

AGILITY

(Public Warehousing Company - PWC)



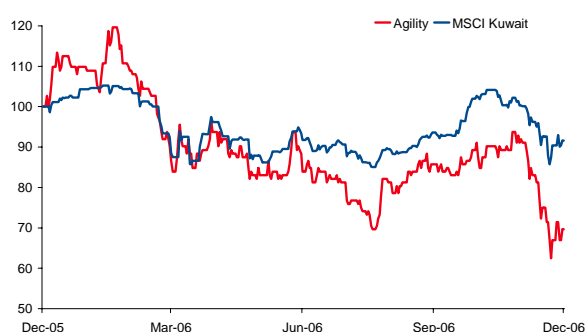
December 14, 2006

Key Data

Current Price	Avg. Value Traded per Day
KD 1.560	USD 8.3 mln (KD 2.4 mln)
52-Week High	Market Cap
KD 2.680	USD 4.3 bln (KD 1.2 bln)
52-Week Low	Current Number of Shares
KD 1.400	793.1 mln
Reuters	Bloomberg
AGLT.KW	AGLTY.KK
Ownership Structure	
Privately Held: 41%	Public: 59%

Sources: Reuters, Zawya, and MENA Equity Research

Rebased Performance



Sources: MSCI and MENA Equity Research

Key Ratios

	2004 a	2005 a	2006 f	2007 f	2008 f
P/E	12.8	8.8	7.5	7.2	6.7
EPS Growth	155%	34%	13%	5%	7%
EV/ EBITDA	13.7	8.4	5.7	5.6	5.3
EBITDA Margin	62%	32%	22%	20%	18%
EBITDA Growth	209%	63%	48%	2%	4%
Dividend Yield	0.0%	3.1%	3.4%	4.0%	5.6%
PBV	6.2	2.3	1.8	1.5	1.3
ROAE	62%	38%	27%	23%	21%
2Q2006 EBITDA a	3Q2006 EBITDA a				
USD 175.7 mln	USD 202.2 mln				
4Q2006 EBITDA f	1Q2007 EBITDA f				
USD 176.7 mln	USD 186.2 mln				

Sources: Reuters and MENA Equity Research
a = actual, f = forecast

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Highlights

12-Month Fair Value: KD 2.410

Recommendation: BUY – Risk Level*: 3

Reason for Report: Initiation of Coverage

- The recent launch of the new brand Agility is an important step for a company that has grown from operating solely in the warehousing business to offering a portfolio of logistics services ranging from freight management to customized supply chain solutions.
- In order to decrease its reliance on income from U.S. Armed Forces contracts, Agility has made a series of acquisitions over the past two years to diversify its revenue base. Most of these acquisitions have involved companies that offer freight-management services. The acquisition of GeoLogistics for USD 454 million has been the most important so far, as it has provided Agility with a truly global freight-forwarding platform.
- Agility's management has shown that it has the capacity to pick acquisition targets well by making sure that each new acquisition brings the group a new competitive advantage. We are not worried about Agility's recent aggressive acquisition strategy because the entire industry is consolidating on a global basis.
- The recent cancellation of three build, operate, and transfer (BOT) contracts by the government of Kuwait (concerning operations at the Mina Abdullah port) resulted in a 23% decline in the market value of Agility's shares. We believe that the market has considerably overreacted to the news, given the minimal effect the cancellation would have on Agility's EBITDA.
- We did not account for any specific acquisitions by Agility over our forecast horizon.
- We arrived at a 12-month fair value for Agility of KD 2.410 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward PEG (price-to-earnings ratio divided by growth) multiples.
- From our subjective criteria for risk, we have assigned Agility a risk rating of 3 on a scale of 1 to 5.

*Please refer to second page for risk ratings.

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Risk and Recommendation Guide

	Risk Level*				
	1	2	3	4	5
BUY					
Accumulate					
Hold					
Reduce					
Sell					

*1 being least risky

EXECUTIVE SUMMARY

When The Public Warehousing Company changed its name to Agility, it was not just a marketing gimmick. The new name represents a company that offers a portfolio of services ranging from freight management to customized logistics solutions on a global basis. Since 2005, Agility has made a series of acquisitions, focusing mainly on companies that offer freight-management services. The most important of these was the acquisition of GeoLogistics, which has provided the company with a global freight-forwarding platform.

Agility's management has shown that it has the capacity to pick acquisition targets well by making sure that each new acquisition brings the group a new competitive advantage. We are not worried about Agility's recent aggressive acquisition strategy because the whole industry is consolidating on a global basis. However, over the near term we would prefer to see a slowdown, as this would allow management to become more selective and to concentrate on integrating the entities that have already been acquired.

Recently, the government of Kuwait cancelled three BOT contracts with Agility at the Mina Abdullah port. Following the announcement in local newspapers on November 27, 2006, Agility's share price fell by almost 23% over the next few days. Not enough information is available to assess the extraordinary loss the company will report in its financial reports for fiscal year 2006, if any. We believe that the market has considerably overreacted to the news, as we do not expect any material impact on operating income due to the cancellation of the BOT contracts. The entire rental segment, which most of the revenues generated by the BOT contracts fell under, represents around 2% of total revenue and 8% of total EBITDA. However, given the size of the plots in question and the level of utilization, the effect on EBITDA should be minimal. Another area of concern is the amounts already invested to develop the plots under the terms of the BOT contracts.

Agility's revenues growth over the past two years has been driven by its acquisitions. Agility's revenues for the first nine months of 2006 were USD 2.5 billion, and we expect the company to end its fiscal year with USD 3.4 billion in revenues. Net income for the first nine months was USD 439 million, and our forecast for net income through the end of the year is USD 568 million, without accounting for any extraordinary losses relating to the cancellation of the Mina Abdullah contracts.

From a valuation standpoint, using a combination of discounted cash flow (DCF) and peer comparison based on forward PEG multiples, we believe that the fair value of the share is around KD 2.410. Our models were not set up to account for any specific acquisitions by Agility over our forecast horizon.

From our subjective criteria for risk, we have assigned Agility a risk rating of 3 on a scale of 1 to 5. The major risks we see that can affect the value of the company are as follows:

- Agility relies heavily on revenue from logistics services provided to the U.S. Armed Forces in the region. These services currently generate around 60% of EBITDA.
- The company faces the challenge of integrating its newly acquired subsidiaries in order to create value for its shareholders.

