

Key Data

Closing Price*	Avg. Value Traded per Day
RO 0.745	RO 0.282 million
52-Week High	Market Cap.
RO 0.747	RO 246.5 million
52-Week Low	Shares Outstanding
RO 0.227	330.9 million
Reuters	Bloomberg
OCCO.OM	OCOI OM
Ownership Structure	
Closely Held : 79.36%	Public: 20.64%

* As of September 10, 2009. Sources: Zawya, Reuters, Muscat Stock Exchange, and NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Key Ratios

	2008 a	2009 f	2010 f	2011 f	2012 f
EBITDA Margin	23.5%	34.4%	46.0%	52.0%	50.3%
Net Profit Margin	19.7%	26.1%	33.3%	40.0%	39.2%
ROAE	10.6%	14.6%	15.3%	17.3%	16.6%
P/E	19.7	13.7	12.1	9.9	9.8
EV / EBITDA	15.5	9.8	8.2	7.1	7.1
Dividend Payout Ratio	58%	55%	75%	75%	75%
Dividend Yield	7.5%	4.0%	6.2%	7.6%	7.7%

1Q2009 EBITDA a	3Q2009 EBITDA f
RO 5 million	RO 6.7 million
2Q2009 EBITDA a	4Q2009 EBITDA f
RO 7.9 million	RO 4 million

Sources: Company financials and NBK Capital; a = actual, f = forecast

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Highlights

12-Month Fair Value: RO 0.864

Recommendation: Accumulate – Risk Level: 3**

Reason for Report: Initiation of Coverage

- Oman Cement Company (Oman Cement), a government-owned cement player, has positioned itself over the years as a domestic player in the Omani cement duopoly. With a current clinker capacity of 1.2 million ton per annum (Mtpa) and a grinding capacity of 2.6 Mtpa, the company will soon be an integrated plant once the new 1.2-Mtpa clinker facility is commissioned by the end of 1Q2010.
- As per our financial forecasts, we feel Oman Cement's existing business is worth RO 0.729 per share, using the discounted cash flow (DCF) method, which is 2.1% lower than the last closing price of RO 0.745 on September 10, 2009. Hence, we feel the future incremental free cash flows from the capacity expansion are not entirely captured in Oman Cement's current market price.
- We expect margin expansion at all levels for Oman Cement from 2009 onwards. We forecast the EBITDA margin to expand from 23.5% in 2008 to 34.4% in 2009 mainly due to lower imports and higher revenues. We expect no clinker/cement imports from 2011 onwards, which is likely to significantly boost EBITDA margins going forward. Accordingly, we forecast the EBITDA margin to expand to 49.3% (5-year average from 2010 to 2014) compared to the historical average of 41.7% (4-year average from 2005 to 2008). We forecast net profit to grow at a 6-year CAGR of 14.7% from RO 12.5 million in 2008 to RO 28.6 million in 2014, which is likely to be a major trigger for the stock going forward.
- We are optimistic about the company's future dividend payouts, keeping in mind significant free-cash-flow-generating abilities, in addition to a cash-rich and strong balance sheet status. On an expected payout of 75% for 2010, the company is currently trading at an attractive dividend yield of 6.2%.
- We arrived at a 12-month fair value for Oman Cement of RO 0.864 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison (using forward EV/EBITDA multiples). With an upside of 15.97%, we are initiating coverage on the company with an "Accumulate" recommendation.

** Please refer to page 23 for recommendations and risk ratings.

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EXECUTIVE SUMMARY

Oman Cement, a government-owned cement player, with a current clinker capacity of 1.2 Mtpa and a grinding capacity of 2.6 Mtpa, will soon be an integrated plant once the new 1.2-Mtpa clinker facility is commissioned by the end of 1Q2010. The expansion plan entails a capital outlay of RO 62.6 million and will be financed by a mix of internal accruals and debt.

The Omani cement sector witnessed robust demand for the period from 2003 to 2008. Spiraling oil prices led to huge fiscal surpluses, which in turn resulted in massive government expenditure on infrastructure projects. This led cement consumption to grow at a 5-year CAGR of 16.7% from 2003 onwards. Though we are optimistic about the upcoming infrastructure projects, we are conservative on both domestic and export cement prices from 2010 onwards. We are mainly cautious about the likely repercussions of the eventual lifting of cement export ban in Saudi Arabia on the regional cement market. On the supply side, we are also closely monitoring the likely impact of Oman Cement's clinker capacity addition. Therefore, we forecast domestic cement prices for the company to decline by 11.1%, to RO 27.8 per ton in 2010 compared to 2009. We further expect domestic prices to drop by an additional 5%, and thus bottom out in 2011.

We expect the rise in sales volume and cement prices to result in 8.3% growth in total revenue to RO 68.8 million in 2009 compared to last year. We expect total revenue to slip by 10.8% in 2010 mainly due to the forecasted drop in cement prices. In general, we forecast total revenue to increase at a 6-year CAGR of 2.1% from RO 63.5 million in 2008 to RO 71.9 million in 2014. The increase in revenue and absence of clinker imports from 2011 onwards will be instrumental in margin expansion at all levels going forward. We expect EBITDA margins to peak at 52% in 2011 and then to gradually decline to 49.2% throughout our forecast horizon. We forecast net profit to grow at a 6-year CAGR of 14.7% from RO 12.5 million in 2008 to RO 28.6 million in 2014, which is likely to be a major trigger for the stock going forward.

We have maintained future dividend payout ratios at 75% from 2010 onwards, which translates into a dividend yield of 6.2%. On a trailing 12-month basis, the stock is trading at a dividend yield of 7.5%. 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 9.7% and 11.7% on forecasted free cash flow from operations (FCFOs) in 2010 and 2011. We expect that strong free-cash-flow-generating abilities would come in handy in recouping the capital outlay for the upcoming expansion.

We arrived at a 12-month fair value for Oman Cement of RO 0.864 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison (using forward EV/EBITDA multiples). With an upside of 15.97%, we are initiating coverage on the company with an "Accumulate" recommendation. We have assigned Oman Cement a risk rating of 3 (on a scale of 1 to 5).

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 Oman 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 Oman Cement of RO 0.864 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward EV/EBITDA multiples. We specified a weight for each 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 target of RO 0.864 is 15.97% higher than the last closing price on September 10, 2009, hence, our “Accumulate” recommendation.

Figure 1 Weighted Average Fair Value per Share

Our 12-month fair value for Oman Cement is RO 0.864, 15.97% higher than the current price

Valuation Method	Value (RO)	Weight
Discounted cash flow	0.904	80%
Peer comparison	0.701	20%
Weighted average fair value	0.864	100%

Source: NBK Capital

DISCOUNTED CASH FLOW VALUATION

Our DCF valuation (Figure 2) is based on forecasted financial results through 2014. 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 extracted the free cash flows that were used in our valuation. We 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 RO 299.2 million.

To estimate the value of Oman Cement's operations, we incorporated a varying WACC into our model. Our selection of a cost of equity of 11.06% is based mainly on interest rate levels and the operating environment.

