FALCOM EQUITY RESEARCH REPORT

ETIHAD ETISALAT COMPANY (MOBILY)
Defining a league...
July 22, 2008

Recommendation
STRONG BUY

Target Price
SAR 73

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INTELLIGENT
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IDEAS

Market Performance

Current Market Price SAR (July 21, 2008)	51.00
52 week High (SAR)	76.75
52 week Low (SAR)	45.50
PER (TTM)	15.9
PBVR	4.0
Dividend Yield	1.0%
YTD 2008	-30.6%
1 Year Return	-12.1%
3 Years Return	-54.1%
Beta	1.04
30 day Avg. Volume	755,101

No. of Outstanding Shares (millions)	500
Market Capitalization (SAR millions)	25,500
Enterprise Value (SAR millions)	33,720

% to Total Market Capitalization	1.5%
% to Telecom Sector	13.6%

Tadawul Code	7020
TASI	9096.2
PER	20.0
PBVR	3.1
Div Yield	2.2%

Bloomberg Code	EEC·AB
Telecom Sector	2397.8
PER	13.6
PBVR	3.3
Dividend Yield	5.5%

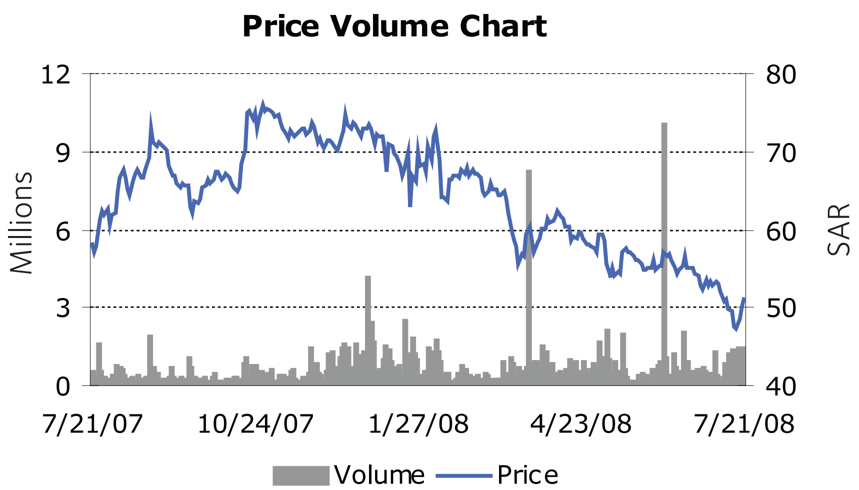
Shareholding Pattern	2008
Etisalat (UAE)	26.25%
Saudi Private Investors	22.50%
GOSI	11.25%
Public	40.00%

Valuation Indicators	
PEG	0.35
PEG (5 year Ex-Rights Est.)	0.72
PER 2008	14.3
PER 2009	11.5
PER 2010	9.5

Capital Action (SAR Million)	
Rights Issue (Expected)	2H'2008
Capital Increase	2,000
Current Capital	5,000
Total Share Capital	7,000

CAGR (2005-2007)	
Sales	125%
Net Profit	NA
Fixed Assets	42%
Shareholders' Equity	24%

CAGR (2008-2012) Est.	
Sales	13.3%
Net Profit	19.8%
Fixed Assets	10.7%
Shareholders' Equity	15.4%



(SR '000)	2006	2007	2008E	2009E	2010E
Sales	5,846,592	8,440,432	10,596,232	12,685,280	14,524,185
EBITDA	2,000,504	2,946,809	3,755,110	4,553,313	5,291,290
Net Profit	700,358	1,379,548	1,785,632	2,215,239	2,687,896
EPS (SR)	1.40	2.76	3.57	4.43	5.38
PER (X)	37.1	26.6	14.3	11.5	9.5
PBV (X)	5.7	6.2	3.0	2.5	2.2
EV/EBITDA (X)	17.4	15.3	9.4	7.7	6.7
Asset turnover Ratio	0.34	0.45	0.47	0.49	0.54
ROE (%)	16.7%	26.4%	24.6%	23.7%	24.8%
ROA (%)	6.8%	10.1%	10.4%	11.0%	12.5%

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EXECUTIVE SUMMARY

Mobily, the second GSM mobile operator in Saudi Arabia transformed the telecommunications landscape with its entry in 2005. In three years of operation, Mobily had

- Market share of 39% with over 11.1 million subscribers under its prepaid and post paid plans;
- Total and 3G population coverage of 97% and 50% respectively;
- Over 100,000 mobile broadband internet subscribers;
- Revenues of SAR 9.4 billion (USD 2.5 billion) and net profit margin of 17.0% for TTM in Q2'08;
- EBITDA margin of 34.4% and a debt equity ratio of 1.54 for the same period.

Mobily growth has been spurred with a lower calling tariff structure coupled with rising higher net disposable income within the target population. Lately, Mobily's focus has been to expand the broadband market where the ARPU margins are higher than the conventional voice based ARPU. Mobily has also been consolidating its position in the telecommunications value chain with the acquisition of Bayanat Al-Oula, a data communications operator, in Q1 2008 and Zajil International, an ISP provider, in July 2008. Mobily's stake in the international fiber optic network with its parent operator Etisalat of UAE would bring long term synergic benefits with such inorganic growth.

The completion of the 12,600 km fiber optic network and the international gateway in 2008 would reduce Mobily's dependence on STC and ensure cost savings. At the same time, with the entry of Zain and other fixed line operators, the same infrastructure would be an additional source of revenue for Mobily.

The management of Mobily is focused in its drive to increase Mobily's presence with post paid subscribers and offer value added services like mobile broadband internet services, video streaming, et al. An aggressive marketing spree has solidified the brand image of Mobily in the expat population, Saudi youth and women citizens.

Mobily has positioned itself as an integrated telecom operator with focus on mobile and data services. By 2010, wholesale business is expected to account for 5% of the total revenues. Mobily's business model provides it an edge over its competitors. Focus on customer experience and post paid segment will likely make it difficult for the 3rd operator to woo away customers from Mobily. As a combat strategy, relationship with Etisalat of UAE could be leveraged for introducing the 'One Plan Network' similar to Zain.

Approximately 70% of new mobile products and services introduced in the Saudi market have been launched by Mobily. According to the GSM World Association, Mobily carried 9 terabytes of data on a daily basis and was one of the busiest mobile data communication networks in the world.

In early 2008, Mobily announced a rights issue to raise SAR 2 billion. Mobily has a capital expenditure program of SAR 3.7 billion and SAR 2 billion for 2008 and 2009 respectively. The idea is to expand the population coverage under 3G network, increase the basket of post paid subscribers and fund its expansion plans of inorganic growth.

In early 2008, Mobily as per CMA directive offloaded an additional 20% of the capital for public investors taking the total free float to 40%. The Mobily stock is fairly liquid with an average 30 day volume of over 0.7 million shares and a market free float of 40%. The stock is down 30.6% year-to-date and is currently trading at a PER of 14.3x based on 2008 estimated earnings pro-forma rights issue.

FALCOM Research initiates its coverage report on Mobily with a STRONG BUY recommendation. The fair value of the stock based on DCF and peer group valuation is SAR 73.1. The table below highlights the strong investment indicators for the stock.

Indicators	2007	2008E	2009E	2010E
PER (x)	26.6	14.3	11.5	9.5
PEG (x)	0.3	0.5	0.5	0.4
PBVR (x)	6.2	3.0	2.5	2.2
EV/EBITDA (x)	15.3	9.4	7.7	6.7
EBITDA Margin (%)	34.9%	35.4%	35.9%	36.4%
NPM (%)	16.3%	16.9%	17.5%	18.5%
ROE (%)	26.4%	24.6%	23.7%	24.8%

(Source: FALCOM Research)
Historical PER & PBVR multiples pertain to respective year-end prices. Prices and earnings adjusted for the prospective rights issue.