VALUATION

The purpose behind this valuation exercise is to arrive, through the use of fundamental analysis, at a fair value estimate of the share price that should prevail in the next 12 months. This does not represent a guarantee that this value is achievable within that time frame, as a wide range of variables and market dynamics affects 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 tolerance for risk.

We arrived at a 12-month fair value for Agility of KD 2.410 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on forward PEG multiples. We specified a weight for each method, as shown in Figure 1 below. The greater weight is assigned to DCF, as this method examines the fundamentals of the company to determine its future cash-generating ability.

Regarding the issue of the cancellation of the BOT contracts for the Mina Abdullah port, we do not expect any material impact on operating income due to the cancellation of the BOT contracts. The entire rental segment, which most of the revenues generated by the BOT contracts fell under, represents around 2% of revenue and 8% of EBITDA. However, given the size of the plots in question and the level of utilization, the effect on EBITDA should be minimal.

Figure 1 Fair Value per Share

Valuation Method	Value	Weight
Discounted cash flow (DCF)	USD 8.86	70%
Peer comparison	USD 7.21	30%
Weighted average fair value	USD 8.36	100%
12 Months fair value	KD 2.410	

Our 12-month fair value for Agility is KD 2.410

Source: MENA Equity Research

DISCOUNTED CASH FLOW (DCF) VALUATION

Our DCF valuation (Figure 2) is based on forecast financial results through 2011. The DCF valuation is a function of the following major variables, which have been estimated by our models:

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

- An estimate of 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 forecast financial results, we extracted the free cash flows that were used in our valuation. We discounted those cash flows to a point in time that is 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 USD 7 billion (USD 8.86 per share).

In order to estimate the value of Agility's operations, we incorporated a varying WACC into our model. Our selection of a cost of equity range of 13-14% is based mainly on interest rate levels and the operating environment; the selection of 7.5% for the cost of debt is based on historical norms.

Figure 2 DCF Valuation

Figures in USD Thousands*	Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011
Net Operating Profit after Tax	602,177	631,033	678,484	733,072	766,989
Add: Depreciation and Amortization	107,346	109,493	112,789	117,300	120,796
Gross Cash Flow	709,523	740,526	791,272	850,372	887,785
(Incr.)Decr. in Working Capital	(37,561)	(86,518)	(108,628)	(124,855)	(94,454)
(Incr.)Decr. in Operating Fixed Assets	(120,631)	(123,044)	(140,433)	(146,050)	(135,746)
Free Cash Flow from Operations	551,331	530,964	542,211	579,467	657,585
Terminal Value					6,632,766
Value of Operations in 12 Months	6,277,651				
Add: Excess Cash	1,011,936				
Add: Value of LT Investments	637,261				
Add: Value of Other LT Assets	25,837				
Less: Total Debt	(864,458)				
Less: Minority Interest	(65,636)				
Value of Equity in 12 Months	7,022,590				
Per Share Value in USD	8.86				

Source: MENA Equity Research
*Except per share value

Sensitivity Analysis

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

Using the DCF valuation method, we arrived at a fair value per share of USD 8.86

Figure 3 DCF Sensitivity

We performed sensitivity analysis on two major inputs for the DCF model

Cost of Equity *		Growth				
		4.50%	4.75%	5.00%	5.25%	5.50%
12.0%	USD 9.53	USD 9.60	USD 9.66	USD 9.74	USD 9.81	
12.5%	USD 9.13	USD 9.18	USD 9.24	USD 9.29	USD 9.35	
13.0%	USD 8.77	USD 8.81	USD 8.86	USD 8.90	USD 8.94	
13.5%	USD 8.45	USD 8.48	USD 8.51	USD 8.54	USD 8.58	
14.0%	USD 8.15	USD 8.17	USD 8.20	USD 8.22	USD 8.25	

Source: MENA Equity Research

*Variations in the cost of equity result in variations in WACC.

PEER GROUP COMPARISON

With a market capitalization of USD 4.3 billion, Agility is one of the top 10 logistics companies in the world. Given Agility's global operations and the lack of close comparables in the region, we opted to compare the company to similar companies in more mature markets. Highlighted in Figure 4 are six companies from the logistics industry that can offer a basis for comparison.

We obtained the consensus forward earnings per share (EPS) and the consensus earnings growth estimates for the next five years for each of the six companies. The simple average PEG for the sample, excluding the highest and lowest values, was 1.35. Agility, in contrast, currently trades at a PEG of 1, based on our 2007 forecast EPS and next-five-years earnings growth rate. This shows that Agility is currently trading at lower values compared with its peers.

Using the simple average PEG, excluding the outliers among the six companies in the sample, we estimate the value of Agility's share at USD 7.21 based on a forecast EPS of USD 0.75. This represents an upside potential of 33% compared with the current market price of USD 5.41.

Figure 4 Forward PE Comparison

The average PEG for the sample, excluding the outliers, stands at 1.35

Company	Market Data		2007 Forecast EPS	PEG
	Price* (USD)	Market Cap (USD Millions)		
Expeditors International	42.50	9,311	1.31	1.69
United Parcel Service (UPS)	76.51	83,854	4.27	1.49
CH Robinson Worldwide, Inc.	42.20	7,329	1.72	1.51
TNT	42.21	17,447	2.62	1.34
FedEx	113.18	35,355	7.63	1.07
EGL, Inc.	29.68	1,229	1.87	0.93
Weighted average				1.39
Simple average				1.34
Simple average excluding outliers				1.35
Median				1.42

Sources: Bloomberg and MENA Equity Research

*Prices as of December 13, 2006.

RISKS

- Agility relies heavily on revenue from logistics services provided to the U.S. Armed Forces in the region. These services currently generate around 60% of EBITDA. A

decrease in the number of U.S. troops deployed in Iraq could reduce the profits generated from this segment. This risk can be mitigated if the reduction in the number of U.S. troops coincides with an improvement in the security level. An improvement in security in Iraq would kick-start a number of projects in various domains, and Agility, given its proven track record, would likely be chosen to handle the logistics components of many of these projects.

