar growth story. The company enjoys the largest market share (in the domestic market) of any cement company in the region.
- The Qatari economy has had an enviable run in the recent past and has outperformed most of its Gulf Cooperative Council (GCC) peers in terms of economic growth. Qatar with its natural gas resources looks well poised to sustain the growth as well. With significant government surplus and robust economic prospects, Qatar's cement industry is set to benefit from this in the long run. We feel the ongoing and future government and private projects would favorably boost cement demand in the country. Qatar has lined up several high-value infrastructure and construction projects that will act as a big trigger for the local cement market going forward. According to Meed Projects, Qatar has an estimated 245 current and planned infrastructure and construction projects in the pipeline, all of which are worth an estimated USD 138 billion.
- The first-mover advantage enjoyed by the company was further consolidated by significantly ramping up of both clinker and cement capacity over the years. The current clinker and cement capacity of the company stands at 3.6 Mtpa and 4.42 Mtpa, respectively, and has more than quadrupled in the last five years. We feel the company's capacity buildup over the last few years has significantly augmented Qatar National Cement's grip on the domestic front and has lessened the company's reliance on cement imports, which is a value-accretive long-term strategy.
- We expect margin expansion at all levels for Qatar National Cement from 2009 onwards. We expect the EBITDA margin to expand significantly from 25.5% in 2009 to 33.2% in 2010 mainly due to lower imports of cement and clinker. Accordingly, we forecast the EBITDA margin to expand to 33.9% (five-year average from 2010 to 2014) compared to the historical average of 23.7% (four-year average from 2005 to 2008).
- We are optimistic about the company's future dividend payouts, keeping in mind significant free cash flows going forward leading to a cash-rich, low-debt balance sheet status. No planned capacity addition in the medium term only strengthens our argument. We believe the credible track record for dividend payouts to be a major trigger for the stock going forward as it ensures recurring streams of future cash flows for investors and significantly cushions the potential downside of the stock price. On an expected payout of 50% for 2009, the company is currently trading at an attractive dividend yield of 5.4%.

Bear Story

- The near-monopoly status of the company does not result in better pricing power due to the government-imposed price cap. Additionally, we believe the local cement market is not entirely insulated from cheap cement imports from neighboring cement major Saudi Arabia. Cement imports from Iran should not be ruled out either. Importing cement posed little threat for Qatar National Cement in the past as the company's main target was meeting the excess cement demand; however, imports could prove to be a comparatively larger threat today. Dumping comparatively inexpensive cement from any of the above-mentioned countries would be an entirely new experience for the Qatari cement sector, which is likely to put cement prices in Qatar under pressure. Currently, Qatar does not have any official restrictions on imports. This gives cement-exporting countries the ability to sell directly to independent Qatari distributors, thus putting pressure on prices. Though there is no historical evidence of any such event, the possibility of such a development cannot be completely ignored considering the recent price reductions and excess supply scenario in some of the bigger regional cement markets such as the UAE and Saudi Arabia.

- Continuing with the supply-side woes, we are cautious regarding the likely impact of Gulf Holding's upcoming integrated capacity addition of 1.5 Mtpa, which is expected to be operational by beginning of 2Q2010.
- Cancellation or delay of any government or private infrastructure and real estate project can negatively impact the cement demand in the country and hence the company as well.
- Similar to any other manufacturing company, Qatar National Cement is vulnerable to technical breakdowns of its plant and machinery. Any unexpected shutdown of either the clinker or cement production facility can adversely impact the company's operations.

QATARI CEMENT SECTOR

The Qatari cement market is the third-largest cement market in the GCC in terms of cement consumption and production capacity. Historically, Qatar was a cement-deficient market with local production capacity insufficient to meet the insatiable demand. Qatar National Cement is the only player as of now, but the industry will have a new player in the form of Gulf Holding Co., as discussed earlier. The current aggregate clinker capacity for the country is the same as that of Qatar National Cement. However, an additional 400,000 to 500,000 tons of grinding capacity is presently available in excess of Qatar National Cement's grinding capacity. We estimate cement consumption reached around 5.5–6 million tons per annum in the last two years. We expect cement consumption in Qatar should drop slightly to around 5–5.5 million tons per annum in light of the recent slowdown in the regional economies. We applied Michael Porter's Five Forces Model to analyze the industry. The model is used to derive five forces that determine the competitive intensity and therefore the attractiveness of a market.

Barriers to Entry – HIGH

- High initial capital requirements – The initial outlay for an integrated 1-Mtpa greenfield cement plant typically ranges between USD 130 million and USD 160 million. A high initial investment coupled with a commissioning time period of 30-36 months for a greenfield project results in very high switching costs for new players.
- Energy subsidies – Qatari cement companies are at a comparative disadvantage to Saudi or Omani cement companies in terms of energy subsidies. Our understanding is that Qatari cement companies do not procure gas at market prices like that of the UAE cement companies but shell out more compared to their Saudi or Omani peers. All kilns are fired with natural gas while grinding mills run on electricity. Without the energy supplies from the government, it is unlikely that any additional cement capacity will be commissioned.