COMPANY PROFILE

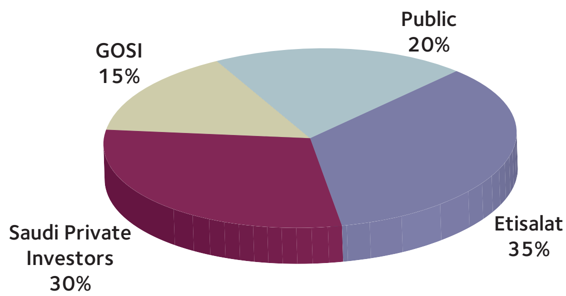
Etihad Etisalat ("Mobily" or "Company") the second licensed mobile operator in the Kingdom of Saudi Arabia was established in accordance with a 2004 royal decree. Mobily is the brand name of the Company and has prepaid and postpaid plans under this brand.

Mobily bought the Kingdom's second GSM mobile license in August 2004 for SAR 12.21 billion (USD 3.2 billion). The Company commenced operations in May 2005 and launched the advanced 3.5G services in June 2006. The Company had 11.1 million mobile connections at the end of 2007 with a 39% market share. In 2007, post-paid clients contributed more than 15% of the Company's revenues and the number of mobile broadband internet subscribers had exceeded 100,000.

Mobily has been introducing new services and innovative packages in the Kingdom such as MMS, LBS, international roaming for prepaid SIM cards in addition to GPRS and GPRS EDGE roaming, et al. Mobily was the first to introduce female sales outlets in the telecom sector.

At the time of its formation, Mobily issued 100 million shares at a par value of SAR 50. However in 2006, as per CMA resolution, a share split was implemented whereby each share was split into five shares of SAR 10.

Company Ownership (2004)

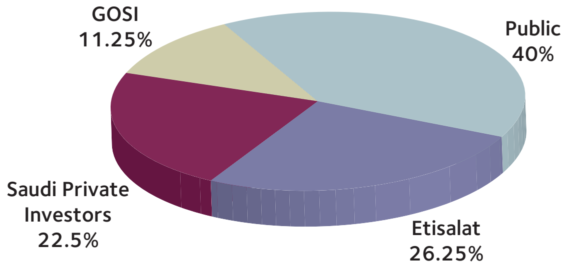


(Source: FALCOM Research)

The Company was listed on the Saudi stock market in 2004 with a 20% float. Etisalat of UAE, the parent incumbent operator, held 35% of Mobily while 30% was held with Saudi private investors and 15% allocated to the General Organization for Social Insurance.

Mobily shareholders offloaded an additional 20% of the company shareholding to the public during Q1 2008. Henceforth, Saudi public investors hold 40% of the Company, while private investors and GOSI own 22.5% and 11.25% respectively. The balance 26.25% is owned by Etisalat.

Company Ownership (2008)



(Source: FALCOM Research)

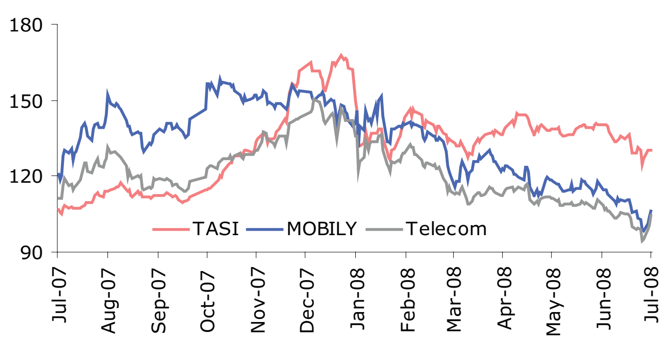
In February 2008, the Company announced a rights issue after which its capital would be raised by 40% to SAR 7 billion. An additional 200 million new shares at 10 riyals each would be issued taking the total issued shares of Mobily to 700 million. The rights issue is expected to be completed in 2008.

Return to Shareholders

Stock price correction

Entry of new mobile operator, pressure on margins and general market correction has had a drastic impact on the stock price of Mobily and has been underperforming the market index (TASI) from the beginning of 2008. At the time of this report being published the stock was down 30.6% YTD and was trading at a trailing PER of 15.9x. Likewise, TASI was down 17.6% YTD with a trailing PER of 20x.

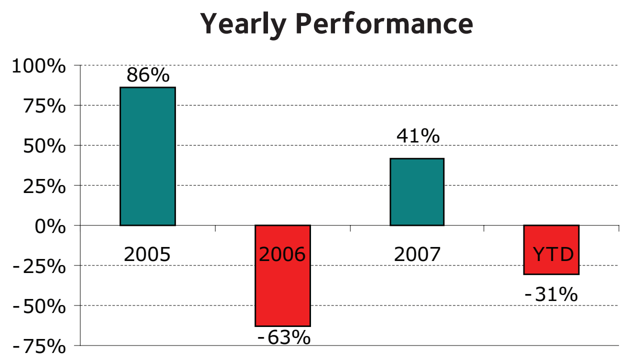
Price Performance



(Source: FALCOM Research; Rebased to 100)

The shareholders have earned an investment return (including dividend) of 415% ever since the stock started trading in December 2004. With the fair value estimate expected to reach SAR 52.2 (pro-forma rights issue) over the holding period of 2 years, the return is expected to be 43% at the current market price adjusted for the upcoming rights issue.

The stock performance year after year has been driven by the overall market sentiment. However, the current market price is not justified in light of the forecasted earnings potential and 2008 PER of 14.3x.



(Source: FALCOM Research)

SERVICE OFFERINGS

In 2005, Mobily launched its operations with a suite of VAS voice and data services for both pre-paid and post-paid customers. These services include 3.5G services, free voice mail, international roaming and a rich content product portfolio that includes 3.5G enabled services, polyphonic ringtones, greeting cards, breaking news, audio clips, etc.

Pioneering lifestyle changes

The Company was a pioneer in introducing location based services and mobile internet over EDGE (2.5G). Mobily was also the first operator to introduce the MMS facility in the Kingdom.

Mobily launched "Mobily Business" to target the business and corporate sector. The package was especially designed for the business sector to increase business efficiency in all business activities by using the latest technology in mobile communications.

Diversified basket of data services

Mobily is actively encouraging the development and proliferation of localized, Saudi Arabian content such as information channels, entertainment, religious and lifestyle offerings through mobile Wap portal. The Company has five public WAP sites that deliver content and applications by leveraging Etisalat's relationship with regional partners and suppliers.

BlackBerry, a complete end-to-end business specific solution, has been made available for the first time in the Kingdom by Mobily. With the launch of 3G (Mobily 3.5G), services such as video telephony and internet access are available at higher speeds. Mobily launched the first unlimited mobile broadband package in the Middle East, and shifted the data consumption offering away from kilobytes to gigabytes.

The Company launched 44 products and services in 2007. Approximately 70% of new mobile products and services introduced in the Saudi market have been launched by Mobily. In order to better service its clients, Mobily has lately started a second call center in Damman, the eastern province of Saudi Arabia, with a 500 seat capacity.

Mobily has entered into 475 agreements with different operators globally for international roaming and SMS services. According to the GSM World Association Mobily carried 9 terabytes of data on a daily basis and was one of the busiest mobile data communication networks in the world.

OPERATIONS & MARKETING

Expanding network coverage

Expanding mobile network

In May 2005, Mobily launched its operations in 32 cities, extending GSM coverage to 79.2% of the population through approximately 1,000 base stations. The rapid network roll-out has been achieved through outsourcing network construction on a turnkey basis to primary vendors. In three years of operation, Mobily network covered 97% of all the populated areas of Saudi Arabia and the network reached 115 cities, towns and villages, of which 70 had HSPA based coverage. Mobily is the biggest 3G mobile operator in the Kingdom with more than 1.8 million active subscribers.

Mobily has deployed a nationwide GSM network based on the 2.5G GPRS/EDGE standards throughout its coverage. The network architecture has been designed to support IP connectivity, national and international roaming and inter-operation between GSM, GPRS, EDGE and 3G network elements and systems. The GSM network has been designed with spare capacity to ensure quality and cater to growth in voice and data subscribers on a yearly basis.

3G network platform growing...

Mobily has deployed a nationwide cellular 3G WCDMA network in the Kingdom. This network features high-speed data and voice connectivity and allows voice and data products, applications and services for a wide-range of mobile equipment and corporate and consumer markets.