Figure 2 DCF Valuation

Figures in RO Thousands*	Forecast					
	2009	2010	2011	2012	2013	2014
Net Operating Profit After Tax	20,717	19,689	23,381	23,287	23,784	25,862
Add: Depreciation and Amortization	4,505	5,874	5,909	5,953	5,997	6,049
Gross Cash Flow	25,222	25,563	29,290	29,240	29,781	31,911
(Increase)/ Decrease in Working Capital	5,206	(634)	367	(430)	(718)	(637)
(Incr.)/ Decrease in Operating Fixed Assets	(42,892)	(1,000)	(1,000)	(1,250)	(1,250)	(1,500)
Free Cash Flow from Operations	(12,464)	23,929	28,656	27,560	27,813	29,774
Terminal Value						251,484
Value of Operations in 12 Months	267,657					
Add: Excess Cash	20,178					
Add: Value of Long-Term Investments	20,051					
Add: Value of Other Long-Term Assets	9,850					
Less: Total Debt	(18,569)					
Less: Minority Interest	-					
Value of Equity in 12 Months	299,167					
Per Share Value in RO	0.904					

* Except per-share value. Source: NBK Capital

Using the DCF valuation method, we arrived at a fair value per share of RO 0.904

The long-term investment portfolio of RO 20.05 million is composed of quoted and unquoted equity investments of RO 16.18 million and fixed income investment (majority government bonds) of RO 3.87 million at the end of 1H2009. Out of the RO 16.18 million in equity investments, RO 14.98 million is invested in local listed equities, and the rest is in unquoted local equity investments. As of 1H2009, the listed equity portfolio had a marked-to-market profit of RO 8.14 million. Two of the listed equity investments are Raysut Cement Co. and Shell Oman Marketing.

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*	10.06%	1.014	1.020	1.026	1.033	1.041
	10.56%	0.953	0.956	0.960	0.964	0.968
	11.06%	0.901	0.903	0.904	0.906	0.907
	11.56%	0.856	0.857	0.857	0.856	0.856
	12.06%	0.817	0.816	0.815	0.814	0.813

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

PEER GROUP COMPARISON

We compared Oman 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 15 companies. For the valuation, we obtained the current EV (in this case from 1H2009 year-end results) and consensus 2010 EBITDA for each company to arrive at the forward EV/EBITDA multiple. We have calculated the enterprise value for Oman Cement based on only a simple average (excluding outliers) of the forward EV/EBITDA multiples for the peer basket.

Using the simple average (excluding outliers) of forward EV/EBITDA multiples of the peer basket, we estimated the value of an Oman Cement share to be RO 0.701.

Figure 4 Forward EV/2010 EBITDA Multiples Comparison

Company Name	Country	Market Data		2010 EBITDA (USD '000)	EV / 2010 EBITDA	
		Market Cap.*	EV			
		(USD '000)	(USD '000)			
Saudi Cement Co.	KSA	1,679,829	1,987,719	221,286	9.7	9.0
Yamama Cement Co.	KSA	1,530,208	1,550,947	179,830	8.0	8.6
Yanbu Cement Co.	KSA	1,449,197	1,428,033	179,910	7.8	7.9
Eastern Province Cement Co.	KSA	1,004,617	931,642	103,993	8.3	9.0
Raysut Cement	Oman	982,856	942,644	94,026	12.3	10.0
Arabian Cement Co.	KSA	938,795	1,219,494	256,835	8.8	4.7
Gulf Cement Co.	UAE	552,167	520,207	83,229	5.7	6.3
Sinai Cement	Egypt	558,741	510,049	97,337	4.5	5.2
Misr Cement Qena	Egypt	489,616	374,540	58,651	5.5	6.4
Tabuk Cement	KSA	470,464	366,373	46,038	7.0	8.0
Portland Torah Cement Co.	Egypt	453,208	386,431	49,808	7.0	7.8
Misr Beni Suef Cement Co.	Egypt	477,366	440,866	114,518	3.9	3.8
Union Cement Co.	UAE	314,180	306,323	52,845	5.4	5.8
Fujairah Cement Industries Co.	UAE	290,660	412,046	75,415	4.6	5.5
RAK Cement	UAE	172,622	168,284	20,474	5.7	8.2
Simple Average						7.1
Simple Average (excluding outliers)						7.1
Weighted average						7.6

*Prices as of last close. Sources: Respective company financials, 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 forego. We did not consider trailing EV per ton in our final computation of fair value because of a lack of direct information about the installed cement capacity of the peer companies from the respective companies or other authentic sources. However, we compared Oman 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. Oman Cement currently trades at a premium of USD 236 per ton. Most Saudi cement companies trade at a significantly higher EV per ton; this premium is justified due to cost efficiencies (both for raw materials and energy). On the other hand, most UAE cement companies are penalized due to high raw material and energy costs.

Figure 5 Trailing EV/Ton Multiples

Company Name	Country	Capacity (*000 Tons)	Market Data		EBITDA Margin		EV / Ton (USD)
			Market Cap.* (USD '000)	EV (USD '000)	2009	2010 (%)	
Saudi Cement Co.	KSA	11,500	1,679,829	1,987,719	58%	52.0%	173
Yamama Cement Co.	KSA	6,300	1,530,208	1,550,947	69%	65.7%	246
Yanbu Cement Co.	KSA	4,530	1,449,197	1,428,033	61%	59.3%	315
Eastern Province Cement Co.	KSA	3,500	1,004,617	931,642	56%	50.1%	266
Raysut Cement	Oman	2,700	982,856	942,644	39%	44.0%	349
Arabian Cement Co.	KSA	5,000	938,795	1,219,494	52%	69.9%	244
Gulf Cement Co.	UAE	2,700	552,167	520,207	38%	34.0%	193
Sinai Cement	Egypt	3,000	558,741	510,049	48%	44.7%	170
Misr Cement Qena	Egypt	1,700	489,616	374,540	51%	49.2%	220
Tabuk Cement	KSA	1,300	470,464	366,373	63%	60.1%	282
Portland Torah Cement Co.	Egypt	3,000	453,208	386,431	31%	30.6%	129
Misr Beni Suef Cement Co.	Egypt	1,500	477,366	440,866	56%	51.2%	294
Union Cement Co.	UAE	4,200	314,180	306,323	24%	25.7%	73
Fujairah Cement Industries Co.	UAE	2,100	290,660	412,046	31%	28.6%	196
RAK Cement	UAE	1,100	172,622	168,284	32%	24.7%	153
Simple Average						46.0%	220
Simple Average (excluding outliers)						45.8%	222
Oman Cement	Oman	2,600	640,260	613,169	34%	46.0%	236

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

Oman Cement currently trades at a premium on trailing EV/ton of USD 236 compared to the peers' USD 222 per ton

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 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 130 per ton. This implies that the cost of setting up a greenfield project of a size similar to that of Oman Cement is lower than what a company would pay if it were to acquire Oman Cement. Obviously, the premium is justified given the market share the company already has in its home country. We would also like to highlight to our investors that Raysut Cement currently trades at almost 48% premium compared to Oman Cement on EV per ton though the companies are very comparable on forward EBITDA margins and will be almost equal in terms of capacity after Oman Cement's clinker expansion next year.

VALUATION OF OMAN CEMENT (WITHOUT THE CAPACITY EXPANSION)

The earlier valuation exercise (DCF and peer comparison method) took into account the upcoming doubling of the company's current 1.2-Mtpa clinker production capacity. Accordingly, the future cash flows and capital expenditure of the expansion plan have been taken into account for the calculation of the fair value of Oman Cement. However, we felt that a similar exercise for the existing production capacity would give a better idea to our investors about the estimated fair value of the current business of Oman Cement. A comparison of the per-share fair value of Oman Cement's current business with the current market price of the company would actually allow our investors to know whether future free cash flows from the upcoming 1.2-Mtpa clinker facility is discounted in the current market price or not.