Bargaining Power of Suppliers – MEDIUM/HIGH

- The government controls all raw materials—limestone as well as natural gas. The companies have long-term contracts with the government for both.

Bargaining Power of Buyers – MEDIUM

- Although Qatar National Cement has a near-monopoly status in the Qatari cement market, the government once again acts as the market regulator. The government imposed a strict price cap on cement at QAR 250 per ton, which negates any pricing power at the company level despite robust cement demand.
- Backward integration for consumers is ruled out as buyers (i.e., real estate developers/ construction players) will find it difficult to integrate backwards and manufacture cement due to high cost requirements, lack of expertise, and low government support.

Threat of Substitute Products – VERY LOW

- Cement does not have any substitutes. It serves as a binding agent and is a necessity in almost all infrastructure and civil projects. Ready mix concrete, which is extensively used in developed construction markets globally, uses cement as the raw material.

Competitive Rivalry within the Industry – MEDIUM

- As of late, Qatar National Cement has dominated the cement industry in Qatar, but with the planned future capacity expansion of Qatar's second player (Gulf Holding Co.), this stranglehold could be in jeopardy. Additionally, the threat of cheap imports from Saudi Arabia is very viable as the current cement export ban in Saudi Arabia is not likely to stand for long.

Qatari Cement Sector – Small but Resilient

We are optimistic regarding the Qatari cement sector due to the ongoing infrastructure and real estate projects undertaken by the local government as well as the private players. We expect the airport expansion projects and other tourism and road projects to act as a trigger for the sector going forward. According to Meed Projects, Qatar has an estimated 245 current and planned infrastructure and construction projects in the pipeline, all of which are worth an estimated USD 138 billion. Qatar in isolation is likely to continue as an attractive cement market within the GCC, but we expect the country to bear the brunt of the regional cement market dynamics. On a comparative basis within the GCC, we definitely have a more positive outlook on the Qatari cement sector vis-à-vis the Saudi Arabian or the United Arab Emirates cement markets.

In contrast to the steep decline in cement prices in the UAE during 3Q2009 (please refer to the Ras Al Khaimah Cement update dated October 19, 2009), cement prices in Qatar have remained firm during the current year. The price of ordinary Portland cement (OPC) was QAR 250 per ton (USD 69 per ton) until the end of November 2009 and is likely to be the same for the remaining period of the year. The prevailing cement price in Qatar is among the lowest within the GCC and, hence, acts as a natural shield to an extent for any expected price decline going forward. Cement prices in Qatar remained almost the same over the last three years compared to significant increases in Oman. The price trend in the UAE has been the most notable, where a secular uptrend was followed by a significant decline.

Major infrastructure projects will act as a trigger for cement demand in Qatar

Figure 7 Key Infrastructure Projects in Qatar

Project	Sector	Budget Value (USD million)	Completion Date
Qatar UAE Causeway	Infrastructure	13,000	-
Barwa Al Khor - Al Khor City: Urjuan Mixed-use Development	Construction	10,000	Q4 2013
ADIH - Porta Moda	Construction	7,000	Q4 2013
Government of Qatar - Mesaieed Port	Infrastructure	7,000	Q4 2025
Qatari Diar Real Estate Investment Company (QDREIC) - Lusail Mixed-use Development - Infrastructure	Construction	6,300	Q4 2011
Dohaland - Heart of Doha	Infrastructure	5,500	Q4 2016
Qatar and Bahrain Causeway Foundation (QBCF) - Al Mahaba Causeway	Infrastructure	4,200	Q2 2014
Arcapita Bank/ Al-Imtiaz Investment Company - Lusail Development: Al-Sidra Golf Residential Development	Construction	3,500	Q4 2012
Energy City Development Company - Energy City Qatar	Construction	3,500	Q4 2013
NDIA - Doha International Airport - Infrastructure Packages	Infrastructure	2,500	Q1 2012
Qatar Foundation - Education City: Sidra Digital Medical Care & Research Centre	Infrastructure	2,500	Q4 2012
Al Waab Development Company - Al Waab City	Construction	2,000	Q2 2035
Masraf Al Rayan - Smart Industrial City	Construction	2,000	Q4 2010
QREIC - Mesaieed Industrial City Housing Project - Phase II	Construction	2,000	Q4 2014
QP - Ras Laffan Port Expansion - Dredging and Reclamation	Infrastructure	2,000	Q4 2010
Urban Planning Development Authority (UPDA) - Al Wakrah & Al Khor Cities	Infrastructure	2,000	Q4 2014

Sources: Meed Projects and NBK Capital

However, the situation could worsen further due to cheap imports from neighboring countries such as Saudi Arabia. Though Qatar has imported cement from Saudi Arabia in the past, the imports were mainly for meeting the excess demand. Exporting of comparatively inexpensive cement by Saudi Arabian cement companies would be an entirely new experience for the Qatari cement sector, which is likely to intensify competition. We feel Saudi Cement Co., located in the eastern province of Saudi Arabia, is best suited to reap the benefits of exports if and when the Saudi Arabian companies start doing so. The company is around 200–250 km away from Doha and is a major export player in Saudi Arabia. The company is currently selling cement at an average price of SAR 240–250 per ton (USD 63–65 per ton). Our interaction with the Qatar National Cement management and other industry sources in Saudi Arabia has led to our understanding that Saudi Cement Co. would incur transportation charges in the range of SAR 30–40 per ton (USD 8–10 per ton) in order to sell cement in Qatar. In that case, it would be economically unviable at these price levels. As for the other cement players in Saudi Arabia, the transportation charges will be even higher considering the companies' distance from Doha. Hence, we feel, at the prevailing prices, Saudi players will not find Qatar an attractive destination. Nevertheless, we have remained cautious and assume a 4% drop in cement prices in 2010 and an additional 2% drop in 2011.