- Over the past two years, Agility has pursued an aggressive acquisition strategy by taking over companies from around the globe. The company faces the challenge of integrating these companies in order to create value for its shareholders. This challenge is not insignificant and will be magnified by the diverse cultural backgrounds of Agility's subsidiaries.
- Another danger related to the expansion of the company is its exposure to exchange-rate risk. The company's main operations are dollar based, as all GCC currencies are somehow pegged to the U.S. dollar; however, the revenue from freight forwarding, which currently generates 64% of revenue, is exposed to the exchange-rate fluctuations of the major trading blocs in the world.
- Agility does not have a direct competitor in the Middle East; however, its business model is based on companies outsourcing their logistics requirements. For many companies in the Middle East, embracing this concept requires a huge paradigm shift. Thus, it may take time for companies to recognize the potential benefits of outsourcing their logistics and adopt the practice.

BULLS VS BEARS

BULL STORY

- Agility's chances of renewing its prime vendor contract are very high as long as the U.S. Armed Forces are present in the region. It will be very difficult for a new local player to emerge and offer the same services at a lower cost.
- Reductions in the number of U.S. troops in Iraq look increasingly probable, and, as a result, many global players who currently perform services for the U.S. Armed Forces will likely find the size of future contracts unattractive. Agility stands first in line to win these contracts and provide additional services to the U.S. Armed Forces. This will help the company offset any decline in the size of its contracts resulting from the reduction in the number of troops.
- Unlike many of the companies in the region, Agility does not invest excess capital in the local stock markets. The company is focused on acquiring assets and companies that are related to logistics services.
- Through its acquisitions, Agility has acquired specialized expertise relating to the logistics requirements of specific industry sectors. By bringing this expertise to the region, Agility has gained the ability to bid on logistics projects in new industries. For example, Agility's acquired chemical expertise now allows it to offer logistics services to the oil and gas industry.
- When Agility's network in Saudi Arabia is completed (it is expected to be fully operational next year), it will be very difficult for a competitor to replicate Agility's coverage in the Middle East.
- With the rise of globalization and outsourcing, global industry dynamics are creating an increased demand for 3PL (third-party logistics) services. Agility, with the best-established logistics network in the region, will be set to reap many benefits when the ripple effects reach the Middle East.

BEAR STORY

- Although Agility has been able to diversify its sources of revenue, the company's profitability still relies heavily on the logistics segment. Unless the company starts to realize value from its new acquisitions, it will remain dependent on its contracts with the U.S. Armed Forces. This is potentially risky, as long-term sustainability of this income source is uncertain.
- Most acquisitions fail to deliver their intended benefits, due to unforeseen integration costs. This problem is further amplified in cross-border acquisitions.
- Agility is acquiring companies in regions and countries that it knows very little about, such as its recent acquisition of Cronat in Switzerland.

COMPANY OVERVIEW

COMPANY BACKGROUND

Agility is the largest Middle East-based provider of supply chain solutions. The company, which was established in 1979 by the government of Kuwait under the name The Public Warehousing Company (PWC), originally offered various warehousing services. In 1997 it was privatized and branded as PWC Logistics. After its privatization, the company began to widen the scope of its services by offering value-added logistics solutions; however, warehousing remained the largest contributor of revenue until 2003.

In March 2003, PWC Logistics was awarded a five-year prime vendor contract for the supply of food and nonfood products to the U.S. Armed Forces in Kuwait, Qatar, and Iraq. This contract had a tremendous impact on the company, and both revenues and profits skyrocketed. In 2003, revenues and profits grew by 193% and 299%, respectively, followed by 226% and 153% in 2004. Since 2003, revenue from logistics services has been the main driver of the company's growth, but the segment continues to be heavily dependent on contracts with the U.S. Armed Forces.

In 2005, PWC Logistics went on an acquisition spree, focusing mainly on freight forwarders. On February 21, 2005, it acquired Trans-Link, an international freight forwarder based in Singapore, for USD 33 million. On April 12, 2005, it acquired TransOceanic Shipping, a freight forwarder specializing in project cargo, for USD 31 million. The largest and most important acquisition by PWC Logistics was made on August 31, 2005, when it acquired GeoLogistics for USD 454 million. Through the acquisition of these companies, PWC Logistics acquired a freight-forwarding platform.

On November 13, 2006, PWC Logistics and all its acquired subsidiaries were rebranded as Agility, marking an important step in the integration process of the company and its affiliates. Now the entire group has a single face with five major service offerings. It will take some time for the company to change its legal name, but all business operations will now be conducted under the new name, Agility.

MAJOR ACQUISITIONS

Some of the most important acquisitions made by Agility in the past two years are summarized below.

GeoLogistics

GeoLogistics is a non-asset-based freight forwarder with operations in nearly 100 countries. GeoLogistics offers freight-forwarding services by air, sea, and road. As a freight forwarder, the company acts as a broker without moving the goods itself. It purchases space in bulk from airliners and ocean carriers and resells the space in packages to shippers at prices better than those they could obtain on their own. The forwarder creates value by grouping multiple shipments in order to get full-container rates. With this approach, shippers benefit from lower rates and more selection, while carriers receive broader access to shippers. In addition, GeoLogistics offers its clients customs brokerage services, an important value-added offering.

GeoLogistics' freight-brokerage business spans Asia, the Americas, Europe, the Middle East, and Africa, with Asia being its primary source of revenue. The company is based in the United States.

TransOceanic

TransOceanic specializes in project cargo forwarding. This business involves managing the transportation of large-scale equipment for projects in the oil and gas, utilities, mining, construction, and other such sectors.

Trans-Link

The Trans-Link Group is a specialized logistics provider based in Singapore. The group has carved out a niche for itself by providing logistics solutions for exhibitions and events. The group also customizes logistics solutions for commercial goods. Trans-Link operates in Asia, South Africa, Greece, and Mexico. The acquisition of Trans-Link by Agility opens new markets for the company in the Middle East.

Cronat

Cronat, which trades under the Natural brand name, provides forwarding and logistics services in Switzerland and other European countries. Natural is active primarily within the following market segments: ocean freight, airfreight, pan-European road transport, expo-logistics, projects and special transport, distribution, and warehousing.