We feel the future incremental free cash flows from the capacity expansion are not entirely captured in Oman Cement's current market price. Per our financial projection and analysis, we feel Oman Cement's existing business (1.2-Mtpa clinker capacity and 2.6-Mtpa cement capacity) is worth RO 0.729 per share, using the discounted cash flow (DCF) method, which is 2.1% lower than the last closing price of RO 0.745 on September 10, 2009.

We arrived at a 12-month fair value for Oman Cement (current production capacity) of RO 0.729 per share by using the same two valuation methods: discounted cash flow (DCF) and peer comparison based on forward EV/EBITDA multiple. We specified the same weights for each method, similar to our earlier valuation exercise, as shown in Figure 6.

Figure 6 Weighted Average Fair Value per Share of Oman Cement (without capacity expansion)

Our 12-month fair value for Oman Cement (existing production capacity) is RO 0.729, 2.1% lower than the current price

Valuation Method	Value (RO)	Weight
Discounted cash flow	0.725	80%
Peer comparison	0.744	20%
Weighted average fair value	0.729	100%

Source: NBK Capital

DISCOUNTED CASH FLOW VALUATION

Our DCF valuation (Figure 7) is based on the forecasted financial results of the existing business only through 2014. We would like to highlight that the key assumptions for the valuation of the existing business are the same as the assumptions considered for valuing the company, taking into account the clinker capacity expansion. Major variables such as cement prices, cost assumptions, and the weighted average cost of capital (WACC) are the same for the valuation of the existing business compared to when we valued the company, taking into account the upcoming clinker capacity. In the absence of the capacity expansion, we have assumed that the company will import 700,000 tons of clinker each year during the forecast period.

From the forecasted financial results, we extracted the free cash flows that were used in our valuation for existing business only without considering the future cash flows and capital expenditure of the expansion plan. We discounted those cash flows to a point in time 12 months in 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 KD 240 million.

To estimate the value of Oman Cement's operations, we incorporated a varying WACC into our model. We selected a cost of equity of 11.06%, the same as that when we valued the company by taking into account the upcoming capacity expansion.

Figure 7 DCF Valuation (without capacity expansion)

Figures in RO Thousands*	Forecast					
	Fiscal Year Ends December	2009	2010	2011	2012	2013
Net Operating Profit After Tax	22,648	15,710	12,502	11,723	11,814	14,050
Add: Depreciation and Amortization	3,715	3,750	3,793	3,837	3,881	3,925
Gross Cash Flow	26,363	19,460	16,295	15,560	15,695	17,975
(Increase)/ Decrease in Working Capital	5,002	1,252	(257)	(296)	(143)	(382)
(Incr.)/ Decrease in Operating Fixed Assets	17,808	(1,000)	(1,250)	(1,250)	(1,250)	(1,250)
Free Cash Flow from Operations	49,173	19,712	14,788	14,014	14,302	16,343
Terminal Value						133,301
Value of Operations in 12 Months	146,581					
Add: Excess Cash	64,458					
Add: Value of Long-Term Investments	20,051					
Add: Value of Other Long-Term Assets	9,850					
Less: Total Debt	(900)					
Less: Minority Interest	-					
Value of Equity in 12 Months	240,041					
Per Share Value in RO	0.725					

Using the DCF valuation method, the existing business is worth KD 0.725 per share

* Except per-share value. Source: NBK Capital

Sensitivity Analysis

We performed a sensitivity analysis (Figure 8) 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 8 DCF Sensitivity

		Perpetual Growth Rate				
		4.50%	4.75%	5.00%	5.25%	5.50%
Cost of Equity*	10.06%	0.785	0.788	0.791	0.795	0.799
	10.56%	0.752	0.754	0.756	0.757	0.759
	11.06%	0.724	0.725	0.725	0.726	0.727
	11.56%	0.700	0.700	0.700	0.700	0.699
	12.06%	0.679	0.678	0.678	0.677	0.676

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

PEER GROUP COMPARISON

We would like to highlight that for the peer group comparison we considered the exact same peer group as in the earlier exercise. However, the difference in the per-share fair value between the exercises is due to the difference in the 2010 EBITDA, cash balance and debt. The main point of difference in the 2010 EBITDA between the two approaches is due to lower clinker imports for the approach in which we forecast the capacity expansion, which was higher when the peer comparison was carried out for the existing business only.

BULLS VS. BEARS

BULL STORY

Capital expenditure by the government will remain the main driver for infrastructure spending in Oman. Boasting a credible track record of infrastructure spending and continuing with the economic diversification process, the Omani government has made an additional allocation of RO 2.3 billion toward the construction, port, and housing sectors during the current year. A major portion of that amount is likely to be allocated for the construction and rehabilitation of roads and bridges in the country. We believe that the government's thrust on infrastructure spending will act as a likely trigger for the cement demand going forward.

We feel the future incremental free cash flows from the capacity expansion are not captured entirely in the current market price of Oman Cement. Per our financial projection and analysis, Oman Cement's existing business (1.2-Mtpa clinker capacity and 2.6-Mtpa cement capacity) is worth RO 0.729 per share, which is 2.1% lower than the last closing price of RO 0.745 on September 10, 2009.

We expect margin expansion at all levels for Oman Cement from 2009 onwards. We forecast the EBITDA margin to expand from 23.5% in 2008 to 34.4% in 2009, mainly due to lower imports and higher revenues. We expect clinker imports to be in the range of 700,000–800,000 tons in 2009 and 250,000–300,000 tons in 2010 at lower prices compared to 2008 and subsequently no clinker or cement imports from 2011 onwards, which is likely to significantly boost EBITDA margins. Accordingly, we forecast the EBITDA margin to expand to 49.3% (5-year average from 2010 to 2014) compared to the historical average of 41.7% (4-year average from 2005 to 2008). Without the cement and clinker imports, we estimate the company generated an average EBITDA margin of 58.3% for the period between 2004 and 2008.

We are optimistic about the company's future dividend payouts, keeping in mind significant free-cash-flow-generating abilities and a cash-rich and strong balance sheet status. In spite of the expansion capex, we expect the company to generate robust free cash flows from 2010 onwards. On an expected payout of 75% for 2010, the company is currently trading at an attractive dividend yield of 6.2%. Our free cash flow analysis suggests there is still significant upside potential for the dividend yield from current levels, considering notable free cash flow yields of 9.7% and 11.7% on FCFOs in 2010 and 2011.

BEAR STORY

We expect domestic cement prices for the company to decrease by 11.1% to RO 27.8 per ton in 2010 compared to 2009. Our outlook on 2010 prices is mainly driven by Oman Cement's additional clinker capacity coupled with the softening of cement prices in the regional cement markets leading to import threats. We also expect domestic cement prices to drop by another 5% to RO 26.4 per ton in 2011. We estimate price decreases in the range of 10%–12% in Saudi Arabia and 18%–20% in the UAE due to the recent economic and real estate and construction slowdown. New production capacities and industry expectations of excess supply in the next 1–3 years in both Saudi Arabia and the UAE coupled with cheap import threats from India, Pakistan, China, Saudi Arabia, Iran, and the UAE have resulted in a negative market consensus on regional cement prices in the medium term.

Historically, importing cement posed little threat to Omani cement companies as the imports were targeted at meeting excess demand; however, imports could prove to be a comparatively larger threat today. We believe the Omani cement sector is not entirely insulated from cheap import threats from the neighboring countries mentioned above. With no official restrictions on cement imports in Oman, cement distributors can easily access cheap imports.