However, the situation in Saudi Arabia may change with the lifting of the cement export ban. The ongoing export ban in Saudi Arabia comes as a temporary respite, but we feel the situation is likely to change in the near term considering the current situation. Subsequent lifting of the export ban in Saudi Arabia is likely to have serious repercussions for the regional cement sector, let alone Qatar. Currently, cement prices in Saudi Arabia are in the range of USD 61–65 per ton (SAR 230–240 per ton). Saudi cement prices are likely to soften once the major cement exporters (Saudi Cement Co. and Eastern Province Cement Co.) start exporting cement by adhering to a pair of conditions enforced by the ministries in Saudi Arabia. One of the conditions stipulates that local cement companies in Saudi Arabia have to sell bagged cement in the domestic market at SAR 10 per bag or SAR 200 per ton (USD 50–53 per ton). If Saudi cement prices plunge to SAR 200 per ton, it would result in an export potential to Qatar provided current prices hold firm. Existing clinker stock of around 11 million tons and new capacities that are expected to be operational in 2010 are only going to add to the supply worries in Saudi Arabia.

The Qatar-Dubai Conundrum

With vast wealth being poured into country infrastructure turning Qatar into a financial and touristic hub, it is hard to ignore comparisons to the nation that set the standard in turning regional economic growth into global recognition—Dubai. In many cases, the countries are very similar yet the biggest difference lies in the fact that Dubai has run into troubled waters, by many standards; to sustain healthy growth, we believe Qatar is likely to succeed. We say this simply because, where Dubai has multinational corporations spanning the city landscape, Qatar has a much more assured source of income—natural gas. Qatar is a dominant player in the global natural gas market with 14% of total global proven gas reserves, preceded only by Russia and Iran. On the export front, Qatar accounts for 7% for total global natural gas exports, greatly surpassing all other Middle Eastern nations. With significant natural gas reserves as well as high demand for the resource globally, Qatar has had a phenomenal run whereby its gross domestic product (GDP) more than tripled in the last five years. We feel the future is not going to be any different. We believe Qatar has the money to sustain such growth without, unlike the Emirate of Dubai, taking on excessive debt. We have compiled some key economic data that support our view of sustainable growth in Qatar.

We feel Qatar is better positioned to sustain growth going forward compared to Dubai

Figure 8 Qatar vs. Dubai

Key Figures - 2009	Qatar	Dubai
Population (million)	1.45	2.26
Nominal GDP (USD million)	100,358	82,115
GDP Per Capita (USD)	69,286	36,302
Sovereign Debt (USD million)	6,810	27,546
Sovereign Debt (% of GDP)	7%	34%
Fiscal Surplus (USD million)	10,669	-1,465
Fiscal Surplus (% of GDP)	11%	-2%
Current Account Surplus (USD million)	27,100	22,284
Current Account Surplus (% of GDP)	27%	27%

Sources: Respective central banks and NBK Capital

COMPANY BACKGROUND AND BUSINESS MODEL DISCUSSION

Qatar National Cement, 43% owned by the Qatari government, was the first, and not long ago the only, cement player in the country. Established in 1965, the company began its commercial operations in 1969 with a 100,000-ton-per-annum single-line production facility. The company has enjoyed a monopoly status from its inception and currently controls around 80% to 85% of the domestic cement market. The first-mover advantage enjoyed by the company was further consolidated by significantly ramping up of both clinker and cement capacity over the years. The current clinker and cement capacity of the company stands at 3.6 Mtpa and 4.42 Mtpa, respectively.