Agility Logistics (United Kingdom)

Agility Logistics is a U.K.-based company that offers freight-forwarding services and supply chain solutions. Agility Logistics has extensive expertise in the logistics required for chemical goods, including the shipping of bulk or packed liquids, gases, and solids. The brand name of this company has been adopted for the entire group.

STRATEGY

- Agility has evolved from a real estate manager to a leading provider of logistics solutions in the Middle East. This shift was achieved through organic growth coupled with a series of acquisitions designed to establish a presence in various countries in the region.
- In 2005, Agility set the bar higher when it envisioned itself as a global freight forwarder and logistics provider. The acquisition of GeoLogistics provided the company with a freight-forwarding platform that the company has been supporting with complementary acquisitions.
- Agility's new structure allows it to provide global clients with a one-stop shop for expanded logistics services. For example, a U.S. company with manufacturing facilities in China can hire Agility to arrange the shipping of its goods from China to the Middle East, handle customs arrangements, store the goods in warehouses, and finally, distribute the goods to various store locations.

- Agility aims to expand its service offerings into three geographical regions: India/Southeast Asia, China, and Eastern Europe. The logic behind this strategy is that these emerging markets are underserved and therefore provide ample growth opportunities. Agility, given its structure, is more capable of taking risks than other international companies. Big names will not react quickly enough to enter an emerging market, which will give Agility a first-mover advantage. This approach will help Agility establish itself as a global player without having to focus on the already saturated markets in the United States and Western Europe. Under this strategy, Agility will be competing with the top global players on new ground, not in their strongholds.
- Agility aims to use its position as one of the top 10 global logistics providers to improve its brand image.
- Agility has adopted an internal strategy known as the 8x8:
 1. Agility aims to achieve the following goals by the end of 2008
 2. Be among the 8 top logistics players in the world
 3. Achieve revenues of USD 8 billion
 4. Achieve USD 800 million in net profit
 5. Integr8 (referring to the integration process of the whole group)
 6. Be a leader in terms of 8 key performance indicators related to logistics
 7. Have 8 clients that each provide more than USD 80 million in revenue
 8. Be a leader in 8 Middle Eastern markets

INTEGRATION PROCESS

Agility is in the process of integrating all the companies it has acquired so that they will operate as one entity. Integration is far from an easy process, but so far Agility has not encountered any major problems. What simplifies things for Agility is that the companies it has acquired have different areas of expertise or operate in different regions, which means that there are few redundancies in operations. Thus, synergies can arise easily when the expertise of one company is introduced in the market of another.

As a major element of the integration process, the PWC Logistics group of companies was rebranded as Agility. Adopting the Agility brand name is the first phase of the plan to migrate from the old brands. The transition is expected to be fully completed by 2008. Under the new structure, Agility's services are grouped into five major offerings. Clients will deal with one entity, regardless of the service they use.

The integration process that Agility is following does not operate on the principle that the large rules the small. For example, many of the controls and procedures followed by Trans-Link have been adopted on an organization-wide basis. Also, almost all the

executives of the acquired companies are still part of the new organization, with some being promoted to the executive team of the parent organization.

So far Agility has been able to realize many tangible benefits from the integration, such as the following:

- Through the new structure of Agility, the expertise of Trans-Link in the logistics of trade shows and exhibitions was brought to the Middle East, a market that Trans-Link did not previously have access to. So far, most of the new business is from Dubai, where Agility has won contracts with prominent fairs and exhibitions such as GITEX.
- Thanks to the combined expertise of the acquired subsidiaries, Agility is now able to bid for a wider variety of projects. For example, through the acquisition of TransOceanic, Agility is now capable of offering project logistics services, and through the acquisition of Agility Logistics (U.K.), it is now capable of bidding for petrochemical projects. By introducing these two specialties in the Middle East, Agility should be able to win many new projects in the oil and gas sector and in construction.
- Another result of the integration is that the subsidiaries create business for each other. For example, services provided by TransLink can be introduced in Europe via GeoLogistics.

BUSINESS SEGMENTS

Agility has reorganized its services into five major business segments:

Global Integrated Logistics

This segment deals primarily with integrated supply chain solutions, including freight management, warehousing, customs brokerage, and transportation. Global Integrated Logistics includes several highly specialized service offerings such as the following:

- Fairs and events logistics
- Project forwarding
- Bulk liquid transport

Defense and Government Services

This segment caters to various defense and government entities on a global basis and provides them with integrated solutions exclusively or in partnership with strategic partners.

Real Estate

This segment manages and grows strategic real estate assets globally.

Trade Facilitation

This segment performs ground-handling operations at various airports in addition to the customs modernization business.

New Ventures

This is a new business segment created to pursue growth opportunities that have a long-term strategic emphasis.

RECENT DEVELOPMENTS

- **December 10, 2006:** Agility announced its acquisition of the Russian freight-forwarding firm GeoLogistics CIS for USD 4.5 million.
- **December 5, 2006:** Agility announced that it had repurchased one million shares of Agility stock because the share price was low and did not reflect fair value.
- **November 27, 2006:** Local newspapers reported the cancellation of three Agility contracts with the Kuwaiti government. The three contracts covered equipment maintenance, storage, and the building of some facilities at the Mina Abdullah port. This news was published in the official gazette on December 3, 2006.
- **November 13, 2006:** The new brand, Agility, was launched with a new dragon logo.
- **October 16, 2006:** Agility was named the “Best Industry Leader in Military Logistics” by the Institute for Defense and Government Advancement, based on the company’s work with the U.S. Armed Forces.
- **August 29, 2006:** The U.S. Defense Logistics Agency renewed the Defense Distribution Depot Kuwait/Southwest Asia contract with Agility. Even though the contract was signed for five years in 2005, it must be renewed each year.
- **August 28, 2006:** Agility Logistics, based in the United Kingdom, was acquired for USD 14 million.
- **August 23, 2006:** The global contingency construction contract for the U.S. Navy was awarded to Atlantic Contingency Constructors, for which Agility will act as a sub-contractor.
- **July 26, 2006:** Agility acquired the freight-forwarding division of Global Marine Services in Saudi Arabia. Agility expects to realize synergies from this acquisition, particularly since Global Marine Services has been the exclusive freight-forwarding agent for GeoLogistics in Saudi Arabia.
- **June 6, 2006:** Agility acquired Basel-based Cronat Transport Holding AG, which operates under the Natural brand name, for USD 27 million. Cronat provides forwarding and logistics services in Switzerland and other European countries.