The commercial availability of 3G was successfully launched in nine major cities in June 2006. The 3G roll-out achieved 45.2% population coverage at launch. Mobily is currently working on 3G network expansion and intends to cover areas that have not yet been covered. The Company had 4,843 base stations at the end of 2007 of which 993 were 3G compatible. 3G services covered 62 cities and towns and 50% of the population last year.

Acquisition down the value chain

Broadband, the new buzz...

In February 2006, Mobily entered into a strategic partnership with ITC and Bayanat Al-Oula ("Bayanat") to develop a new fiber optic network. The network coverage of 12,600 km of highways is expected to be completed in 2008. The network expansion would lessen Mobily's dependence on STC's network and enhance Company's services by increasing the speed of transmitting data services.

In May 2007, Mobily introduced unlimited mobile data communication package and created technology based competition between HSPA and ADSL in the broadband internet market segment. This unlimited package later became the cornerstone for the Company's fixed-mobile convergence strategy.

During the first quarter of 2008 Mobily acquired 99.9% of Bayanat at a total cost of SAR 1.5 billion (USD 400 million) and increased its stake to 66.6% in the fiber optic network project. Bayanat was licensed by CITC to build, manage and operate a data communications network in the Kingdom. Bayanat can provide a host of services including DSL based data and internet service to corporate customers as well as Mobile WiMAX DSL like access service to residential clients.

WiMax – the cutting edge technology

The acquisition of Bayanat would enable Mobily to expand its operations in the fixed broadband data segment (DSL) and expand broadband Internet technologies by offering its customer WiMAX connectivity. In early 2007, Bayanat entered into a strategic agreement with Samsung to roll-out the largest WiMAX network in the Middle East region and is expected to start operating the WiMAX wireless Internet network in Saudi Arabia during 2008. WiMAX technology allows WiMAX enabled laptop to down-load songs, movies and business presentation over distances of up to 50 kilometers.

Broadband spanning 3 continents

In January 2008, Mobily announced expansion of its national fiber-optic network regionally and globally as part of a consortium that includes Etisalat Corporation of the UAE and Etisalat Misr in Egypt. Named 'E-Cable', the cable is expected to be operational and ready for use by the end of Q2'09 at a cost USD 150 million. The cable shall run from Fujairah in the UAE, across the Kingdom, passing through the Suez Canal and Alexandria in Egypt and Italy in the Mediterranean and entering Europe through France.

The cable is expected to allow more gigabits of Internet and voice traffic to originate and terminate in the region translating into faster web browsing speeds and more cost effective international and regional calling rates in the long run. Each gigabit of Internet traffic can serve an estimated 128,000 users at the same time. It is important to note that the Company's fiber optic backbone will reduce leased circuit costs and enhance additional revenues from third-party sales.

Synergic ISP acquisition…

In July 2008, Mobily announced acquisition of 96% of Zajil International ("Zajil") for SAR 80 million. Zajil is a leading ISP provider, licensed by CITC, in the Kingdom of Saudi Arabia. Zajil pioneered the establishment of first online email facility in Saudi Arabia and its network covers nearly 90% of Saudi Arabia's business and residential areas. The ISP provider has 6 branches and caters various sectors including government, oil, transport, banking and insurance, communication, education and health, tourism, among others. The corporate biggies include names like Aramco, SABIC, Zain to name a few.

Zajil provides corporate clients with networking, storage management, systems security, printing and output solutions. In the retail market segment, Zajil provides basic online e-mail and Internet services. Zajil has partnered with a host of biggies like Microsoft, IBM, Cisco, et al to provide these services.

Marketing strategy

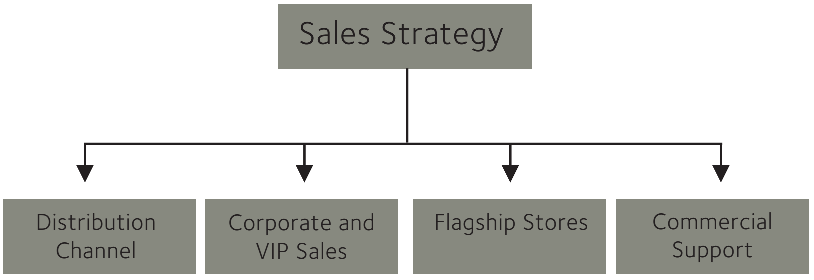
Marketing customized solutions

'Every Customer is Unique'! A phrase coined by management experts has had an impact on the marketing strategy of Mobily. The Company's marketing strategy is to provide customized solutions to the different segments of the population. The segments are divided into sub-groups based on age, income level, spending pattern, cultural values and ethnic origin to better understand the profile of the population.

In addition, the Company's customer acquisition strategy is driven by segmentation of the population vis-à-vis differentiation between pre-paid and post-paid customers. Mobily's basket of products, services and offers are built, launched and promoted on the basis of segmentation.

Sales drive

At the end of 2007, Mobily had close to 5,400 point of sale outlets across the kingdom. Mobily's sales effort is organised along four functional lines:



(Source: Company website)

Channel Distribution

Channeling sales

Company's distribution strategy is driven by three major channels, namely:

Direct sales

The direct sale channel includes Mobily's 24 flagship stores and 155 fully branded stores. The flagship stores are wholly owned and staffed entirely with Mobily personnel, whereas the fully branded outlets operate as franchises.

Indirect sales

The Company relies strongly on its distribution partners to achieve wide scale distribution at a rapid pace. Mobily has inked primary distribution agreements with seven main distributors, each of which effects sales through 149 fully branded, 288 co-branded and 4,000 secondary distributor outlets.

Co-branded

Co-branded stores sell only two brands, e.g. Mobily and Axiom. To reinforce quality and control, the Company would broaden its reach with co-branded outlets and reduce dependence on resellers and downstream dealers.

The Company has also channeled sales through the internet and ATM for top-up of prepaid cards. In order to target the Royalty and VIP segment effectively, the Company has set up a separate department of Corporate and VIP Sales.

FINANCIAL ANALYSIS

ARPU and Minutes of Usage

The monthly blended ARPU for Mobily contracted from SAR 114 in 2006 to SAR 84 in 2007. This was primarily because of fall in call tariffs and drop in virgin customer segment combined with heavy concentration of the prepaid subscribers. However, the overall drive to enhance data based ARPU would result in further earnings growth and margin enhancement. With 25% of new additions coming into post paid basket, the ARPU for post paid subscribers in line with management view is expected to be 3x ARPU of prepaid subscribers.

Post paid + data defining ARPU

Data ARPU contributed 6-7% of the total ARPU in 2007 and is expected to increase, as witnessed in other global telecom markets, to nearly 15% in the long run. It is noteworthy that a major stream of data ARPU is being generated from mobile broadband internet services. In the long run, the total ARPU is expected to stabilize between SAR 60-69.

The average minutes of usage per subscribers in line with falling tariff rates and rising per capita GDP is expected to strengthen going forward. The minutes of usage of post paid subscribers was nearly 3x that of prepaid users in 2007. The minutes of usage for the post paid subscribers are increasing rapidly while that of prepaid users growing slowly.

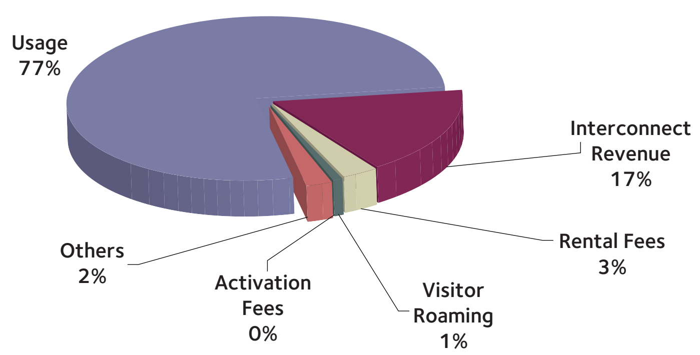
In 2007, Mobily had expanded its post paid subscriber base to nearly 9% from less than 7% in 2006.