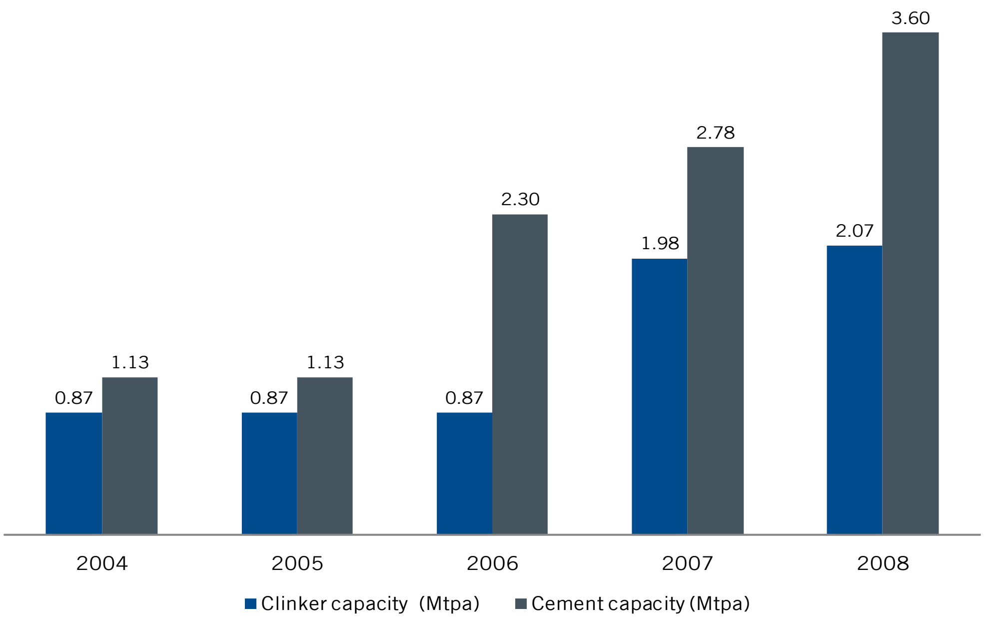
The company's cement offering mainly includes ordinary Portland cement and sulphate resistant cement. The company's cement plants are located in Umm Bab (82 km from Doha) close to rich raw material deposits. The company operates through four lines of production, all of which are European make. The new cement plants are fully computerized and run on state-of-the-art technology. The cement plants are equipped with automatic weighing and bagging units, and the company's own fleet of tankers ensures delivery of bulk and bagged cement to customers.

Timely capacity additions over the years have ensured that the company has maintained its tight grip on the domestic market. Historically, Qatar has been a cement-deficient market, and to meet the robust cement demand, the Qatari government intervened with a proposed price cap of QAR 250 per ton and instructed Qatar National Cement to import cement to meet the local demand and keep a check on the rise in cement prices. Per our discussion with management, we have reason to believe that the average import price of cement was higher than the government-imposed sales price. The Qatari government has covered all losses as a result of these imports from India and Pakistan.

In 2003, the company acquired a sand treating plant with a capacity of 20,000 tons per day. Qatar National Cement commissioned a second sand treating plant in 2008, with another 20,000 ton-per-day capacity. The plant desalinates and filters the sand, which is later sold to ready mix and other construction companies. Historically, this revenue for sand business accounted for around 11% of the company's total revenue.

Figure 9 Clinker and Cement Capacity

The company has increased its capacity manifold since 2004



Sources: Company financial statements and NBK Capital

FINANCIAL OVERVIEW AND FORECASTS

Total Revenue

In this section, we discuss the historical and future trends of total revenue for Qatar National Cement. To do so, we analyzed the trend in clinker and cement capacity utilization, clinker-to-cement production ratio, clinker and cement production, cement prices, sales volume, and, finally, total revenue for our explicit forecast period (2010–2015).

Production Capacity and Capacity Utilization

As discussed earlier, Qatar National Cement more than quadrupled both its clinker and cement capacity in the past to reach the current capacity of 3.6 Mtpa and 4.42 Mtpa, respectively. Per our discussions with management, we have not accounted for any capacity expansions in our forecasts.

The company's clinker lines have operated at full capacity over the last three years. The company imported, on an average, around 1.08 million tons of cement per annum from 2005 until the end of September 2009. Cement imports peaked in 2007 at 1.25 million tons while around 1.03 million tons of cement were imported until the end of September 2009. We expect the company to import around 90,000–100,000 tons of cement during 4Q2009.

The company imported, on average, around 900,000 tons of clinker per annum from 2004 until the end of September 2009. Clinker imports peaked in 2008 at 2.56 million tons while around 550,000 tons of clinker were imported until the end of September 2009. Going forward, we expect the company to import around 400,000–600,000 tons of clinker to utilize excess grinding capacity. The company plans to import an additional 450,000 tons of clinker during 4Q2009 of which approximately 300,000 tons is expected to be ground.

Since we do not expect any further cement imports begining in 2010, we expect the current clinker facility to operate at full capacity from 2010 onwards. Since Line 4 started in the middle of the year, this will result in an effective capacity utilization of 84% for 2009.