- **April 12, 2006:** Fujitsu Siemens opened its Middle East assembly plant at Agility's facility in the Jebel Ali Free Zone in Dubai. Agility is responsible for the delivery of components to the plant from Germany and elsewhere, as well as the transportation of the finished products throughout the Middle East.

- **January 9, 2006:** EQUATE Petrochemical Company awarded Agility a logistics contract for the utilities and infrastructure phase of the Olefins II Ethylene and Derivatives Complex in Kuwait. Agility will provide freight-forwarding, customs clearance, and transportation services for a wide range of construction materials. The company's GeoLogistics and TransOceanic subsidiaries will play a crucial role in the fulfillment of this contract.

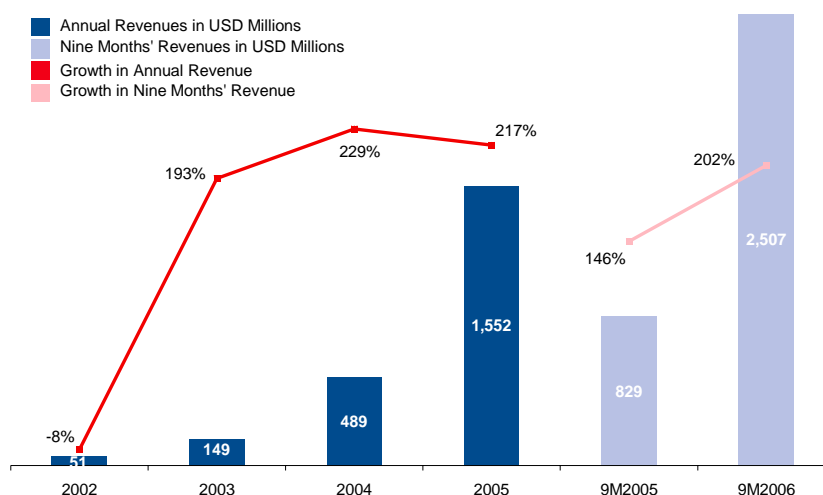
FINANCIAL OVERVIEW

REVENUES

Agility's revenues increased at a compound annual growth rate (CAGR) of 135% from 2002 to 2005. This was a result of the company growing both organically and through many acquisitions throughout the years. Revenues in 2002 were USD 51 million, but for the first nine months of 2006, revenues reached USD 2.5 billion (Figure 5). The growth in revenues witnessed during 2003 and 2004, which reached 193% and 229%, respectively, was sparked by the U.S. Armed Forces contracts. Revenues continued to grow in 2005 and the first nine months of 2006, by 217% and 202%, respectively, but most of this growth was a result of the acquisitions made by Agility.

Figure 5 Revenue and Growth over the Years

The growth in 2003 and 2004 was due to the U.S. Armed Forces contracts. Recent growth has been driven primarily by acquisitions

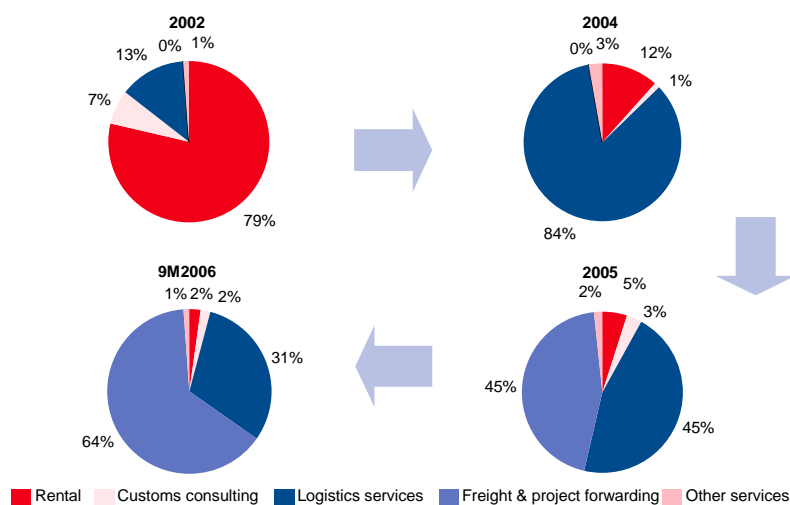


Sources: Annual reports and MENA Equity Research

Figure 6 shows how the various segments' contribution to total revenue has evolved over the years. In 2002, rental income accounted for 79% of revenues, since warehousing was the company's main business at the time. In 2004, the first full year of operation after the company won the U.S. Armed Forces contracts, logistics services accounted for 84% of revenues. This highlights the dependency of the company on its most important client, the U.S. Armed Forces. In 2005, the year in which Agility went on its acquisition spree, revenue from freight and project forwarding started to appear. Freight and project forwarding accounted for 45% of total revenues in 2005, but results for the first nine months of 2006 paint a better picture, as the new subsidiaries have been consolidated from the beginning of the year. Freight and project forwarding accounted for 64% of revenues in the first nine months of 2006.

Figure 6 Revenue by Business Segment

This chart explains the story of how Agility evolved from being in the warehousing business into becoming an integrated logistics provider



Sources: Annual reports and MENA Equity Research

In order to forecast Agility's revenue through 2011, we made a separate forecast for each of the revenue-producing business segments. Figure 7 presents a summary of our revenue forecast for Agility, which reflects a CAGR of 13.6% from 2006 through 2011. We based our forecast on the following assumptions and calculations:

- For the freight and project-forwarding segment, we assumed an 18% increase in revenue per year. To reach this estimate, we examined the relation between the increase in world trade activity and the increase in the sales of major freight forwarders. We then used this relationship, along with the World Bank's forecast of the increase in world trade, to make our forecast.
- For revenue from logistics services, which is currently driven by contracts with the U.S. Armed Forces, we applied a conservative growth rate of 3%. The logic behind this assumption is that revenues generated by Agility from the U.S. Armed Forces contracts have reached their peak. The value of these contracts is affected by the number of U.S. troops deployed in the region and any decline in the number of troops reduces that value. However, a reduction in the number of troops would mean that other global organizations contracting with the U.S. Armed Forces would most likely exit the region as the size of their contracts becomes unattractive. The departure of other contractors would enable Agility to perform additional services for the U.S. Armed Forces, thereby increasing the company's share of the decreasing pie. As a matter of fact, this trend has already started to happen, with Agility winning new contracts from the U.S. Armed Forces—for example, the heavy lift contract and the Defense Distribution Depot Kuwait/Southwest Asia contract.