OMAN CEMENT SECTOR - OUTLOOK

Our view is that of cautious optimism regarding the Omani cement sector. On a comparative basis within the Gulf Cooperative Council (GCC), we are definitely more bullish on the Omani cement sector vis-à-vis the Saudi Arabian or the UAE markets. The focused infrastructure spending and planned diversification of the Omani economy undertaken by the local government justify our optimism regarding the cement sector. Our concerns regarding excess supply in the Saudi Arabian and the UAE cement markets are comparatively more in terms of the Omani cement market.

Analyzing the trend of cement prices in Oman during 1H2009 and interacting with the company's management make us optimistic on the pricing front for the remaining half of 2009. We expect domestic cement prices in Oman during 2H2009 to be very similar to the prices in 1H2009. However, on a conservative note, we are cautious about the likely repercussions in the regional cement market due to the eventual lifting of the cement export ban in Saudi Arabia. Sustainable cost advantages make the Saudi cement players extremely competitive in the export markets. On the supply side, we are also tightly monitoring the likely impact of Oman Cement's clinker capacity addition, which is expected in early 2010. The above-mentioned logic leaves us with mixed views on the sector going forward.

Figure 9 Major Upcoming Infrastructure Projects in Oman

Project Name	Contract Value (USD million)	Completion Date
Al Madinah Real Estate - Tilal Al Khuwair	100	2009
Muscat Municipality - Muscat Expressway	330	2009
Muscat Municipality - Al Amerat to Quriyat Rd.	179	2009
Muscat Municipality - Wadi Adai Al Amerat Road	147	2009
Oman - Sohar to Buraimi Road Dualisation	114	2009
Oman MTC - Muscat Int'l Airport Expansion	1,200	2010
Duqum Free Trade Zone and Industrial Area	150	2010
Oman MTC - Ras Al Hadd Airport	150	2010
Oman - Salah to Thumrait Road Dualisation	124	2010
Muscat Municipality - Al Amerat to Bausher Road	65	2010
Duqm Port - Ship Repair Yard and Dry Dock Complex	422	2011
Oman - Hasik to Shuwaymiah Highway	178	2011
Al Madina A'Zarqa (Blue City) - Phase 1	2,200	
Duqm Port - Marine Works	1,356	
Muscat Sultan Qaboos Port Expansion	390	2012
Oman MTC - Sohar Airport	300	2012
Oman MTC - Al Duqum Airport - Package 1	75	2012
Oman - Batinah Coastal Rd.	27	2012
The Wave, Muscat - Infrastructure	4,000	

Sources: Zawya Projects and NBK Capital

*Infrastructure projects will
be the key to the sector
going forward*

We expect domestic cement prices in Oman to be at RO 30 per ton for the first three months of 2010 and then forecast a subsequent decrease of 10% to RO 27 per ton for the remaining period of 2010. We also expect domestic prices to drop by an additional 5% and bottom out in 2011.

Our view on Omani cement prices going forward is governed by the ongoing regional slowdown in the construction and real estate sector and the expected huge excess supply situation in Saudi Arabia, the UAE, and Iran. We expect excess supply in the UAE cement sector from 2009 onwards, leading to a softening of cement prices. The situation can further worsen due to cheap import threats from neighboring countries such as Saudi Arabia, Pakistan, and India. Saudi Arabia, the largest cement market in the GCC in terms of both installed cement capacity and consumption, is expected to have a significant excess supply of cement from 2009 onwards as well. 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. Subsequent lifting of the export ban in Saudi Arabia is likely to have serious repercussions for the regional cement sector, let alone Oman. With no official restrictions on cement imports in Oman, the local cement market is exposed to cheap imports from other cement-exporting countries as they can sell directly to independent Omani cement distributors, which is likely to put cement prices in Oman under pressure. Doubling of cement capacity in Iran within the next 2–3 years is likely to have a negative impact on the regional cement market as well. Dumping of comparatively inexpensive cement by any of the above-mentioned countries would be an entirely new experience for the Omani cement sector, which is likely to put cement prices in Oman under pressure.

Per-capita consumption of cement was at an 11-year high in Oman (probably an all-time high, but a lack of data prohibits confirmation) at 1,527 kilograms of cement in 2008. We are somewhat concerned that Oman ranks the lowest in GDP per capita within the GCC basket, yet the country ranks third in per-capita cement consumption compared to other GCC countries.

COMPANY BACKGROUND

Oman Cement, a government-owned cement player, has positioned itself over the years as a domestic player in the Omani cement duopoly. With a current clinker capacity of 1.2 Mtpa and a grinding capacity of 2.6 Mtpa, the company will soon be an integrated plant once the new 1.2-Mtpa clinker facility is commissioned by the end of 1Q2010. Situated in northern Oman, the company benefits from its location in the region that accounts for approximately 70%–80% of the infrastructure projects undertaken in the country.

Oman Cement was established in 1978 with a clinker capacity of 0.6 Mtpa. The plant was commissioned in 1983, and due to increased cement demand in the region, the clinker capacity was increased to 1.2 Mtpa in 1998, which enabled the company to produce 1.26 million tons of cement. In 2006, the company installed a cement grinding mill with a capacity of 3,000 tons per day. To address the clinker supply deficit, Oman Cement is building a new clinker production line with a capacity of 4,000 tons per day (1.2 Mtpa), which is scheduled to commence production at the beginning of 2Q2010. Following the expansion, the company's reliance on clinker import is expected to decrease, in turn boosting Oman Cement's margins.

Oman Cement specializes in the manufacture of ordinary Portland cement (OPC), moderate sulphate resistant cement (MSRC), sulphate resistant cement (SRC), and oil well cement class "G" grade.

Originally, the company was 100% owned by the Government of Oman. In 1993, the government reduced its share holdings to 63%, and the balance was acquired by the public. In 2003, the government further divested 12% of its holdings to the public, bringing the government's ownership to 51%.

FINANCIAL OVERVIEW AND FORECASTS

TOTAL REVENUE

In this section, we discuss the historical and future trends of total revenue for Oman Cement. To do so, we analyzed the trend in clinker and cement capacity utilization, clinker-to-cement ratio, clinker and cement production, cement prices, sales volume, and, finally, total revenue for our explicit forecast period (2009–2014).

PRODUCTION CAPACITY AND CAPACITY UTILIZATION

As discussed earlier, Oman Cement had insufficient clinker production capacity compared to the company's cement grinding capacity. Historically, the company had to resort to clinker imports and local purchases to make up for the difference between the clinker and the grinding capacity. Clinker imports and purchases peaked in 2008 at 922,343 tons compared to 531,530 tons in 2007.