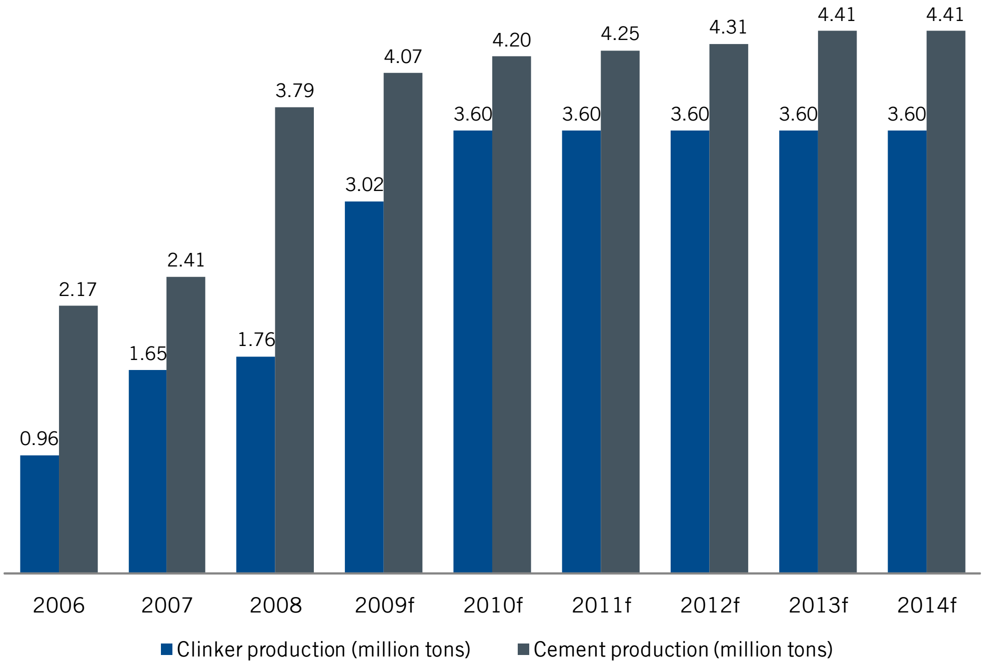
Historically, the company's grinding mills operated on an average utilization rate of almost 100% over the last five years. We expect the clinker-to-cement production ratio to be 1:1.05 for the forecast period. The above-discussed trend in the clinker-to-cement production ratio will result in a cement capacity utilization level of 91.9% in 2009, and will finally lead to almost full capacity utilization by 2013. We therefore expect a gradual increase in cement capacity utilization going forward.

Clinker and Cement Production

We forecast clinker production to increase at a six-year (2008–2014) CAGR of 12.6% to reach 3.6 million tons (full capacity) by 2010. As for cement production, we expect it to increase at a six-year CAGR of 2.6% to 4.41 million tons (full capacity) by 2014.

Figure 10 Clinker and Cement Production

Recent capacity expansions will boost clinker and cement production going forward



Sources: Company financial statements and NBK Capital

Cement Prices

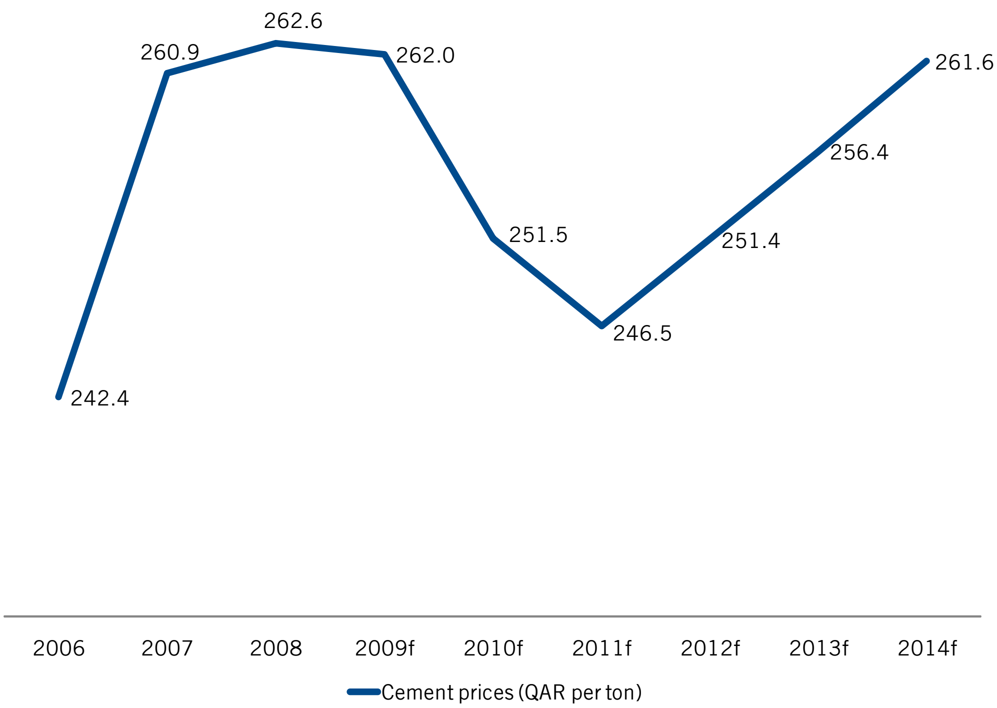
Average cement prices for Qatar National Cement have increased over the past five years from QAR 214 per ton in 2004 to QAR 263 per ton in 2008. This can be attributed to the robust cement demand in Qatar leading to acute cement shortages. To rein in the rise in cement prices, the Qatari government-imposed a cap of QAR 250 per ton for bulk OPC cement. The excess in the average domestic price over the government imposed price cap in 2008 was due to the company's product portfolio, which is composed of cement types other than OPC.

The cement prices trend in Qatar during 9M2009 and management's take on the domestic cement prices for 4Q2009 make us assume that prices will remain unchanged for the rest of the year as well. Accordingly, we expect domestic cement prices for the company to be almost flat at QAR 262 per ton in 2009 compared to 2008.