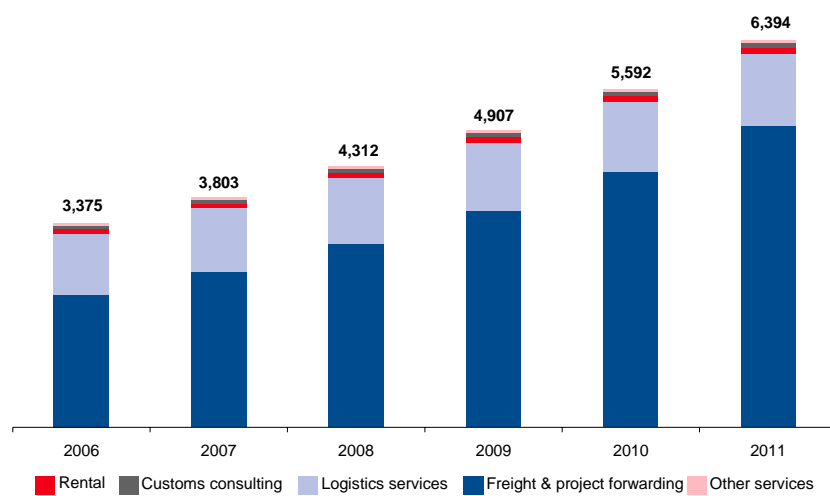
Furthermore, a decrease in the number of troops would most likely be linked to an improvement in the security level in Iraq, which would mean that new projects would arise in that country. Given Agility's established foothold in the region, the possibility of the company winning contracts for private sector projects in Iraq is

very high. Thus, we believe that Agility can offset major declines in revenue from the U.S. Armed Forces.

- For revenue from rental, we incorporated a gradual increase in revenue per year over the next three years, reflecting planned capacity increase in Dubai, Saudi Arabia, and Jordan. As for the cancellation of Agility's BOT contracts, we do not expect any material impact on revenue from this segment.
- As for other revenue sources, we assumed a constant growth rate of 3%.

Figure 7 Revenue Forecast

We forecast revenues to reach USD 6.4 billion by 2011



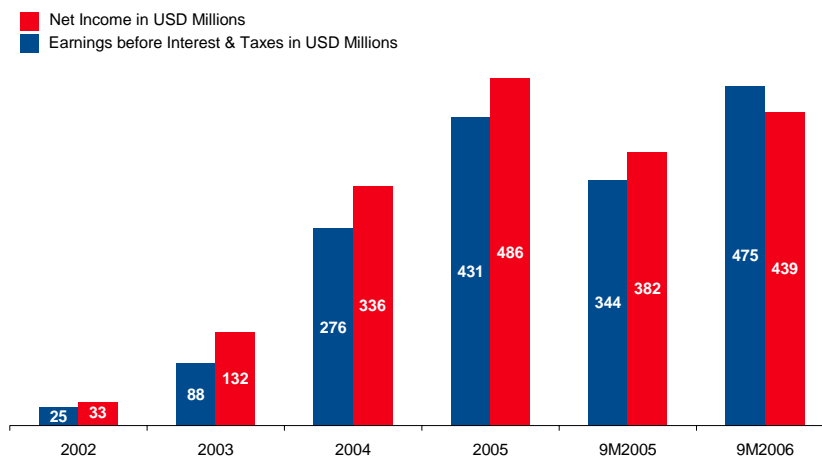
Source: MENA Equity Research

PROFITABILITY

Agility's net income grew at a CAGR of 110% from 2001 through 2005. Figure 8 shows Agility's most recent performance in terms of net income and operating income. Net income increased from USD 25 million in 2002 to USD 433 million in 2005, an exceptional performance by any standard. Over the past few years, net income has been higher than operating income due primarily to the change in the fair value of investment properties carried on the balance sheet.

Figure 8 Net Income and Operating Income

Agility performed exceptionally well over the past few years

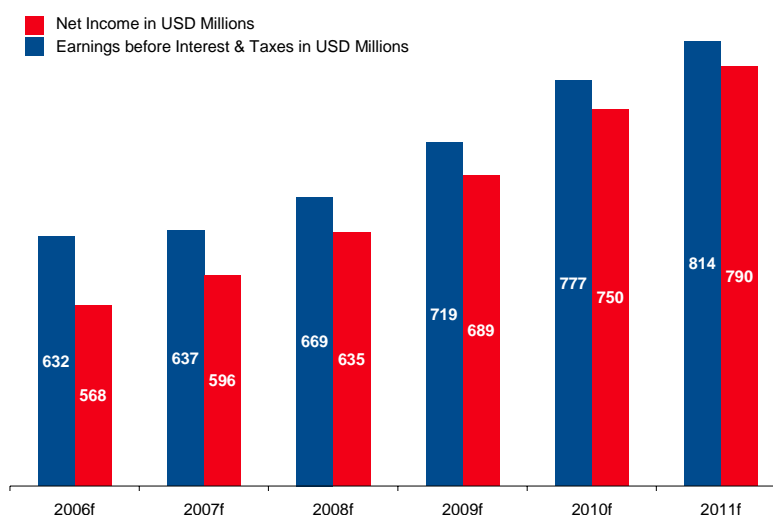


Sources: Annual reports and MENA Equity Research

Our earnings forecast for 2006 (Figure 9) is based on the performance of the company in the first three-quarters of this year. We estimate that Agility will close its fiscal year 2006 with USD 632 million in operating income. As for the rest of our forecast period, we estimate that operating earnings will reach USD 814 million by 2011.

