



May 12, 2009

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- Since the fall of Lehman Brothers in the latter part of 2008, global economic growth has slowed down dramatically and in much of the developed world it has turned negative. Inter-bank lending came to a standstill as banks became extremely wary of others' exposure to toxic MBS and CDOs. This 'freezing of credit' and the sharp decline in oil prices are the causes of the MENA region's current woes.
- The lack of liquidity in the MENA region led to the slow-down in its real estate sectors. MENA banks' exposure to real estate led to further stiffening of lending standards, exacerbating the real estate slowdown. The cement and steel sectors suffered as real estate projects were cancelled or put on hold. The development of mega-projects also slowed as MENA governments faced the prospect of budget deficits due to much lower oil prices and a slowdown in FDI.
- 2009 is expected to be a difficult year. The real estate sector is likely to suffer further, as will the cement and steel sectors. Although, MENA government's commitment to infrastructure development will soften the blow. The banking sector will likely be faced with more mortgage and credit card defaults, although trading losses will no longer be as severe. The telecommunications sector will likely continue to outperform in 2009 as cash-rich operators pursue consolidations and expansions into relatively untapped MENA markets.
- In this report we have prepared an overview of a few MENA sectors along with individual company performance spanning from 2007 to the fourth quarter of 2008. The report also presents our thoughts on how each sector is expected to perform in 2009.



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Real Estate Sector

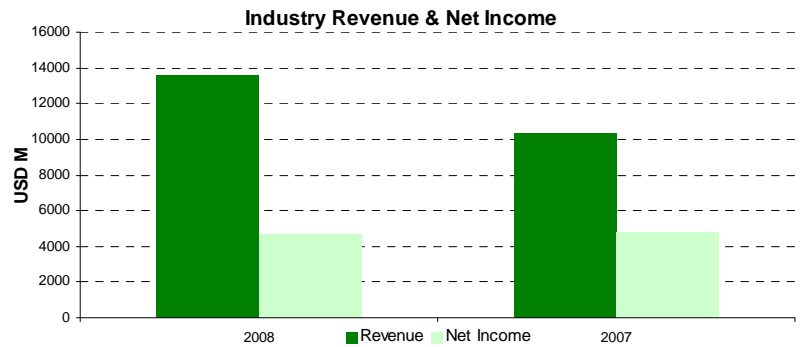
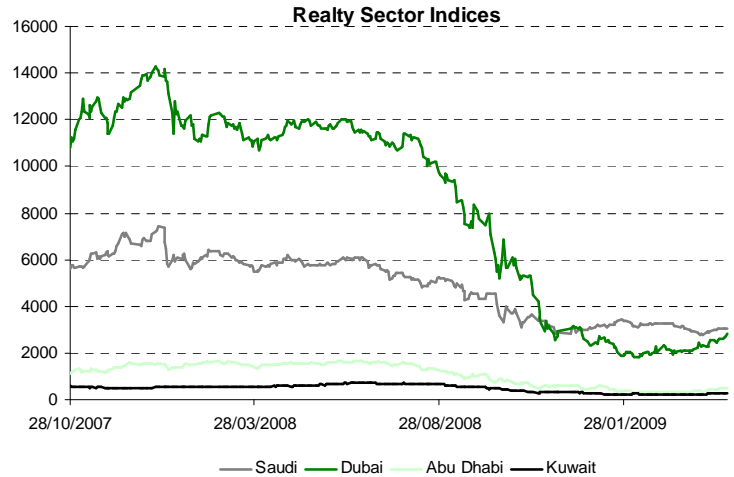
Due to the real estate industry's reliance on debt and foreign investment, it has been very negatively affected by the global economic crisis.

In the GCC, the thinking was that as long as financing remained available and supply was constrained, then demand would continue to outweigh supply and prevent market glut.

The sudden disappearance of liquidity in the 4th Quarter of 2008 resulted in the unavailability of financing, which, combined with negative investor sentiment, led to a large decline in transactions. Speculators were left without the means to pay for the properties they held and the fearful public was not willing to buy at the prevailing prices. This led to distressed sales pushing prices down. Layoffs related to real estate and construction followed as projects were pushed back, delayed or canceled. Expatriate workers bore the brunt of the layoffs and were forced to leave their respective countries, further weakening consumer demand.