As mentioned earlier, we expect domestic cement prices in Qatar dip by 4% to QAR 251.50 per ton during 2010 and by an additional 2% to QAR 246.50 per ton in 2011. We forecast cement prices to gradually recover to QAR 261.60 per ton by the end of 2014.

Figure 11 Trend in Cement Prices Going Forward

Average cement prices are expected to decline by 4% in 2010 and by a further 2% in 2011



Sources: Company financial statements and NBK Capital

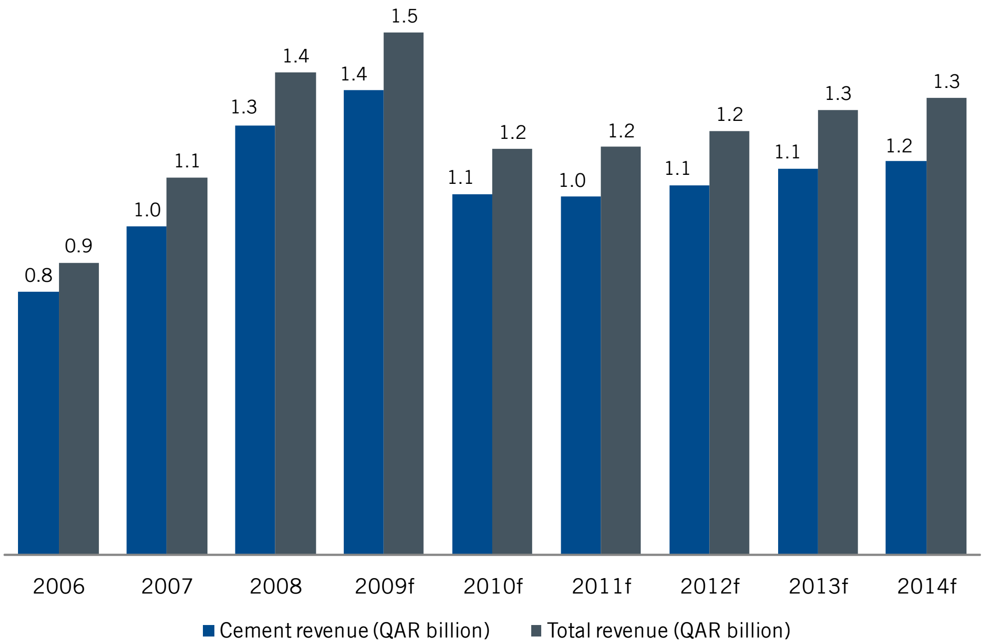
Sales Volume and Total Revenue

We expect the total cement sales volume to increase by 8.3% to 5.18 million tons in 2009 compared to 2008 entirely due to strong domestic demand. We expect cement volumes to drop by 19% to 4.2 million tons in 2010 compared to 2009 resulting in a 22% drop in cement revenue. We feel this drop is justified considering the new supply from Gulf Holding Co. In general, we forecast the sales volume to decrease at a six-year CAGR of 1.4% to 4.4 million tons in 2014 compared to 4.8 million tons in 2008.

Per management guidance, we expect the company to sell in the range of 20,000 tons per day (6 million tons per annum) to 28,000 tons per day (8.4 million tons per annum) of sand over the forecast period. We have forecasted a gradual increase in the sales volume going forward and hence expect capacity utilization to rise from 50% in 2010 to 70% in 2014. We expect the company to sell sand at QAR 22 per ton and, taking our cues from management, have not assumed any price change. In general, we forecast total revenue from the sand business to increase at a six-year CAGR of 3% from QAR 155 million in 2008 to QAR 185 million in 2014. We expect revenue from the sand business to contribute an average of 12.5% of the total revenue over the forecast period.

Figure 12 Trends in Total Revenue

Revenue to decline due to the decrease in cement prices and the quantity of cement sold in 2010