Figure 9 Earnings Forecast

We estimate that Agility will end its 2006 fiscal year with USD 632 million in operating earnings



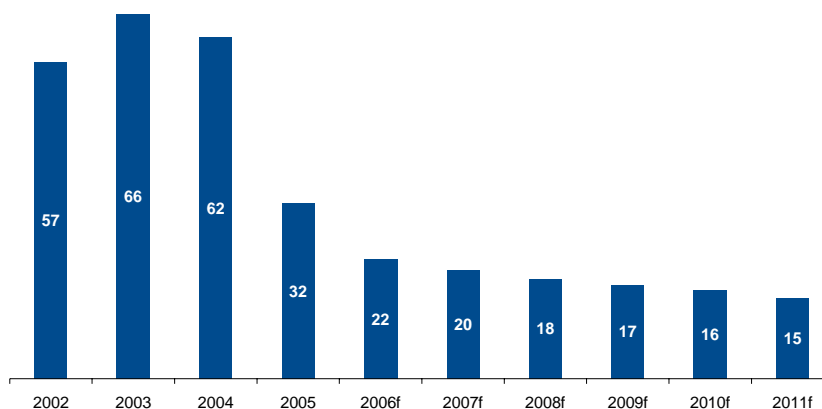
Source: MENA Equity Research

Agility's EBITDA margin (Figure 10) was very high from 2002 through 2004. Then, in 2005, following the acquisition of several freight-forwarding companies, the margin dropped significantly. The freight-forwarding business, in general, is characterized as a

high-revenue, low-margin business. Thus, due to the addition of the freight-forwarding segment—the main driver of growth in our forecast—we expect a decline in Agility’s EBITDA margin.

Figure 10 EBITDA Margin

The low margins that characterize the freight-forwarding business are the reason behind the decline in Agility’s EBITDA margin

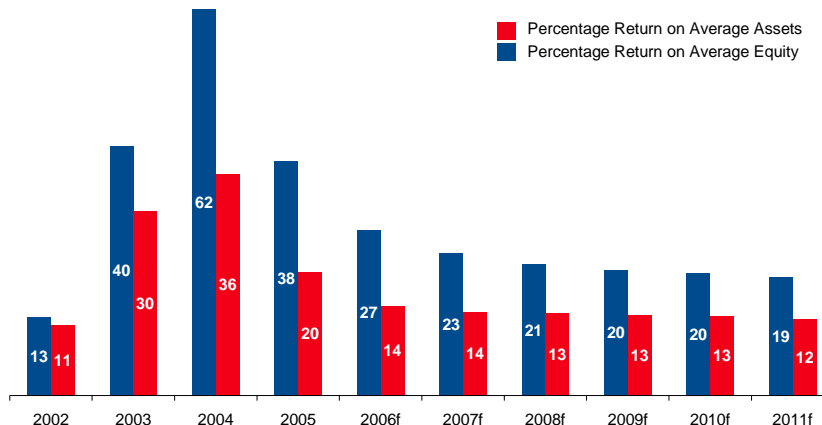


Sources: Annual reports and MENA Equity Research

Since 2003, Agility’s returns on equity and returns on assets have been impressive, with the return on equity exceeding 60% in 2004 (Figure 11). In 2005, the return on equity declined to 38% as a result of a capital increase and a high level of earnings retention. We expect the return on equity to decline further and settle at a more sustainable level of 19% by 2011. Returns on assets have followed the same path, reaching a peak of 36% in 2004, followed by what is expected to be a gradual decline to more sustainable levels.

Figure 11 Return on Average Equity and Return on Average Assets

Return rates peaked in 2004. We expect a gradual decline to more sustainable levels over the medium term



Sources: Annual reports and MENA Equity Research

FINANCIAL HEALTH

By the end of the first nine months of 2006, Agility had USD 995 million in cash and cash equivalents, representing 23% of the total assets of the company. This amount of cash is large enough to pay off all the outstanding debt of the company. Historically, the company has had a current ratio of 1.2 to 1.4; however, in 2005 it stood at 2.3. This high level of cash and cash equivalents shows that Agility has yet to satisfy its appetite for acquisitions.

Agility must be very careful in its use of excess cash. The company should focus only on acquisitions that will create value for its shareholders. If no good prospects are at hand, the company would be better off paying dividends and/or reducing its debt level.

GOODWILL

As a result of the recent acquisitions made by the company, goodwill has become a significant figure on the company's balance sheet. Goodwill increased from USD 12 million in 2004 to USD 565 million in 2005. By the end of 2005, goodwill represented 16% of total assets and 30% of total equity. This goodwill value is mainly the result of the acquisition of non-asset-based companies such as, GeoLogistics, Trans-Link and TransOceanic. However, for the time being we are not worried about any material revaluation of goodwill.

FINANCIAL STATEMENTS

Balance Sheet (USD Thousands)		Historical				Forecast				
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	
ASSETS										
Cash and Short-Term Investments	8,086	66,371	695,912	1,096,306	1,187,312	1,447,555	1,731,882	1,960,845	2,121,915	
Total Receivables, Net	87,098	228,579	733,547	811,435	893,718	1,013,319	1,153,129	1,314,080	1,502,604	
Total Inventory	80,553	227,973	220,171	202,019	197,808	200,491	206,506	206,953	213,161	
Other Current Assets, Total	24,556	33,915	95,615	184,186	190,153	215,600	245,346	279,591	319,703	
Total Current Assets	200,294	556,838	1,745,245	2,293,946	2,468,991	2,876,964	3,336,863	3,761,469	4,157,383	
Property/Plant/Equipment, Total - Net	78,272	330,821	674,615	664,270	677,555	691,106	718,750	747,500	762,450	
Goodwill, Net	31,012	11,581	558,001	662,905	662,905	662,905	662,905	662,905	662,905	
Long-Term Investments	269,085	398,426	565,248	637,261	700,987	771,086	848,194	933,014	1,026,315	
Other Long-Term Assets, Total	-	-	18,928	25,837	27,129	28,486	29,340	30,220	31,127	
TOTAL ASSETS	578,664	1,297,666	3,562,037	4,284,219	4,537,567	5,030,547	5,596,053	6,135,108	6,640,180	
LIABILITIES & EQUITY										
Accounts Payable	93,216	337,158	645,960	777,673	836,672	905,519	981,386	1,062,448	1,214,871	
Current Port. of LT Debt/Capital Leases	47,371	119,267	88,987	326,905	247,772	173,696	173,696	198,401	89,477	
Other Current Liabilities, Total	9,166	17,530	37,545	39,845	38,031	43,120	49,069	55,918	63,941	
Total Current Liabilities	149,754	473,956	772,492	1,144,423	1,122,475	1,122,335	1,204,152	1,316,767	1,368,289	
Long-Term Debt	35,272	115,080	782,465	537,552	379,257	467,155	539,217	585,198	688,468	
Other Liabilities, Total	10,074	15,945	136,053	226,343	234,379	242,816	251,675	260,977	270,744	
Total Liabilities	195,100	604,981	1,691,010	1,908,319	1,736,111	1,832,306	1,995,044	2,162,942	2,327,501	
Total Equity	383,564	692,685	1,871,027	2,375,899	2,801,456	3,198,241	3,601,009	3,972,167	4,312,680	
TOTAL LIABILITIES AND EQUITY	578,664	1,297,666	3,562,037	4,284,219	4,537,567	5,030,547	5,596,053	6,135,108	6,640,180	