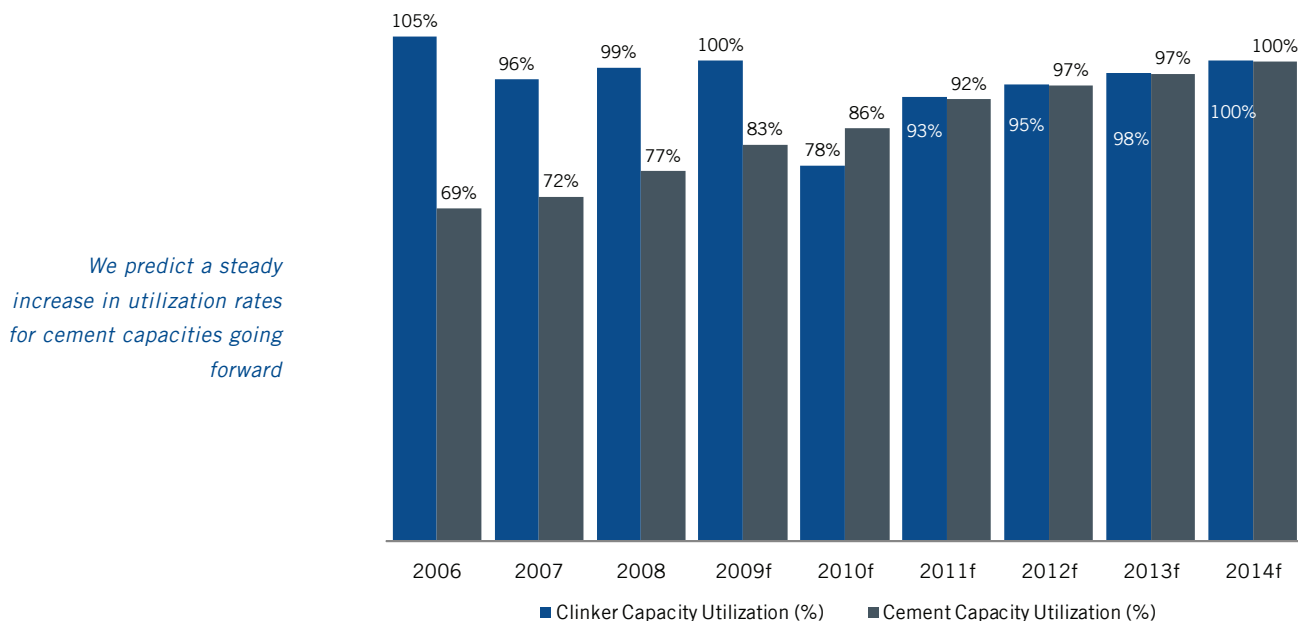
The company's clinker lines have operated at an average capacity utilization rate of 104.1% over the last 5 years with the rate dipping to 98.5% in 2008. We feel this was mainly due to comparatively higher cement imports of 264,826 tons in the last year, which were almost equal (305,867 tons) to the total cement imports in the previous 4 years.

We expect the current clinker facility to operate at full capacity in 2009 and 2010 as well. However, we forecast the new clinker production line of 1.2 Mtpa to operate at 75% utilization for nine months in 2010. This will result in an effective capacity utilization of 78% for 2010. Though the management is confident to achieve an average of 90%-100% utilization in 2010 for the new production line (trial runs are expected from end of 2009), we conservatively assumed an effective utilization of 75% for 2010 taking into account any delays and technical problems. We will monitor the development closely and accordingly revise our assumptions if required so.

Historically, the excess grinding capacity for the company led to an average lower utilization rate of 86.4% over the last 5 years with the average rate dipping to 72.6% in the last 3 years. This was due to the new grinding capacity of 3,000 tons per day; this began in 2006. The new clinker capacity will fully utilize the excess grinding capacity and make Oman Cement an integrated player.

We expect the clinker-to-cement production ratio to be 1:1.06 (the average of the last 5 years) for the forecast period. The above-discussed trend in the clinker-to-cement production ratio will result in a cement capacity utilization level of 82.6% in 2009, and will finally lead to full capacity utilization by 2014, as shown in Figure 10. We therefore expect a gradual increase in both clinker and cement capacity utilization going forward.

Figure 10 Clinker and Cement Capacity Utilization

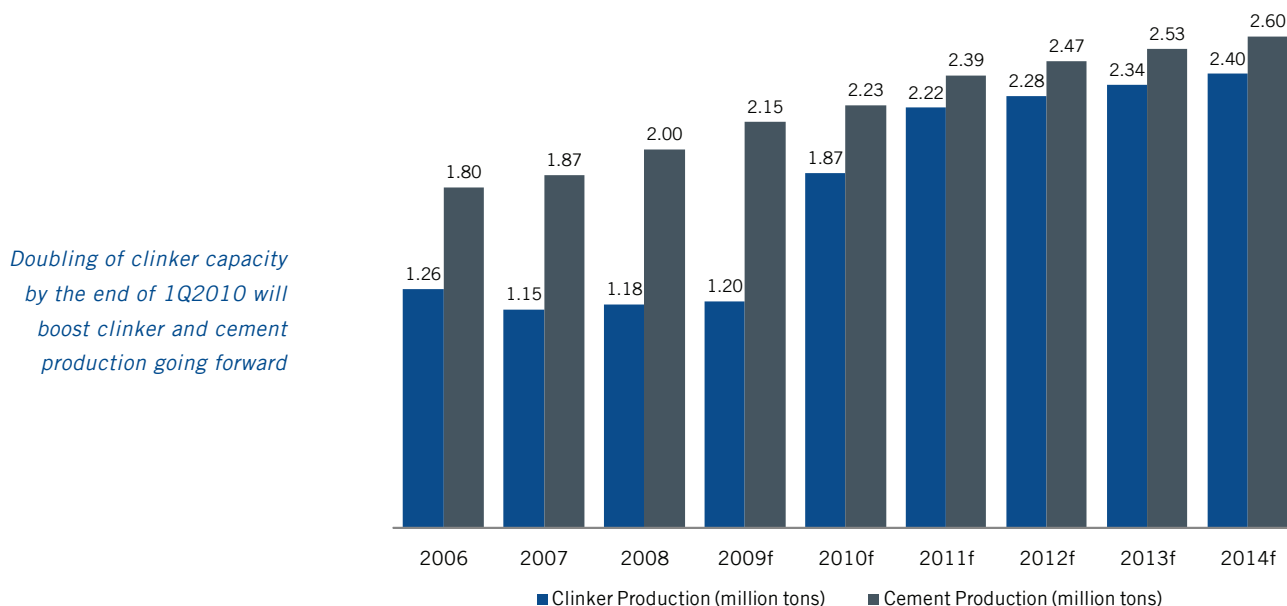


Sources: Company financials and NBK Capital

CLINKER AND CEMENT PRODUCTION

We forecast clinker production to increase at a 6-year (2008-2014) CAGR of 12.5% to reach 2.4 Mtpa (full capacity) by 2014 due to the doubling of the clinker capacity by the end of 1Q2010. As for cement production, we expect it to increase at a 6-year CAGR of 4.4% to 2.6 Mtpa (full capacity) by 2014.

Figure 11 Clinker and Cement Production



Sources: Company financials and NBK Capital

CEMENT PRICES

Average cement prices for Omani cement have increased significantly over the past 5 years from RO 20.6 per ton in 2004 to RO 29.5 per ton in 2008. This can be attributed to the robust cement demand in Oman leading to acute cement shortages. To rein in the rise in cement prices, the Omani government imposed a cap of RO 30 per ton for bulk OPC cement in the latter part of 2008.