Revenue and Cost line Analysis

Breakdown analysis

The Company had revenues of SAR 8,440 million during 2007, up 45% YoY. Within the revenue stream, usage contributed 77% of total revenues and was up 47% during the year

Revenue Pie '07

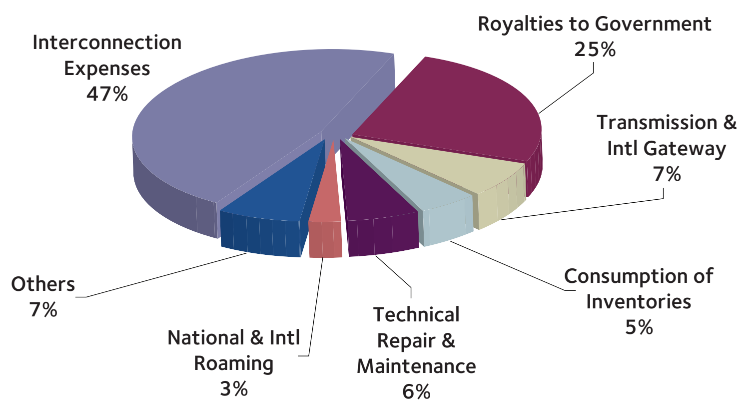


(Source: Company Financials)

Following Zain's agreement with Mobily to share the latter's network infrastructure in the initial years of operation, an additional source of revenue would boost the top line of the Company from 2008 onwards. In addition any move by the new fixed line operators to use the Company's fiber optic network in initial years would boost revenues for Mobily.

On the cost line, government royalties grew at the fastest pace of over 100% from the previous year. As per the license conditions, royalties as a percentage of revenues payable to the government increased from 5% in first year of operation to 10% in the second year, and is expected to reach 15% in the third year and onwards. 2008 will be the first full year where 15% of the Company's revenues will be paid out as government royalties. However, any move by CITC to reduce the government royalties from the current 15% slab, would have a positive impact on the gross margins.

Cost Component '07



(Source: Company Financials)

Ratio Analysis

Ratios unfolding...

The Company's profitability margins have been expanding ever since the Company started operations in 2005. Mobily's EBITDA margin has grown marginally and stood at nearly 35% for 2007 whereas the net profit margin strengthened 400 bps plus to 16.3%. Company's ROE and ROA grew 58% and 78% respectively for 2007.

The total assets and fixed assets turnover ratios have improved for the historical period. The gear ratio, as measured by debt divided by capital employed, has improved from 0.70 in 2006 to 0.60 in 2007. On the same lines, Company's debt equity ratio reduced from 2x in 2006 to 1.5x in 2007. It is noteworthy that the Shareholders' equity accounted for 30% of the total assets in 2007, up from 26% in 2006. In 2007, the operating income had grown to cover nearly 3.5x the interest expense vis-à-vis 2.4x in 2006. Likewise, the Company's debt was 3x the EBITDA for 2007 and was down from 4.7x in 2006.

On the valuation parameters, all the valuation multiples improved for the historical period. Although currently on the higher side, the valuation multiples are expected to improve during the forecast period.

Ratios	2005	2006	2007
Profitability Ratios			
Gross Profit Margin	41.8%	54.2%	55.1%
EBITDA Margin	-6.8%	34.2%	34.9%
Operating Profit Margin	-51.3%	19.8%	22.7%
Net Profit Margin	-70.3%	12.0%	16.3%
Return on Avg. Equity	-30.5%	16.7%	26.4%
Return on Avg. Assets	-5.3%	6.5%	9.5%
Return on Avg. Capital Employed	-15.7%	20.0%	19.2%
% Growth			
Revenue Growth	NA	251.8%	44.4%
Operating Income Growth	NA	NA	65.8%
Net Income Growth	NA	NA	97.0%
Fixed Assets Growth	NA	41.3%	42.4%
Turnover Ratios			
Total Asset Turnover	0.10	0.34	0.45
Fixed Asset Turnover	0.61	1.78	1.81
Current Assets Turnover	0.70	0.35	0.37
Leverage Ratios			
Equity/Assets	0.24	0.26	0.30
Debt/Equity	2.33	2.08	1.51
Debt/Capital Employed	0.70	0.68	0.60
Debt/Total Assets	0.55	0.53	0.45
Interest Coverage	NA	2.41	3.45
Debt/EBITDA	NA	4.72	3.03
Total Liabilities/ Shareholders' Equity	3.23	2.90	2.36
Current Liabilities/Total Liabilities	0.87	0.88	0.43
Valuation Ratios			
PER	NA	37.1	26.6
PBVR	3.7	5.7	6.2
PEG	NA	NA	0.3
Earnings Yield	NA	2.7%	3.8%
EV/Revenues	13.7	6.0	5.3
EV/EBITDA	NA	17.4	15.3
EV/EBIT	NA	30.2	23.5

(Source: Company Financials, FALCOM Research)
Historical PER & PBVR multiples pertain to respective year-end prices.
Prices and earnings adjusted for the prospective rights issue.

Economic Value Added

Economic profit defined

A measure of the Company's financial performance based on the residual wealth can be calculated based on EVA. EVA, a registered trademark of Stern Stewart & Co, attempts to capture the true economic profit generated by any company using the following matrix:

Net Operating Profit after Taxes (NOPAT) – (Capital Employed * WACC)

Based on the above formula the EVA for Mobily was SAR 588 million in 2007. The EVA was up 291% from 2006 and signifies the true economic profit generated by Mobily during the accounting periods

Year	2006	2007
NOPAT (SAR million)	1,156	1,892
Capital Employed (SAR Million)	13,973	14,835
WACC (%)	7.3%	8.9%
Economic Value Added (SAR Million)	150	588

(Source: Company Financials, FALCOM Research)

Latest Quarter Performance

Quarterly view

The Company reported revenues of SAR 2,544 million for the quarter ended June 30, 2008. The operating revenue was up 25.4% YoY whereas the net profit jumped 47.6% during the same period. The EBITDA margin stood at 34.4% while the net profit margin was 17% for the TTM period. Fixed assets grew 66% over the period and the debt equity ratio improved from 1.79 in Q2'07 to 1.54 in Q2'08.

On a quarterly note, the Q2'08 revenue was up 10.2%. This was primarily as a result of new additions in the post paid basket and increase in data services. Likewise, the net profit was up 37.5% as a result of drop in general and administrative expenses and finance charges.

STRATEGY & Competitive Advantages

Strategies

In light of the current market developments, the management of Mobily has devised a sleuth of measures to maintain, its market share:

1) Invest SAR 1 billion to expand the 3G mobile services with 70% population coverage by the end of year 2008;
2) Focus on developing the post-paid customer base (about 15% of 2007 revenues was from post-paid clients) with high speed applications like HSPA and mobile broadband internet services;
3) Acquire companies and consolidate the Company's position in the telecommunications value chain, namely, broadband.

The acquisition of Zajil would strengthen the distribution channel of Bayanat for its communication services like DSL based data and internet services, video telephony and conferencing, etc. For Mobily the acquisition of Bayanat would enlarge the spectrum of band frequency, provide access to WiMAX services and a 2/3 stake in the 12,600 km fiber optic network. Mobily's stake in the international fiber optic network with its parent Etisalat of UAE would bring long term synergic benefits with such inorganic growth.

Mobily has support relationship with its parent operator, Etisalat of UAE, for procurement of resources. The relationship can be leveraged for introducing the 'One Plan Network' similar to the Zain model with presence in countries like UAE, Egypt, Sudan, Pakistan, to name a few.

Going forward, the Company would focus on launching new services to encourage fixed-mobile convergence and developing the wholesale business. Fixed-mobile convergence aims to provide both these services with a single phone and promises a superior user experience delivered cost efficiently and with unprecedented convenience. The exclusive national roaming agreement with Zain, prospects of leasing the fiber optic bandwidth to the 3 new fixed line operators and growing corporate business services is expected to increase the share of wholesale business to 5% of revenues by 2010.

Offering of new services like DSL and WiMAX through Bayanat, increasing mobile broadband applications like HSDPA and high speed data services through fiber optic network would go a long way for Mobily to maintain its market share over 35% in the long run.