Due to investor focus shifting away from speculative profits and towards fundamentals, the earliest markets to recover will most likely be Abu Dhabi and Saudi Arabia. Both have been relatively conservative with their real estate markets and have enormous reserves to rely on. The recovery for the region will be entirely dependant on the return of liquidity, which will most likely occur between 12 to 18 months from now, supporting a stabilization of real estate in 2010, with a recovery taking hold in 2011.

For countries outside of the GCC, like Egypt and Lebanon, real estate growth is largely dependant on foreign investment. FDI into Egypt's real estate sector increased to USD400m for 2007/2008, from USD39m the year before. For the first half of 2008/2009 the FDI into the real estate sector was USD106.2m, which, if extrapolated, is around half of the total for 2007/2008, indicating a softening of Egypt's real estate market in the latter part of 2008. Jordan's finance sector was harder hit than Egypt or Lebanon's, and the impact will spread to the rest of the Jordanian economy. This, combined with a probable slow-down in FDI, will affect Jordan's real estate market more negatively than Egypt's or Lebanon's.





The graph above shows sector index performance for a few MENA markets. The sector's stock performance peaked at the end of 2007 to the beginning of 2008 and has been trading at its lows since markets crashed in September.

In order to analyze sector performance, we used the top-line and bottom-line results of large-cap firms in the sector as a proxy.

While industry sales increased from 2007 to 2008, industry profitability decreased as net income fell. In 2008 sales, net income and profitability fell every quarter until the fourth quarter when net income turned negative.

In terms of individual companies; with the exception of Emaar Properties, the rest of the large-cap firms registered increases in revenue from FY2007 to FY2008. Abu Dhabi based Aldar Properties had the largest increase at 235%. Egyptian developer TMG Holdings increased the second-most with a 202% increase. The only one to experience a decline in revenue was Dubai developer, Emaar, whose revenue declined by 10% y-o-y.

Quarterly revenue tells a slightly different story. 4 out of 5 companies experienced negative revenue growth between the third and fourth quarters of 2009, with only Qatari Barwa Real Estate increasing its revenue. TMG Holdings' revenue fell by 78%, while Aldar and Emaar experienced 40% and 29% declines respectively.

3 out of 5 companies' net income increased year on year. The largest gain in net income was registered by Aldar Properties, a 78% increase. Emaar Properties saw its net income decline by 54%, while Barwa experienced a 41% decline.

In terms of quarterly results, every company covered saw its net income decline from Q3 2008 to Q4 2008. Emaar's net income turned negative in the fourth quarter after logging a 217% decline. Aldar saw its net income shrink by 89%, while TMG Holdings' net shrank 78%.

As a result of the large fall in net incomes, the fourth quarter also saw profit margins decline rapidly. Aldar's profit margin fell to 12% from 67% in the previous quarter, although it logged a 63% net profit margin for the year.

The large decline in profitability for the majority of firms was obviously a direct result of the global economic crisis and the effect it had on liquidity and consumer confidence in the region.

Revenue USD M	2008	growth	2007
DAR AL ARKAN REAL ESTATE DEV	1495.8	13.8%	1314.5
BARWA REAL ESTATE CO	365.3	160.3%	140.3
ARAB REAL ESTATE DEVELOPMENT	10.2	-22.1%	13.1
T M G HOLDING	1002.9	201.8%	332.3
SEEF PROPERTIES	34.2	10.2%	31.1
EMAAR PROPERTIES PJSC	4623.1	-10.2%	5150.6
ALDAR PROPERTIES PJSC	1498.9	235.0%	447.5

Revenue - 2008	Q4	Growth	Q3
DAR AL ARKAN REAL ESTATE DEV	331.7	-20.7%	418.5
BARWA REAL ESTATE CO	123.2	198.2%	41.3
T M G HOLDING	75.4	-78.5%	350.4
EMAAR PROPERTIES PJSC	907.7	-28.5%	1270.3
ALDAR PROPERTIES PJSC	185.6	-39.8%	308.4

Net Income	2008	Growth	2007
DAR AL ARKAN REAL ESTATE DEV	628.1	17.2%	536.0
BARWA REAL ESTATE CO	85.2	-41.5%	145.6
ARAB REAL ESTATE DEVELOPMENT	-2.1	-129.3%	7.3
T M G HOLDING	265.3	11.7%	237.6
SEEF PROPERTIES	41.7	-31.1%	60.5
EMAAR PROPERTIES PJSC	831.9	-53.5%	1790.6
ALDAR PROPERTIES PJSC	938.4	77.5%	528.6