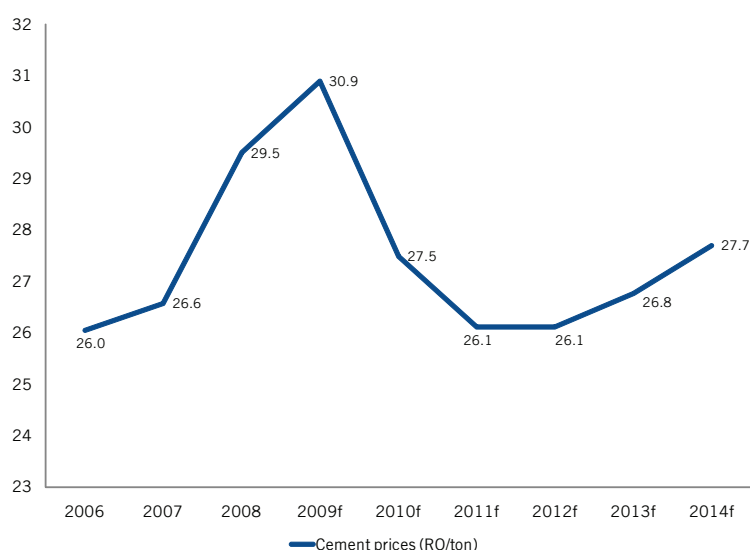
Currently, we estimate that cement prices have decreased in the range of 10%–12% in Saudi Arabia and 18%–20% in the UAE from their 2008 peaks due to the recent economic and real estate and construction slowdown. The general market consensus on regional cement prices is negative in the medium term. New production capacities in the next 1–3 years in both Saudi Arabia and the UAE (the two biggest cement markets in the GCC) coupled with cheap import threats from India, Pakistan, China, and Iran have resulted in the overall negative outlook. However, the situation is quite different in Oman. Cement prices saw a 12.6% rise to RO 31.4 per ton in 1H2009 compared to the same period last year. Raysut Cement, Oman’s largest cement player, reported an impressive set of financials in the 1H2009, further supporting the overall strong trend in the Omani cement sector in 1H2009.

The trend of cement prices in Oman during 1H2009 and management’s take on the domestic cement prices for 2H2009 make us optimistic on the pricing front for the remaining half of the year as well. Accordingly, we expect domestic cement prices for the company to increase by 4.9% to RO 31.2 per ton in 2009 compared to last year. However, on a conservative note, we are cautious about the likely repercussions in the regional cement market due to the eventual lifting of the cement export ban in Saudi Arabia and the likely impact of the company’s clinker capacity addition.

We expect domestic cement prices to remain at RO 30 per ton for the first three months of 2010 and then forecast a subsequent decrease of 10% to RO 27 per ton for the remaining period of 2010. This will result in an average domestic cement price of RO 27.8 per ton, a drop of 11.1% compared to 2009. Our outlook on 2010 prices is mainly driven by Oman Cement’s additional clinker capacity coupled with the softening cement prices in the regional cement markets. We expect domestic prices to drop by an additional 5% to RO 26.4 per ton in 2011 and then gradually to recover to RO 28 per ton by the end of 2014.

Figure 12 Trend in Cement Prices Going Forward

Average cement prices are expected to decline by 11.1% in 2010 and by another 5% in 2011



Sources: Company financials and NBK Capital

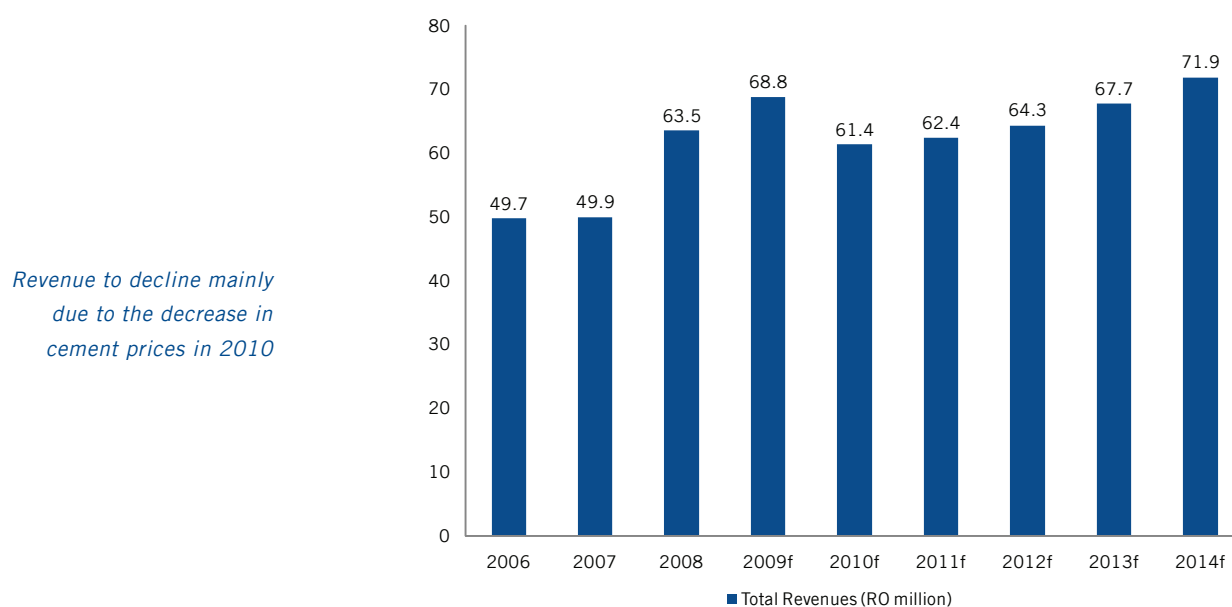
SALES VOLUME AND TOTAL REVENUE

We expect the total sales volume of cement to increase by 3.4% to 2.22 million tons in 2009 compared to 2008 entirely due to the increase in domestic cement volumes. We expect flat cement volumes in 2010 compared to 2009. We forecast the sales volume to increase at a 6-year CAGR of 3.2% from 2.15 million tons in 2008 to 2.6 million tons in 2014.

We expect the rise in both sales volume and cement prices to result in 8.3% growth in total revenue to RO 68.8 million in 2009 compared to last year. We expect total revenues to slip by 16% in 2010 due to the forecasted drop in cement prices. In general, we forecast total revenues to increase at a 6-year CAGR of 2.1% from RO 63.5 million in 2008 to RO 71.9 million in 2014.

Export revenue as a percentage of total revenue has averaged 5.4% from 2005 to 2008; however, in line with our cautious outlook on export opportunities, we expect export revenue to account for 2% of total revenue going forward.