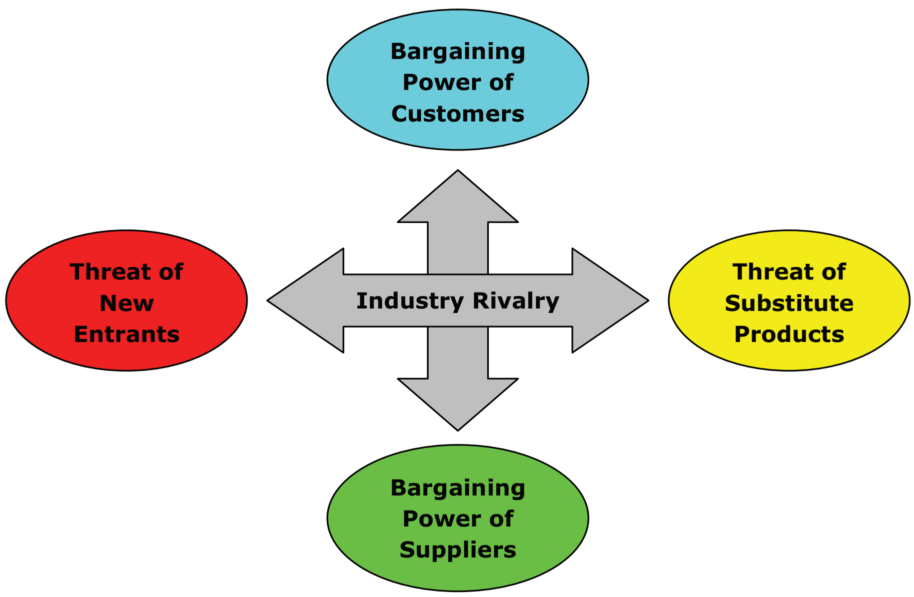
According to Informa's World Cellular Data Metrics nearly one- third of mobile data revenues now come from non-SMS services. Internet access, email and messaging (SMS/MMS) are among the applications that are pumping up data revenues in general. This point in particular signifies the changing trends in mobile usage from voice based applications to data services.

Michael Porter analysis

Based on the current shift of mobile needs from voice to data based services and significant growth in mobile broadband internet services, the Company is focused on increasing its data revenues. Data revenues are expected to contribute nearly 15% of the total revenues over the long run circa 2012. As a result, the high margins in data ARPU would stabilize the falling total ARPU in the long run.

The Company's drive to focus on population segmentation and offering services for particular segments like female, youth has enhanced the positioning of the brand in the market. On the quality aspects, the focus is to increase network coverage in indoors and shopping malls and provide rich customer care experience.

Competition in an industry is rooted in its underlying economics and competitive forces exist that go well beyond the established companies in a particular industry. The competitive environment of Mobily in the context of the Saudi telecommunications market and the impact from the different market forces can be elaborated using Michael Porter's 5 forces analysis framework. These five forces are the bargaining power of suppliers, bargaining power of buyers, potential entrants, threat of substitute products and the overall industry rivalry.



(Michael Porter Five Forces Model)

Force 1: Bargaining power of customers

Buyer power is one of the two horizontal forces that influence the value created by an industry. The main determinants of buyer power are size and concentration of customers. The Saudi market with a population close to 25 million is the biggest market in size in the GCC. This force is relatively high with 3 mobile operators currently in the market space.

GCC Mobile Operators

Country	Number	Players
Saudi Arabia	3	STC, Mobily & Zain
UAE	2	Etisalat & du
Kuwait	3	Wataniya & Zain & STC
Oman	2	Oman Mobile & Nawras
Qatar	2	Q-Tel & Vodafone
Bahrain	2	Batelco & Zain

(Source: FALCOM Research)

The Kingdom's urban population to total population stood at 81% of the total population in 2004 (against the OECD average of 75%). The high concentration of population in urban areas and the introduction of mobile number portability in 2006 amid zero switching cost have increased the bargaining power of customers.

Force 2: Bargaining power of suppliers

Supplier power is a mirror image of the buyer power. The determinants of supplier power are firstly the relative size and concentration of suppliers relative to industry participants and secondly the degree of differentiation in the services provided. The Saudi mobile space is very competitive in terms of pricing, quality of service and introduction of value added services. This force is medium for Mobily with hitherto focus on expatriates, strong brand identity and the move to integrate broadband services.

Force 3: Threat of substitute products

The key to success for service providers is sustainable competitive advantage. However, the threat of substitute products can pose a threat to an industry's profitability. STC, the first operator with a dominant market share, has the ability to significantly alter the market dynamics with price wars and innovative product features.

Force 4: Threat of new entrants

The ideal situation for any company is to participate in a market that is closed to competition. The capital intensive nature of the telecom industry and long gestation period for launch of services act as barriers to entry for any operator. However, the telecom industry in Saudi Arabia with two mobile operators is expected to face increase in competition with the entry of Zain. Zain paid SAR 22.9 billion (USD 6.1 billion) for the 3rd mobile license in 2007. This entry is expected to change the competitive position of STC and Mobily. Zain would focus on offering innovative products such as 'One Plan Network' and high quality services.

The newly licensed fixed line operators are expected to intensify competition in the broadband segment. The introduction of wireless hand held devices would encourage the off take of broadband services and may impact the profitability margins for mobile operators with price wars in data services.

Force 5: Industry rivalry

The fifth element in assessing the attractiveness of an industry is the competition for market share. The fierce competition among license applicants, including local and international investors, and the financial bids to obtain licenses, confirm the attractiveness of the Saudi telecommunications market. This force is expected to intensify with the threat of substitute products and bargaining power of buyers. The mobile segment is already undergoing an intense marketing spree to woo subscribers. The activity is expected to further escalate with the entry of Zain.

SWOT ANALYSIS

Strengths

- Professional management team
- Strong brand identity in the market
- Strong profitability ratios including EBITDA margins and return on equity
- Innovative new product development ideas
- Focus on quality of service and customized solutions
- Well developed mobile network coverage with 3G services
- Employee retention program in practice

Weaknesses

- High concentration of prepaid subscribers
- Highly leveraged balance sheet
- Decline in voice based ARPU

Opportunities

- Increase market share in mobile broadband
- Changing market trends from voice based services to data based services
- Acquisition of companies in the value chain
- Focus on niche targets with corporate clientele
- High per capita GDP and young population base in Saudi Arabia
- Influx of expatriates as a result of shortage of skilled manpower in the country
- Partnership with parent operator for roll out of value added services
- Partnership with parent operator for entering new telecom markets

Threats

- Erosion of market share with the entry of competition
- Low market response to new services
- Decline in margins as a result of price wars
- Failure of masses to adapt to changing technology

FUTURE OUTLOOK

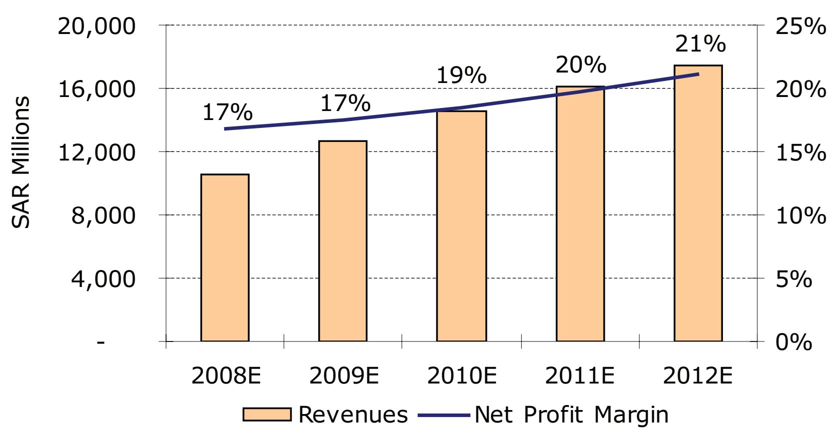
We believe the Company to continue its aggressive drive to add new mobile subscribers, introduce new services and expand broadband penetration in Saudi Arabia. This drive would translate into improved financial results for the Company. FALCOM Research presents its views on the different aspects of the Company's financial projections.

Revenues and Profit Margin

Revenues CAGR of 13.3%

ARPU is expected to come under pressure for voice based services with the entry on Zain in the telecom space. With 25% of the new additions coming from post paid subscribers and attractive margins in the data based services, the total ARPU is expected to stabilize to SAR 60-69 in the long run. Higher minutes of usage would more than compensate for the shortfall in the voice ARPU. Also, FALCOM Research expects the Company's revenues to grow at CAGR of 13.3% from 2008 to 2012.