Sources: Company financial statements and NBK Capital

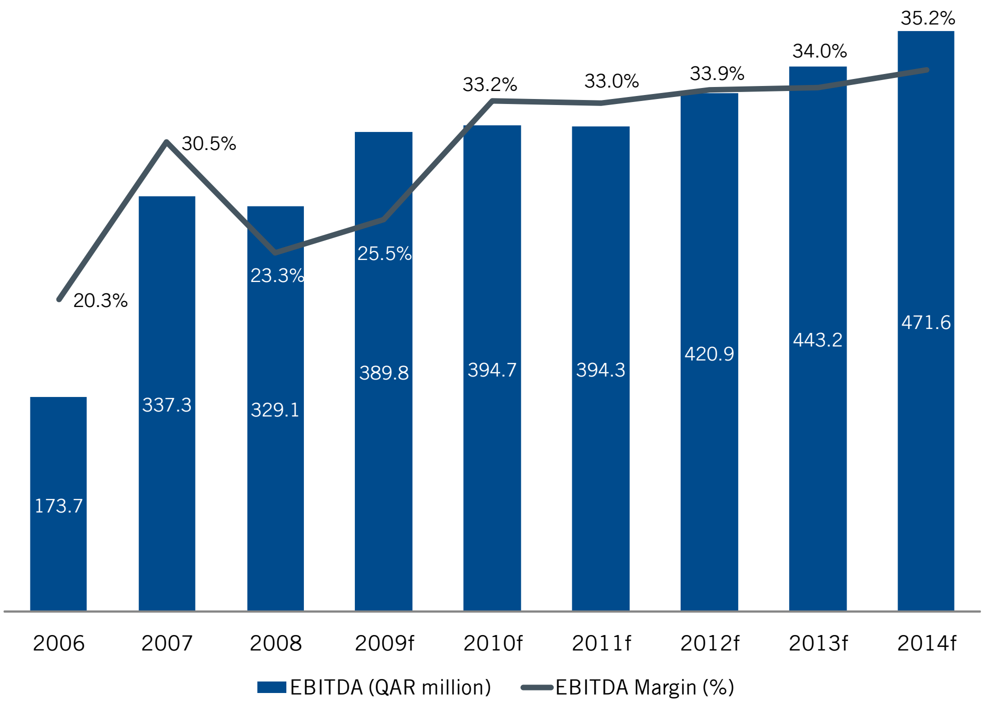
We expect the rise in cement sales volume to result in 8.2% growth in total revenue to QAR 1.53 billion in 2009 compared to 2008. We expect total revenues to slip by 22% in 2010 due to the forecasted drop in sales volume and cement prices. In general, we forecast total revenues to decrease at a six-year CAGR of 0.9% from QAR 1.41 billion in 2008 to QAR 1.34 billion in 2014.

EBITDA and EBITDA Margin

We expect margin expansion at all levels for Qatar National Cement from 2010 onwards. We forecast the EBITDA margin to expand significantly from 25.5% in 2009 to 33.2% in 2010 mainly due to lower imports of cement and clinker. Accordingly, we forecast the EBITDA margin to expand to 33.9% (five-year average from 2010 to 2014) compared to the historical average of 23.7% (four-year average from 2005 to 2008).

EBITDA margins to expand going forward due to the absence of cement imports

Figure 13 Trends in EBITDA and EBITDA Margin



Sources: Company financial statements and NBK Capital

Investment Income and Other Income

Over the years, the company's net profit has been influenced by investment income, which has accounted for an average of 23% of net profit between 2004 and 2008. Going forward, we have forecasted a nominal 5% return on the investment portfolio. We have assumed no growth in the investment portfolio from the 9M2009 balance of QAR 159.5 million.

The company has other sustainable income sources apart from its cement and sand business. The company earns rental income from its real estate properties, which has ranged between QAR 7 million and QAR 9 million in the last five years. We have assumed annual rental income of QAR 8 million over our forecast period.

Qatar National Cement has a fleet of bulk containers and tankers that are rented to other parties subject to availability. Transportation income peaked at QAR 20 million in 2008. According to management, transportation income is expected to range between QAR 15 million and QAR 18 million per annum going forward.

As mentioned earlier, investment in associates consists of a 33.32% stake in Qatar Saudi Gypsum Industries Co. and a 20% stake in Qatar Quarries & Building Materials. The company expects additional investment of QAR 10–15 million in 2010. We expect the share of profit from associates to range between QAR 13 million and QAR 18 million each year going forward. The company's share of profit from associates amounted to QAR 12.70 million in 2008, and the company's investment stood at QAR 49 million at the end of September 2009.

Capital Expenditure and Depreciation

As mentioned earlier, we do not expect any other capacity additions over our forecast horizon. We expect the net block of property, plant, and equipment to decrease at a six-year CAGR of 0.9% over the forecast period. We expect meager additions to the gross block in the form of maintenance capex (3% of opening gross block) every year and assumed an annual depreciation rate of 3.5% over the forecast period.

Balance Sheet

Qatar National Cement has piled up a significant amount of debt over the last few years for funding capacity expansion. The company has spent a whopping QAR 1.83 billion in the last five years related to capacity expansion. Accordingly, debt increased manifold from QAR 20 million in 2004 to QAR 874.3 million at the end of 2008, thus increasing the debt-to-equity ratio from 0.02 to 0.53 during the same period. At the end of 9M2009, the company's total debt stood at QAR 584.3 million; while the cash and cash equivalent balance was QAR 18.2 million, which translates to a debt-to-equity ratio of 0.32. The company has scheduled payments lined up over the next two years and should pay back its entire long-term debt by 2011. Robust cash flows are likely to come in handy toward making these payments. As a result, we expect the debt-to-equity ratio to fall to 0.15 by 2012.

High Free Cash Flow Is Likely to Lead to Attractive Dividend Payouts

Given that management is not contemplating any increase in capacity in the foreseeable future, we expect Qatar National Cement to generate healthy free cash flows going forward, which should play a significant role in boosting the dividend yields going forward. We have maintained future dividend payout ratios at 70% from 2010 onwards, which translates into a dividend yield of 6.9%. On a trailing 12-month basis, the stock is trading at a dividend yield of 4.2%. Our free cash flow analysis suggests there is still significant upside potential for the dividend yield from current levels, taking into account a notable free cash flow yield of 9.1% on forecasted free cash flows in 2010.