Figure 13 Trends in Total Revenue

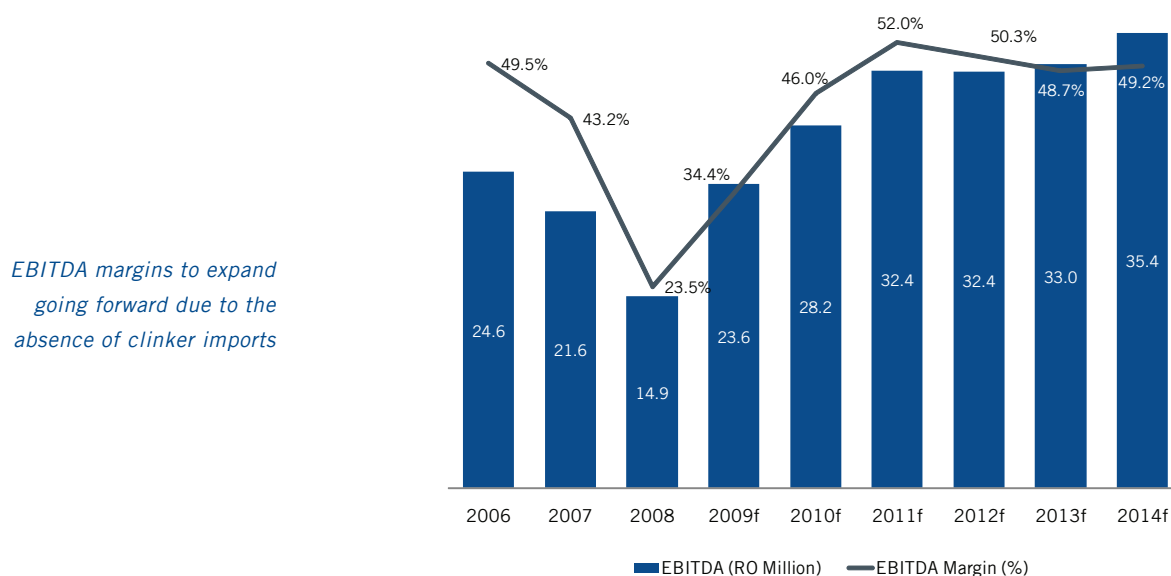


Sources: Company financials and NBK Capital

EBITDA AND EBITDA MARGIN

We expect the EBITDA margin to expand significantly from 23.5% in 2008 to 34.4% in 2009 mainly due to lower imports of cement and clinker during the year. The increase in revenue will also be instrumental in the margin expansion. We expect EBITDA margins to peak at 52% in 2011 and then to gradually decline to 49.2% throughout our forecast horizon. We feel the margin expansion is justified, since we do not forecast any clinker or cement imports from 2011 onwards. We would like to highlight that, historically, EBITDA margins plunged to 23.5% in 2008 (the lowest in the last 4 years) compared to 43.2% in 2007 mainly due to a significant increase in imports. Total imports increased to RO 32 million in 2008 compared to RO 12.95 million in 2007.

Figure 14 Trends in EBITDA and EBITDA Margin



Sources: Company financials and NBK Capital

If we were to exclude the effect of cement and clinker imports on margins, we estimate the average EBITDA margin would have been 58.3% between 2004 and 2008. To calculate the adjusted EBITDA margins (without the impact of clinker and cement imports), we made a few assumptions as follows: a) cement sold is equal to adjusted cement production (without clinker imports), b) cement prices remained the same compared to when imports were made, c) both clinker and cement imports were excluded from the cost of goods sold for each year, and d) no other cost component was changed.

Figure 15 Adjusted Historical EBITDA Margin

Without clinker and cement imports, we estimate the company generated an average EBITDA margin of 58.3% between 2004 and 2008

	2004	2005	2006	2007	2008
Clinker consumed (million tons)	1.54	1.53	1.68	1.76	1.89
Clinker imports (million tons)	0.21	0.21	0.38	0.53	0.92
Adjusted clinker consumed (million tons)	1.34	1.32	1.30	1.23	0.97
Clinker to Cement Ratio	1.07	1.07	1.07	1.06	1.06
Adjusted cement production (million tons)	1.43	1.41	1.39	1.30	1.02
Cement sold (million tons)	1.43	1.41	1.39	1.30	1.02
Cement price (RO/ton)	20.6	24.2	26.0	26.6	29.5
Total Revenue (RO million)	29.4	34.0	36.3	34.6	30.2
Adjusted Cost of goods sold (RO million)	10.8	12.5	12.2	12.2	14.0
Adjusted SG&A (RO million)	1.2	1.3	1.2	1.6	1.2
Adjusted EBITDA (RO million)	17.4	20.3	22.8	20.8	15.0
Adjusted EBITDA (%)	59.1%	59.7%	63.0%	60.2%	49.6%

Sources: Company financials and NBK Capital

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 of RO 30 per ton in 2008, and there is a possibility that the Omani government will cover any losses emerging out of these imports. Per the 2008 financials, the company is entitled to a claim for reimbursement for the shortfall in net profit below a base level of RO 16.1 million, which should be made good during the current year. Hence, there is a possibility of the company being reimbursed to the extent

of RO 3.6 million during 2009. However, due to the lack of clarity on the matter, we have not incorporated any such claim compensation in our forecasted net profit for 2009.

CAPITAL EXPENDITURE AND DEPRECIATION

As discussed earlier, the new clinker production line of 4,000 tons per day (1.2 Mtpa) will double the existing clinker production capacity to 2.4 Mtpa. In addition, the company is also upgrading and modernizing its packing plant, which is expected to be completed by the end of 3Q2009. The new clinker production line, worth USD 162.5 million (RO 62.6 million), will be installed by a subsidiary of China National Material Industry Group (estimated at USD 135 per ton). We expect a total capex of RO 42.9 million for 2009, out of which RO 22.2 million has already been spent until 1H2009 (RO 19.8 million was spent in 2008). Per management discussions, we do not expect any other capacity additions over our forecast horizon. As a result, we expect the net block of property, plant, and equipment to increase at a 6-year CAGR of 3.7% over the forecasted period. We have assumed a depreciation rate of 3.5% (7-year historical average).

BALANCE SHEET

From a net debt perspective, Oman Cement is a debt-free company. At the end of 1H2009, the company's total debt stood at RO 0.9 million; while the cash and cash equivalent balance was RO 11.3 million. In addition, the company had long-term fixed deposits of RO 9.8 million. The cash and cash equivalent balance decreased significantly from RO 19.3 million in 2008 mainly due to the above-mentioned capex.

The company had an average debt-to-equity ratio of 0.02 in the last 4 years. However, we expect the debt-to-equity ratio to increase to 0.15 in 2009 due to the RO 20 million that the company is borrowing from Bank Sohar to partially finance the above-mentioned expansion. We expect the loan to be drawn in 2H2009 and assume an interest rate of 7% per annum. Repaying RO 20 million or servicing the interest will not be a problem for Oman Cement considering the company's strong cash-flow-generating abilities.

At the end of 1H2009, Oman Cement had 14.7% of its assets invested in investment portfolios (16.3% of shareholders' equity).

HIGH FREE CASH FLOW IS LIKELY TO LEAD TO ATTRACTIVE DIVIDEND PAYOUTS

Oman Cement has historically exhibited an exceptional ability to generate significant free cash flows from operations (FCFOs). The company generated positive FCFOs in spite of capex for the grinding capacity in 2006. Given that management is not contemplating any increase in capacity in the foreseeable future (with the exception of the earlier mentioned expansion), we expect the company to generate healthy FCFOs going forward as well. We expect healthy FCFOs to play a significant role in boosting the dividend yields going forward. We have maintained future dividend payout ratios at 75% from 2010 onwards, which translates into a dividend yield of 6.2%. On a trailing 12-month basis, the stock is trading at a dividend yield of 7.5%. 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 9.7% and 11.7% on forecasted FCFOs in 2010 and 2011.

We would also like to highlight that strong free-cash-flow-generating abilities would come handy in recouping the capital outlay for the earlier mentioned capex. We expect the company to generate a cumulative incremental free cash flow of RO 58.5 million due to the clinker capacity addition for the period 2010–2014, thus almost recovering the cost of expansion (RO 62.6 million) by 2014.