Net Income 2008	Q4	Growth	Q3
DAR AL ARKAN REAL ESTATE DEV	113.2	-14.4%	132.3
BARWA REAL ESTATE CO	2.9	-48.9%	5.7
COMMERCIAL REAL ESTATE CO	-49.0	-692.0%	8.3
T M G HOLDING	19.1	-78.0%	86.5
SEEF PROPERTIES	24.5	329.4%	5.7
EMAAR PROPERTIES PJSC	-481.2	-217.2%	410.4
ALDAR PROPERTIES PJSC	23.0	-88.9%	206.8

Profit Margin %	2008	2007	Q4	Q3
DAR AL ARKAN REAL ESTATE DEV	42.0	40.8	34.1	31.6
BARWA REAL ESTATE CO	23.3	103.7	2.4	13.7
T M G HOLDING	26.5	71.5	25.3	24.7
EMAAR PROPERTIES PJSC	18.0	34.8	-53.0	32.3
ALDAR PROPERTIES PJSC	62.6	118.1	12.4	67.1



Banking Sector

The banking sector in the GCC has, until recently, been growing significantly due to low interest rates, high oil prices and rapidly growing GDP. Credit growth expanded rapidly during this time as the population rose; banking deposits increased and commercial activities saw a large up-swing. The liberalization of real estate laws in a few GCC countries caused a massive increase in real estate and construction related lending as well.

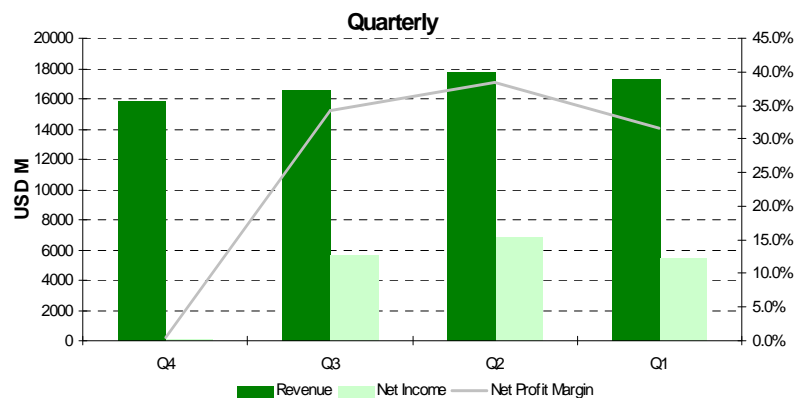
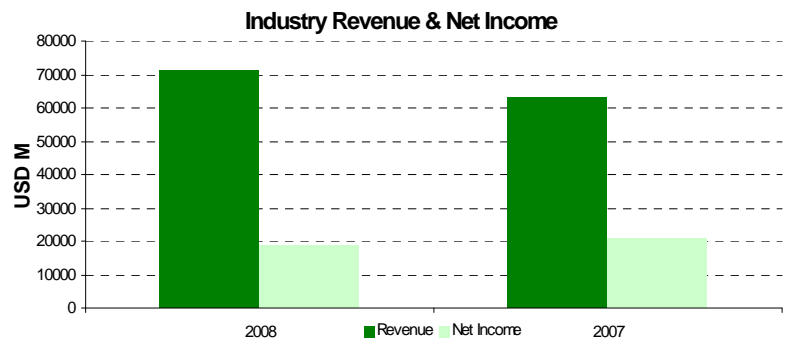
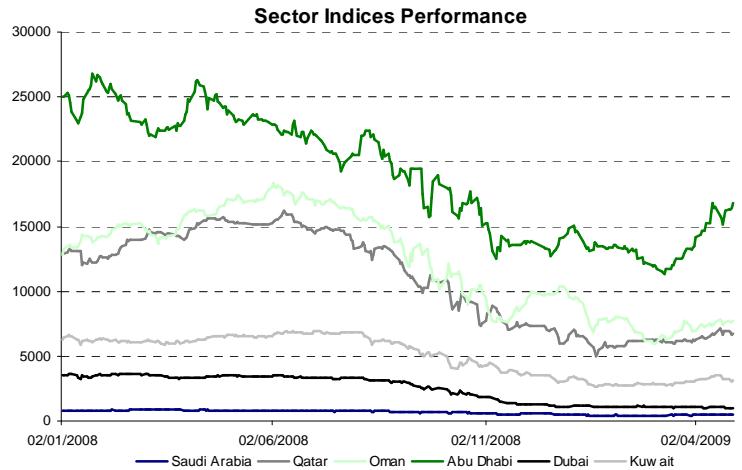
While GCC and MENA banks were not directly exposed to the toxic MBS and CDO carried by western banks, the fall of Lehman Brothers in the fourth quarter of 2008 caused lending to come to a sudden halt. Inter-bank lending rates skyrocketed amidst the panic and credit became unavailable.