Income Statement (USD Thousands)		Historical				Forecast				
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Total Revenue	148,562	489,158	1,551,650	3,374,823	3,803,056	4,311,994	4,906,930	5,591,829	6,394,060	
Cost of Revenue	-	-	542,585	1,743,181	2,046,656	2,399,865	2,813,918	3,299,274	3,893,144	
Gross Profit	146,490	479,973	983,406	1,631,642	1,756,400	1,912,128	2,093,012	2,292,555	2,500,916	
Selling/General/Admin. Expenses	50,763	169,424	516,820	904,453	1,011,613	1,134,054	1,261,081	1,397,957	1,566,545	
Depreciation/Amortization	9,922	25,935	60,894	95,610	107,346	109,493	112,789	117,300	120,796	
Unusual Expense (Income)	-	17,983	-	-	-	-	-	-	-	
Operating Income	87,877	275,816	431,352	631,579	637,441	668,581	719,142	777,298	813,576	
Interest Income(Exp), Net Non-Operating	(2,042)	(4,913)	(11,130)	(24,155)	(4,033)	5,578	10,712	16,480	22,092	
Other, Net	51,110	79,663	88,165	7,053	7,759	8,534	9,388	10,327	11,359	
Net Income before Taxes	136,946	350,566	508,388	614,478	641,166	682,694	739,242	804,104	847,027	
Provision for Income Taxes	4,360	11,124	19,764	35,313	35,264	37,548	40,658	44,226	46,586	
Net Income after Taxes	132,585	339,441	488,624	579,165	605,902	645,146	698,584	759,878	800,440	
Minority Interest	(979)	(3,833)	(3,002)	(11,347)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
Net Income	131,606	335,608	485,621	567,818	595,902	635,146	688,584	749,878	790,440	

KEY FINANCIAL RATIOS

Key Financial Ratios	Historical			Forecast						
	Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011
Liquidity										
Current Assets-to-Current Liabilities	1.3	1.2	2.3	2.0	2.2	2.6	2.8	2.9	3.0	
Quick Ratio	0.6	0.6	1.9	1.7	1.9	2.2	2.4	2.5	2.6	
Capital Structure & Solvency										
Total Debt-to-Equity	0.2	0.3	0.5	0.4	0.2	0.2	0.2	0.2	0.2	
Long Term Debt-to-Equity	0.1	0.2	0.4	0.2	0.1	0.1	0.1	0.1	0.2	
Times Interest Earned	72.7	36.5	16.7	12.5	14.3	17.5	16.8	16.2	16.0	
Return on Investment										
Return on Average Assets	29.8%	35.8%	20.0%	14.5%	13.5%	13.3%	13.0%	12.8%	12.4%	
Return on Common Average Equity	40.3%	62.4%	37.9%	26.7%	23.0%	21.2%	20.3%	19.8%	19.1%	
Return on Average Invested Capital	22.7%	39.7%	27.8%	26.8%	25.8%	25.2%	25.1%	25.0%	24.5%	
Operating Performance										
Gross Profit Margin	98.6%	98.1%	63.4%	48.3%	46.2%	44.3%	42.7%	41.0%	39.1%	
EBITDA	97,800	301,751	492,246	727,189	744,787	778,074	831,931	894,598	934,372	
EBITDA Margin	65.8%	61.7%	31.7%	21.5%	19.6%	18.0%	17.0%	16.0%	14.6%	
Operating Profit Margin	59.2%	56.4%	27.8%	18.7%	16.8%	15.5%	14.7%	13.9%	12.7%	
Net Profit Margin	88.6%	68.6%	31.3%	16.8%	15.7%	14.7%	14.0%	13.4%	12.4%	
EPS	0.18	0.47	0.63	0.72	0.75	0.80	0.87	0.95	1.00	
EPS Growth	137.9%	155.0%	34.4%	12.9%	4.9%	6.6%	8.4%	8.9%	5.4%	
Asset Utilization										
Accounts Receivable Turnover	2.7	3.1	3.2	4.4	4.5	4.5	4.5	4.5	4.5	
Inventory Turnover	0.0	0.0	2.4	8.3	10.2	12.1	13.8	16.0	18.5	
Accounts Payable Turnover	0.0	0.0	1.1	2.4	2.5	2.8	3.0	3.2	3.4	
Fixed Assets Turnover	0.5	0.9	1.2	1.8	1.9	2.0	2.2	2.4	2.6	
Total Assets Turnover	0.3	0.5	0.6	0.9	0.9	0.9	0.9	1.0	1.0	
Market Measures										
Price-to-Earnings Ratio	32.6	12.8	8.8	7.5	7.2	6.7	6.2	5.7	5.4	
Dividend Yield	0.7%	0.0%	3.1%	3.4%	4.0%	5.6%	6.7%	8.8%	10.5%	
Dividend Payout Ratio	22.8%	0.0%	26.7%	25.7%	28.6%	37.5%	41.5%	50.5%	56.9%	
Price-to-Book	11.2	6.2	2.3	1.8	1.5	1.3	1.2	1.1	1.0	
EV/ EBITDA	42.4	13.7	8.4	5.7	5.6	5.3	5.0	4.6	4.4	



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