Revenue & Profit Margin



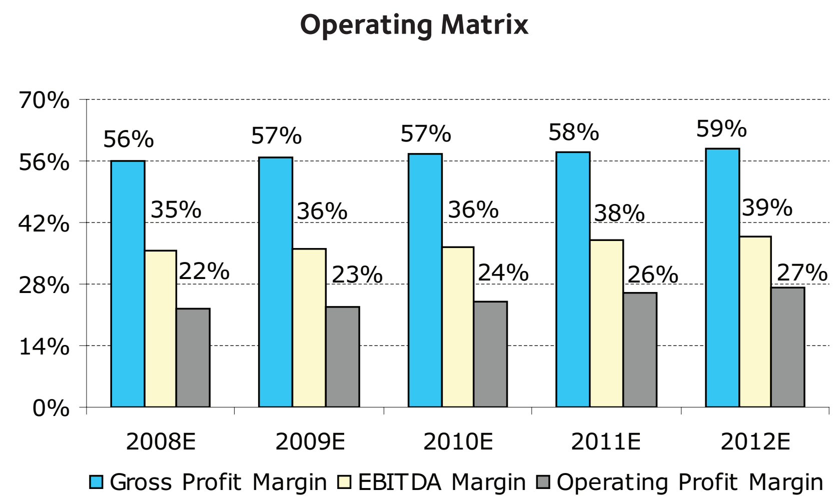
(Source: FALCOM Research)

The net profit of Mobily is expected to grow at CAGR of 19.8% between 2008 to 2012. The net profit margin is expected to grow from the current 16.3% to 21.1% in 2012. This is a consequence of improving operating performance and lower financial charges.

Operating Matrix

EBITDA Margin @ 39%

The gross profit margin of Mobily is expected to improve from the current 55% to nearly 59% in 2012. In 2008, the Company is expected to finish the development of its second optic fiber network which is expected to reduce the leased circuit cost paid to STC. Mobily is also expected to finish the development of its international gateway during 2008. This infrastructure would entail future cost savings for the Company. The EBITDA margin is expected to strengthen by 380 bps during the forecast period to reach 38.7% in 2012. Likewise, as a result of increased operational efficiency, the operating margin is expected to jump from in 2007 22.7% to 27.2% in 2012.

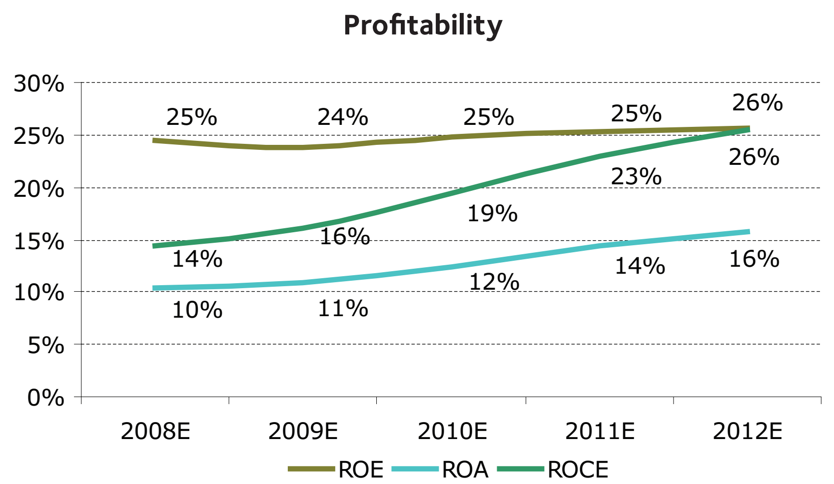


(Source: FALCOM Research)

ROCE @ 26%

Profitability

The Company's profitability ratios are expected to improve over the forecasted period. The ROE is expected to remain healthy around the 25% mark. The ROCE is expected to grow from 13.3% in 2007 to 25.6% in 2012. The ROA is expected to be nearly 1.6x the current rate and reach 15.7% in 2012.

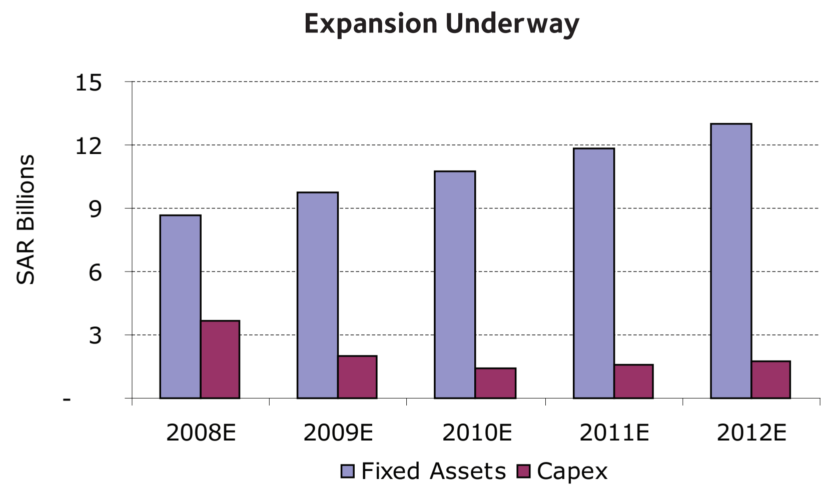


(Source: FALCOM Research)

Fixed Assets CAGR of 11%

Assets Growth

The fixed assets are expected to grow at CAGR of 10.7% from SAR 8.6 billion in 2008 to SAR 12.9 billion in 2012. The capital expenditure is expected to be SAR 3.7 billion in 2008, following acquisition of Bayanat Al-Oula, completion of the second fiber optic network and expansion of the 3G infrastructure. In 2009, the capex is capped at SAR 2 billion in line with the management view. Going forward, the capex is expected to be 10% of the revenues.

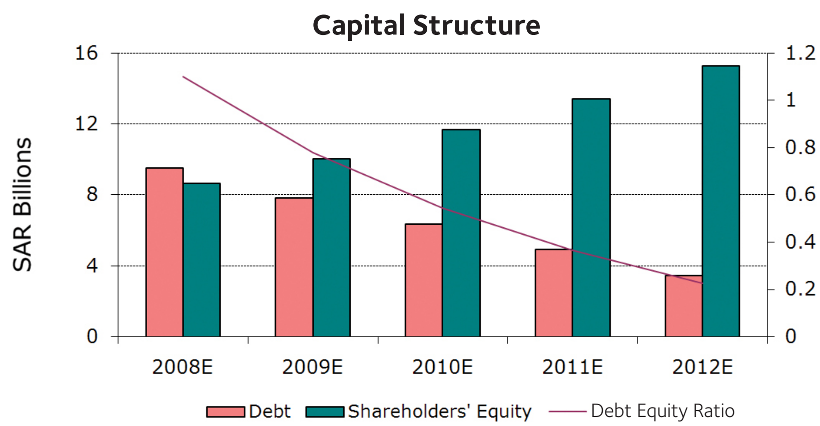


(Source: FALCOM Research)

Capital Structure

Debt Equity ratio @ 0.23

The shareholders' equity is expected to grow at CAGR of 15.4% from 2008 to 2012. The debt equity ratio is expected to improve from 1.10 in 2008 to 0.23 in 2012. The debt (including short term debt) is expected to be financed at the current rate of 6.2% for the projected period.



(Source: FALCOM Research)

VALUATION

DCF valuation @ SAR 78.30

FALCOM Research has valued Mobily using Discounted Cash Flow and Comparable method. Relative Valuation

Discounted Cash Flow ("DCF")

Following assumptions have been used to determine the value of Mobily based on Free Cash Flow to Firm:

1) Risk free rate of 5.375%, which is the current coupon on 5-year Saudi Government bond;
2) Equity risk premium of 6%, 150-200 bps higher than the western developed markets;
3) Beta of 1.04, in line with the current beta of the stock with a trading history of 3.5 years;
4) Using CAPM the cost of equity is 11.6%;
5) Perpetual growth rate of 3.5% after 2012;
6) Debt to total capitalization ratio expected to reduce from 0.56 in 2007 to 0.18 in 2012; cost of debt assumed at 6.2% based on the current interest paid by the Company on its debt;
7) Based on the above assumptions, the WACC for the period 2008 onwards is estimated at 10.685%;
8) Capital expenditure assumptions were those provided by the Company; SAR 3.7 billion for 2008 and medium to long term capital expenditure projected at around 10% of revenues; and
9) EBITDA margins expected to improve in the medium term and reach nearly 39% by 2012.