Figure 16 Trends in Free Cash Flows and Dividend Payout

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

	2005	2006	2007	2008	2009f	2010f	2011f	2012f	2013f
all figures in RO millions, otherwise stated									
Free Cash Flow from Operations	18.0	15.1	19.6	-16.3	-12.5	23.9	28.7	27.6	27.8
Cash Dividends	8.3	11.6	8.9	7.3	9.9	15.3	18.7	18.9	19.4
Cash Dividends per share (RO)	0.025	0.035	0.027	0.022	0.030	0.046	0.057	0.057	0.059
FCFO / Net Profit (%)	99%	73%	111%	-130%	-69%	117%	115%	109%	107%
Dividend Cover (x)	2.2	1.3	2.2	-2.2	-1.3	1.6	1.5	1.5	1.4
Dividend Payout Ratio (%)	46%	56%	51%	58%	55%	75%	75%	75%	75%
Free Cash Flow Yield (%)	8.5%	7.9%	9.1%	-16.8%	-5.1%	9.7%	11.7%	11.2%	11.3%
Cash Dividend Yield (%)	3.9%	6.0%	4.2%	7.5%	4.0%	6.2%	7.6%	7.7%	7.9%

Sources: Company financials and NBK Capital

1H2009 RESULTS - ROBUST CEMENT SALES VOLUME AND PRICES LEAD TO EBITDA MARGIN EXPANSION

Oman Cement reported a 29.7% increase in total revenues to RO 35.8 million in 1H2009 compared to RO 27.6 million in the same period last year. The increase in revenue was entirely driven by robust cement demand in Oman as domestic revenue increased 36.7% y-o-y. On the other hand, the export revenue retracted by 70.8% in 1H2009 compared to 1H2008. Strong domestic demand resulted in cement prices increasing by 12.6% from RO 27.9 per ton in 1H2008 to RO 31.4 per ton in 1H2009. Compared to 1H2008, the quantity of cement sold increased by 17.4% in 1H2009 to 1.13 million tons.

Figure 17 1H2009 Financial Overview

Strong sales volume coupled with improved pricing led to expansion in EBITDA margins

Key Financial Data			
Income Statement (RO Million)	1H2009	1H2008	Y-o-Y Growth
Domestic Revenue	35.31	25.83	36.7%
Export Revenue	0.53	1.80	-70.8%
Total Revenue	35.83	27.63	29.7%
Sales Discount	0.28	0.72	-61.1%
Total Revenue after sales discount	35.55	26.90	32.1%
Cost of Sales	21.5	17.7	21.8%
Gross Profit	14.02	9.24	51.8%
SG&A	1.16	1.09	6.5%
EBITDA	12.87	8.15	57.9%
Net Profit after tax	11.18	7.64	46.3%
Balance Sheet (RO Million)	1H2009	2008	Y-o-Y Growth
Property, Plant and Equipment	79.9	59.4	34.4%
Current Assets	25.4	42.1	-39.6%
Total Assets	135.8	133.0	2.1%
Total Debt	0.9	0.9	0.0%
Liabilities	11.8	14.2	-16.9%
Equity	123.1	117.9	4.4%
Margins (%)	1H2009	1H2008	
Gross Profit Margin	39.4%	34.3%	
EBITDA Margin	36.2%	30.3%	
Net Profit Margin	31.4%	28.4%	
Operating Highlight	1H2009	1H2008	Y-o-Y Growth
Sales Volume (million tons)	1.13	0.97	17.4%
Average Cement Prices (RO/ton)	31.4	27.9	12.6%
Clinker Production (million tons)	0.60	0.58	4.4%
Cement Production (million tons)	1.03	0.96	7.0%
Cement Imports (million tons)	0.09	0.01	996.4%
Clinker Purchased (million tons)	0.24	0.37	-33.7%

Sources: Company financials and NBK Capital

The cost of goods sold increased by 21.8% to RO 21.5 million in 1H2009 compared to the same period a year ago. This was mainly due to cement imports of RO 3 million in 1H2009 (compared to RO 0.3 million in 1H2008). However, the increase in revenues offset the increase in COGS, leading to expansion in EBITDA margins. EBITDA increased 57.9% to RO 12.9 million in 1H2009 compared to RO 8.15 million in 1H2008, thus expanding margins to 36.2% from 30.3%. Net income increased 46.3% to RO 11.18 million in 1H2009 compared to RO 7.64 million in 1H2008, mainly due to growth at the EBITDA level. The decrease in investment, interest, and other income to RO 1.57 million in 1H2009, compared to RO 2.36 million in 1H2008, had a negative impact on the net profit for the period.

FINANCIAL STATEMENTS

Income Statement (RO Thousands) Fiscal Year Ends December	Historical		Forecast				
	2007	2008	2009	2010	2011	2012	2013
Total Revenue	49,912	63,523	68,764	61,357	62,380	64,350	67,709
Cost of Revenue	26,088	46,086	41,705	29,291	25,881	27,633	29,991
Gross Profit	23,824	17,437	27,059	32,066	36,499	36,717	37,718
Selling/General/Admin. Expenses	2,272	2,516	3,438	3,835	4,055	4,344	4,740
Depreciation/Amortization	3,740	3,950	4,505	5,874	5,909	5,953	5,997
Operating Income	17,812	10,972	19,116	22,357	26,535	26,420	26,982
Interest Income (Exp), Net Non-Operating	(23)	(67)	(700)	(1,313)	(1,138)	(963)	(788)
Interest/Invest Income - Non-Operating	3,143	3,156	1,999	2,197	2,945	3,239	3,241
Net Income before Taxes	20,916	14,108	20,416	23,241	28,343	28,697	29,436
Provision for Income Taxes	2,426	1,567	2,450	2,789	3,401	3,444	3,532
Net Income after Taxes	18,490	12,541	17,966	20,452	24,942	25,253	25,903
Net Income after minority interest	17,619	12,541	17,966	20,452	24,942	25,253	25,903

Balance Sheet (RO Thousands) Fiscal Year Ends December	Historical		Forecast				
	2007	2008	2009	2010	2011	2012	2013
ASSETS							
Cash and Short-Term Investments	20,378	19,281	16,572	28,513	40,942	49,361	58,021
Total Receivables, Net	6,045	7,109	8,939	9,204	9,357	9,652	10,156
Total Inventory	4,328	15,243	8,252	8,590	8,733	9,009	9,479
Other Current Assets	1,087	435	435	435	435	435	435
Total Current Assets	31,837	42,069	34,198	46,741	59,467	68,457	78,092
Property/Plant/Equipment, Total - Net	44,633	59,430	97,817	92,943	88,034	83,331	78,584
Long-Term Investments	25,285	19,098	20,051	20,051	20,051	20,051	20,051
Other Long-Term Assets, Total	32,510	12,390	9,850	9,850	9,850	9,850	9,850
TOTAL ASSETS	134,265	132,987	161,916	169,585	177,402	181,689	186,577
LIABILITIES & EQUITY							
Accounts Payable	4,283	7,123	6,876	6,136	6,238	6,435	6,771
Short-Term Debt	834	300	-	-	-	-	-
Other Liabilities	2,618	1,896	2,450	2,789	3,401	3,444	3,532
Total Current Liabilities	7,734	9,320	9,326	8,925	9,639	9,879	10,303
Long-Term Debt	1,335	502	20,000	17,500	15,000	12,500	10,000
Deffered Income Tax	4,203	3,874	3,874	3,874	3,874	3,874	3,874
Total Liabilities	14,500	15,056	33,298	30,396	28,611	26,350	24,275
Total Equity	119,765	117,931	128,618	139,189	148,791	155,339	162,302
TOTAL LIABILITIES AND EQUITY	134,265	132,987	161,916	169,585	177,402	181,689	186,577

Cash Flow (RO Thousands) Fiscal Year Ends December	Historical		Forecast				
	2007	2008	2009	2010	2011	2012	2013
Cash from Operating Activities	20,095	3,538	30,690	24,559	29,708	28,909	29,231
Cash from Investing Activities	(7,119)	8,114	(39,578)	897	1,543	1,547	1,549
Cash from Financing Activities	(11,823)	(9,234)	11,315	(13,515)	(18,821)	(22,037)	(22,120)
Net Change in Cash	1,153	2,419	2,427	11,941	12,429	8,418	8,661

Sources: Company Financials and NBK Capital

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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