Our free cash flow analysis suggests a significant upside potential for the dividend yield from current levels

Figure 14 Trends in Free Cash Flows and Dividend Payout

	2005	2006	2007	2008	2009f	2010f	2011f	2012f	2013f
all figures in QAR millions, otherwise stated									
Free Cash Flow from Operations	-283	99	15	-624	380	308	306	331	349
Cash Dividends	57.1	142.8	250.0	143	183	234	251	272	290
FCFO / Net Profit (%)	-163%	50%	4%	-151%	104%	92%	91%	91%	90%
Dividend Cover (x)	-5.0	0.7	0.1	-4.4	2.1	1.3	1.2	1.2	1.2
Dividend Payout Ratio (%)	33%	71%	70%	35%	50%	70%	75%	75%	75%
Free Cash Flow Yield (%)	-5.7%	2.6%	0.2%	-17.8%	11.3%	9.1%	9.1%	9.8%	10.3%
Cash Dividend Yield (%)	1.1%	3.8%	4.1%	4.2%	5.4%	6.9%	7.4%	8.1%	8.6%

Sources: Company financial statements and NBK Capital

FINANCIAL STATEMENTS

Income Statement (QAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Total Revenue	1,105,493	1,412,993	1,529,412	1,188,384	1,193,397	1,240,760	1,302,535
Cost of Revenue	737,019	1,047,592	1,100,000	754,063	755,863	774,026	811,434
Gross Profit	**368,474**	**365,401**	**429,412**	**434,321**	**437,534**	**466,735**	**491,101**
Selling/General/Admin. Expenses	31,153	36,312	39,640	39,611	43,244	45,833	47,896
Depreciation/Amortization	88,554	85,280	93,518	96,281	99,127	102,058	105,077
Operating Income	**248,767**	**243,810**	**296,255**	**298,430**	**295,163**	**318,844**	**338,128**
Interest Income (Exp), Net Non-Operating	(24,571)	(23,636)	(25,095)	(15,052)	(13,011)	(11,370)	(8,532)
Interest/Invest Income - Non-Operating	53,556	98,983	51,061	10,177	11,254	12,509	13,127
Other net	77,407	94,487	43,588	41,065	41,580	42,722	43,908
Net Income after Taxes	**355,160**	**413,645**	**365,809**	**334,620**	**334,987**	**362,705**	**386,630**

Balance Sheet (QAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
ASSETS							
Cash and Short-Term Investments	105,682	4,554	101,526	118,640	209,233	244,118	271,059
Total Receivables, Net	115,101	267,791	137,647	142,606	146,788	148,891	153,699
Total Inventory	173,652	492,093	305,882	308,980	310,283	315,153	319,121
Other Current Assets	6,921	6,219	-	-	-	-	-
Total Current Assets	**401,356**	**770,656**	**545,056**	**570,226**	**666,304**	**708,163**	**743,879**
Property/Plant/Equipment, Total - Net	1,122,105	1,790,478	1,781,207	1,765,288	1,748,890	1,732,001	1,714,605
Long-Term Investments	436,477	260,576	215,173	228,798	232,548	236,548	240,798
Other Long-Term Assets, Total	156,578	31,427	13,564	12,144	10,723	9,303	7,882
TOTAL ASSETS	**2,116,516**	**2,853,137**	**2,555,000**	**2,576,456**	**2,658,466**	**2,686,014**	**2,707,164**
LIABILITIES & EQUITY							
Accounts Payable	120,573	330,494	122,353	106,955	107,406	111,668	117,228
Short-Term Debt	87,919	553,899	259,649	230,787	371,193	334,415	234,403
Total Current Liabilities	**208,492**	**884,393**	**382,002**	**337,742**	**478,599**	**446,083**	**351,631**
Long-Term Debt	262,188	320,452	300,000	213,000	52,400	-	-
Other Liabilities	3,752	5,764	7,500	8,500	9,500	10,500	11,500
Total Liabilities	**474,433**	**1,210,610**	**689,502**	**559,242**	**540,499**	**456,583**	**363,131**
Total Equity	**1,642,083**	**1,642,527**	**1,865,498**	**2,017,214**	**2,117,966**	**2,229,431**	**2,344,033**
TOTAL LIABILITIES AND EQUITY	**2,116,516**	**2,853,137**	**2,555,000**	**2,576,456**	**2,658,466**	**2,686,014**	**2,707,164**

Cash Flow (QAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Cash from Operating Activities	323,798	128,055	504,205	371,256	389,256	418,191	439,989
Cash from Investing Activities	(204,357)	(507,788)	22,984	(40,323)	(31,225)	(31,517)	(32,476)
Cash from Financing Activities	(226,138)	278,605	(482,635)	(313,818)	(267,439)	(351,789)	(380,572)
Net Change in Cash	(106,697)	(101,128)	44,553	17,114	90,593	34,885	26,940

RISK AND RECOMMENDATION GUIDE

Recommendation	Upside (Downside) Potential
Buy	more than 20%
Accumulate	between 10% and 20%
Hold	between -5% and 10%
Reduce	between -10% and -5%
Sell	less than -10%

RISK LEVEL				
Low Risk				High Risk
1	2	3	4	5

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