The DCF is pro forma SAR 1.5 billion acquisition of Bayanat Al-Oula for 2008 and the anticipated SAR 2 billion rights issue. The rights issue is expected to be completed in 2008, as indicated by the management.

Sensitivity of Fair Value (SAR per share)					
Terminal Growth / Cost of Capital	10.20%	10.40%	10.685%	10.90%	11.20%
2.50%	75.5	71.6	68.2	65.8	62.6
3.00%	81.1	76.6	72.9	70.3	66.7
3.50%	87.5	82.4	78.3	75.3	71.4
4.00%	95.0	89.4	84.5	81.1	76.7
4.50%	103.9	97.3	91.7	87.8	82.7

(Source: FALCOM Research)

Based on FALCOM Research DCF, the fair value of Mobily stock is SAR 78.3. This is equivalent to a pro forma rights issue fair value of SAR 55.9. The table below draws the probable value of Mobily stock given different WACC and terminal growth rate assumptions.

Relative Valuation

Peer valuation @ SAR 52.40

An inference is drawn on the profitability ratios and growth statistics for 2007 for the different telecom operators in the GCC. The idea is to gauge, compare and develop an apple to apple scenario for Mobily.

Year 2007 at a Glance					
Operator	Revenue Growth %	Net Profit Growth %	EBITDA Margin	NPM	ROE
Mobily	44%	97%	35%	16%	26%
STC	6%	-6%	49%	35%	34%
Etisalat	23%	25%	32%	32%	34%
Zain	29%	8%	43%	19%	22%
Wataniya	26%	48%	34%	18%	25%
Q-Tel	135%	14%	50%	18%	32%
Batelco	25%	15%	52%	36%	26%
Omantel	13%	39%	53%	31%	36%

(Source: Company Financials, FALCOM Research)

FALCOM Research has considered a number of valuation multiples for the GCC telecom operators in order to assign a fair value for Mobily. No attempt was made to separate the fixed line business as mobile operations generated a significant share of the total revenues for telecom operators in the region

Operator	PER	PBVR	EV/ EBITDA	EV / Sales
STC	10.8	3.6	8.1	3.9
Etisalat	16.5	5.0	15.9	5.0
Zain	20.9	4.2%	11.0	4.7
Wataniya	15.4	3.6	8.4	2.9
Q-Tel	13.8	3.8	8.3	4.2
Batelco	11.2	2.9	6.9	3.6
Omantel	15.7	5.2	8.6	4.6
Average	**14.9**	**4.0**	**9.6**	**4.1**

(Source: Company Financials, Bloomberg, FALCOM Research)

Based on average peer PER of 14.9x, the Company's stock is valued at SAR 53.2 based on 2008 forecasted earnings. Likewise, based on average peer PBVR of 4x and 2008 year end net worth, Mobily is valued at SAR 49.8. Based on EV/EBITDA and EV/Sales multiple the value for Mobily is SAR 55.2 and SAR 70.7 respectively. We have given 50% weight to PER. Taking the above into perspective the relative valuation for Mobily is SAR 52.4.

Recommendation

Analyst Call:
STRONG BUY

An 80% weight to DCF valuation and 20% to relative valuation has been assumed for fair value calculation. Based on the weighted average valuation the fair value for Mobily is SAR 73.1. The current price leaves a potential for 43% appreciation. Therefore, FALCOM Research initiates its coverage report on Mobily with a "STRONG BUY" recommendation.

COMPANY FINANCIALS

Balance Sheet

(SAR '000)	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Cash & cash equivalents	185,172	547,523	703,198	1,306,167	2,180,229	2,621,460	3,242,365	3,890,635
Accounts receivable	166,822	734,066	1,459,733	1,801,360	1,902,792	1,888,144	1,777,918	1,743,741
Inventories	32,075	38,048	69,190	76,109	83,720	92,092	96,696	101,531
Other current assets	782,765	721,850	881,356	890,170	899,071	890,081	881,180	872,368
Total current assets	**1,166,834**	**2,041,487**	**3,113,477**	**4,073,805**	**5,065,812**	**5,491,777**	**5,998,160**	**6,608,275**
Property & equipment	2,723,840	3,847,532	5,478,552	8,630,697	9,767,627	10,731,664	11,811,371	12,964,543
License acquisition fees	12,313,626	11,800,160	11,286,694	10,773,228	10,259,762	9,746,296	9,232,830	8,719,364
Investment	-	-	1,836	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total non-current assets	15,037,466	15,647,692	16,767,082	20,903,925	21,527,389	21,977,960	22,544,201	23,183,907
Total Assets	16,204,300	17,689,179	19,880,559	24,977,730	26,593,201	27,469,737	28,542,360	29,792,183
Short term liability	7,348,129	7,839,943	1,010,625	2,510,625	2,008,500	1,807,650	1,626,885	1,464,197
Creditors	876,118	2,526,019	3,076,067	3,537,477	3,891,225	4,280,347	4,494,365	4,269,646
Due to related parties	193,251	179,335	111,485	122,634	171,687	188,856	207,741	228,515
Accrued expenses	2,133,514	677,513	1,207,463	1,328,209	1,461,030	1,607,133	1,767,847	1,856,239
Dividends Payable	-	-	-	950,000	1,400,000	2,100,000	2,100,000	2,800,000
Other current liabilities	218,017	320,294	623,687	843,416	1,721,626	1,099,065	1,351,091	1,514,342
Total current liabilities	**10,769,029**	**11,543,104**	**6,029,327**	**9,292,361**	**10,654,068**	**11,083,051**	**11,547,928**	**12,132,939**
Provision for employees ESB	2,650	13,096	26,349	52,698	105,396	168,634	252,950	354,131
Long term loan	1,600,000	1,600,000	7,912,356	7,000,000	5,800,000	4,550,000	3,300,000	2,000,000
Total non-current liabilities	**1,602,650**	**1,613,096**	**7,938,705**	**7,052,698**	**5,905,396**	**4,718,634**	**3,552,950**	**2,354,131**
Total Liabilities	**12,371,679**	**13,156,200**	**13,968,032**	**16,345,059**	**16,559,464**	**15,801,685**	**15,100,879**	**14,487,070**
Paid up capital	5,000,000	5,000,000	5,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained earnings	(1,167,379)	(467,021)	774,572	1,488,825	2,817,969	4,430,706	6,180,401	8,017,925
Statutory reserves	-	-	137,955	143,846	215,769	237,346	261,080	287,189
Total Shareholders ' Equity	3,832,621	4,532,979	5,912,527	8,632,671	10,033,738	11,668,052	13,441,482	15,305,113
Total Liabilities & Shareholders> Equity	**16,204,300**	**17,689,179**	**19,880,559**	**24,977,730**	**26,593,201**	**27,469,737**	**28,542,360**	**29,792,183**

E – Estimates
(Source: FALCOM Research)

Income Statement

(EPS adjusted for rights issue)

(SAR '000)	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Revenues	1,661,737	5,846,592	8,440,432	10,596,232	12,685,280	14,524,185	16,162,895	17,437,412
Cost of Providing Services	967,240	2,680,466	3,792,193	4,668,895	5,468,058	6,182,816	6,767,431	7,199,525
Gross Margin	**694,497**	**3,166,126**	**4,648,239**	**5,927,338**	**7,217,222**	**8,341,369**	**9,395,464**	**10,237,887**
Selling & Mktg Expenses	274,297	366,026	466,553	635,774	824,543	944,072	1,010,181	1,046,245
Gen. & Admin. Expenses	480,316	675,422	968,393	1,218,567	1,458,807	1,670,281	1,777,918	1,918,115
Dep. & Amort.	739,141	844,979	1,030,919	1,377,510	1,649,086	1,815,523	1,939,547	2,005,302
Provisions	52,650	124,174	266,484	317,887	380,558	435,726	484,887	523,122
Operaing Expenses	**1,546,404**	**2,010,601**	**2,732,349**	**3,549,738**	**4,312,995**	**4,865,602**	**5,212,534**	**5,492,785**
Operating Income	**-851,907**	**1,155,525**	**1,915,890**	**2,377,600**	**2,904,227**	**3,475,767**	**4,182,931**	**4,745,102**
Financing Cost	347,641	478,680	555,391	591,968	486,023	395,718	306,663	215,621
Other Income / (Expenses)	32,170	23,513	43,251	52,981	(126,853)	(290,484)	(565,701)	(697,496)
Net Income Before Zakat	**-1,167,378**	**700,358**	**1,403,750**	**1,838,614**	**2,291,351**	**2,789,566**	**3,310,566**	**3,831,984**
Zakat	-	-	24,202	52,981	76,112	101,669	129,303	156,937
Net Income	**-1,167,378**	**700,358**	**1,379,548**	**1,785,632**	**2,215,239**	**2,687,896**	**3,181,263**	**3,675,048**
EPS	**-1.67**	**1.00**	**1.97**	**2.55**	**3.16**	**3.84**	**4.54**	**5.25**

E - Estimates
(Source: FALCOM Research)

Ratio Analysis

	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Profitability Ratios (%)								
Gross Profit Margin	41.8%	54.2%	55.1%	55.9%	56.9%	57.4%	58.1%	58.7%
EBITDA Margin	-6.8%	34.2%	34.9%	35.4%	35.9%	36.4%	37.9%	38.7%
Operating Profit Margin	-51.3%	19.8%	22.7%	22.4%	22.9%	23.9%	25.9%	27.2%
Net Profit Margin	-70.3%	12.0%	16.3%	16.9%	17.5%	18.5%	19.7%	21.1%
Return on Avg. Equity	-30.5%	16.7%	26.4%	24.6%	23.7%	24.8%	25.3%	25.6%
Return on Avg. Assets	-5.3%	6.8%	10.1%	10.4%	11.0%	12.5%	14.5%	15.7%
Return on Avg. Capital Employed	-15.7%	8.6%	13.3%	14.4%	16.1%	19.4%	23.0%	25.6%
Growth (%)								
Revenues	NA	251.8%	44.4%	25.5%	19.7%	14.5%	11.3%	7.9%
EBITDA	NA	NA	47.3%	27.4%	21.3%	16.2%	15.7%	10.3%
Operating Income	NA	NA	65.8%	24.1%	22.1%	19.7%	20.3%	13.4%
Net Income	NA	NA	97.0%	29.4%	24.1%	21.3%	18.4%	15.5%
Fixed Assets	NA	41.3%	42.4%	57.5%	13.2%	9.9%	10.1%	9.8%
Shareholders> Equity		18.3%	30.4%	46.0%	16.2%	16.3%	15.2%	13.9%
Turnover Ratios (x)								
Total Asset Turnover	0.10	0.34	0.45	0.47	0.49	0.54	0.58	0.60
Fixed Asset Turnover	0.61	1.78	1.81	1.50	1.38	1.42	1.43	1.41
Current Assets Turnover	0.70	0.35	0.37	0.38	0.40	0.38	0.37	0.38
Leverage Ratios (x)								
Equity/Assets	0.24	0.26	0.30	0.35	0.38	0.42	0.47	0.51
Debt/Equity	2.33	2.08	1.51	1.10	0.78	0.54	0.37	0.23
Debt/Capital Employed	0.70	0.68	0.60	0.52	0.44	0.35	0.27	0.18
Debt/Total Assets	0.55	0.53	0.45	0.38	0.29	0.23	0.17	0.12
Interest Coverage	NA	2.41	3.45	4.02	5.98	8.78	13.64	22.01
Debt/EBITDA	NA	4.72	3.03	2.53	1.71	1.20	0.80	0.51
Total Liabilities/Shareholders> Equity	3.23	2.90	2.36	1.89	1.65	1.35	1.12	0.95
Total Liabilities/Total Assets	0.76	0.74	0.70	0.65	0.62	0.58	0.53	0.49
Current Liabilities/Total Liabilities	0.87	0.88	0.43	0.57	0.64	0.70	0.76	0.84
Valuation Ratios								
PER (x)	NA	37.1	26.6	14.3	11.5	9.5	8.0	6.9
PBVR (x)	3.7	5.7	6.2	3.0	2.5	2.2	1.9	1.7
PEG (x)	NA	NA	0.3	0.5	0.5	0.4	0.4	0.4
Dividend Yield (%)	NA	NA	NA	3.7%	5.5%	8.2%	8.2%	11.0%
Earnings Yield (%)	NA	2.7%	3.8%	7.0%	8.7%	10.5%	12.5%	14.4%
EV/Revenues (x)	13.7	6.0	5.3	3.3	2.8	2.4	2.2	2.0
EV/EBITDA (x)	NA	17.4	15.3	9.4	7.7	6.7	5.8	5.2
EV/EBIT (x)	NA	30.2	23.5	14.8	12.1	10.1	8.4	7.4

E - Estimates
(Source: FALCOM Research)

Quarterly Overview

Income Statement	2005		2006				2007				2008	
(In SAR millions)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	566	1,037	1,127	1,448	1,703	1,801	1,877	2,029	2,125	2,411	2,308	2,544
Cost of Providing Services	306	605	521	649	750	760	891	917	948	1,037	1,084	1,131
Gross Margin	**260**	**432**	**605**	**799**	**952**	**1,041**	**985**	**1,112**	**1,176**	**1,374**	**1,224**	**1,413**
Selling & Mktg Expenses	64	157	141	175	170	116	128	140	145	51	112	199
Gen. & Admin. Expenses	98	116	120	144	196	213	244	245	208	308	385	364
Dep. & Amort.	205	165	201	213	216	215	242	243	264	282	292	320
Provisions	1	49	13	30	28	53	-	54	108	75	-	
Operaing Expenses	367	487	475	562	610	596	614	682	726	716	790	883
Operating Income	**-107**	**-55**	**131**	**237**	**342**	**445**	**371**	**429**	**450**	**658**	**434**	**530**
Financing Cost	61	116	95	122	133	128	129	132	149	145	120	85
Other Income	3	4	2	1	8	13	8	7	10	18	14	5
Net Income Before Zakat	-166	-167	37	116	217	330	251	304	311	531	328	451
Zakat	-	-	-	-	-	-	-	-	-	16	2	2
Net Income	**-166**	**-167**	**37**	**116**	**217**	**330**	**251**	**304**	**311**	**514**	**326**	**448**

(Source: FALCOM Research)

GLOSSARY

ADSL	Asymmetric Digital Subscriber Line
ARPU	Average Revenue Per User
CAGR	Compounded Annual Growth Rate
CITC	Communications and Information Technology Commission
CMA	Capital Market Authority
DSL	Digital Subscriber Line
EBITDA	Earnings Before Interest, Tax (zakat), Depreciation and Amortization
EDGE	Enhanced Data rates for GSM Evolution
EPS	Earnings Per Share
EV	Enterprise Value
GPRS	General Packet Radio Service
GSM	Global System for Mobile communications
HSPA	High Speed Packet Access
ITC	Integrated Telecom Company
LBS	Location Based Services
MMS	Multimedia Messaging Services
PBVR	Price to Book Value Ratio
PEG	Price Earnings to Growth
PER	Price to Earnings Ratio
ROE	Return On average Equity
ROA	Return On average Assets
ROCE	Return On average Capital Employed
TTM	Trailing Twelve Months
VAS	Value Added Services
WACC	Weighted Average Cost of Capital
WCDMA	Wideband Code Division Multiple Access
WiMAX	Worldwide Interoperability for Microwave Access

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We assign

- Strong Buy if Fair Value > 20% of the Current Market Price
- Buy if Fair Value > 10% of the Current Market Price
- Hold if Fair Value is between +10% and -10% of the Current Market Price
- Sell if Fair Value < 10% of the Current Market Price
- Strong Sell if Fair Value < 20% of the Current Market Price

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