MENA governments stepped in and slashed repo and deposit rates in order to get banks to restart lending. As a consequence of banks unwillingness to lend, especially in the GCC, real estate became affected. The ensuing real estate market crash, combined with stock markets falling off a cliff, caused banks to have to write-down investments and increase provisions in order to deal with non-performing loans. Real estate speculators also started defaulting on mortgages as it became impossible to offload their investments. Lay-offs followed. The link between work-visas and residency likely caused defaults to increase in car-loans and personal loans.

Revenues remained high for the industry, due to the large amount of loans outstanding, but write-downs and increases in provisions affected net income and profitability extremely negatively. Industry profitability fell from over 35% in the third quarter to around 10% in the fourth with a large number of firms losing money in the fourth quarter. (We used large-cap firm results as a proxy for total industry results)

2009 is expected to be a challenging year as GCC real estate continues to decline in value and defaults increase. Ratings agencies like Fitch expect high risks from retail lending if conditions do not improve.

Saudi Arabia is likely to have the strongest banking sector in the GCC in 2009 due to its relatively strict regulation and large indigenous population, while Lebanon will likely have the strongest banking sector in all of MENA, due to its banks' conservative policies.





With the exception of the National Bank of Bahrain, large-cap banks in the MENA region experienced strong growth in revenue for FY2008. Dubai's largest bank, Emirates NBD, saw its revenue increase almost 50%, while Egypt's Commercial International Bank and Qatar National Bank experienced revenue growth in excess of 30%.

Again, with the exception of the National Bank of Bahrain and the National Bank of Kuwait, most large-cap MENA banks' net income rose substantially over the year. Emirates NBD's FY2008 net income increased by over 32%, while Qatar National Bank's rose by over 45%.

The initial effect of the economic crisis was felt in the fourth quarter of 2008. Revenue growth continued, albeit at a slower rate, for the majority of the large-cap banks, with the exception of Emirates NBD and the National Bank of Kuwait.

Net income in the fourth quarter of 2008 exhibits a truer picture of the global downturn. Every bank in our list experienced double digit percentage declines in net income in the fourth quarter. The National Bank of Bahrain experienced a 103% decline in net income, causing it to declare a loss in the fourth quarter. Emirates NBD's net income fell by almost 99%, while Bank Muscat and the national Bank of Dubai both had net income declines of over 80%. Saudi Arabia's Al Rajhi Bank, Jordan's Arab Bank and the National Bank of Abu Dhabi escaped with milder declines of around 20% each.

The declines in net income had the obvious effect on profitability as fourth quarter margins shrank. However, due to the banks' fantastic performance in the first 3 quarters of 2008, FY2008 profit margins remained very high, reaching 42% in the case of Qatar National Bank.

It is very likely that net incomes and profitability will continue to decline through the first half of 2009 as loan defaults rise and expatriates are sent home.

Profit Margin %	2008	2007	Q4	Q3
AL RAJHI BANK	56.7	63.3	47.0	59.1
QATAR NATIONAL BANK	42.0	40.0	29.3	49.1
BANK MUSCAT SAOG	27.7	30.7	4.0	39.3
NATIONAL BANK OF KUWAIT	32.1	36.9	6.7	35.6
ARAB BANK	29.6	30.1	24.0	32.6
COMMERCIAL INTERNATIONAL BAN	25.7	31.1	6.7	27.3
NATIONAL BANK OF BAHRAIN	34.4	34.0	-0.7	61.8
NATIONAL BANK OF ABU DHABI	33.0	29.9	21.2	29.9
EMIRATES NBD PJSC	23.4	26.4	0.4	27.1

Revenue USD M	2008	Growth	2007
AL RAJHI BANK	3066.2	12.8%	2717.2
QATAR NATIONAL BANK	2386.5	38.5%	1723.7
BANK MUSCAT SAOG	878.4	23.4%	711.8
NATIONAL BANK OF KUWAIT	2962.1	13.5%	2609.0
ARAB BANK	2720.8	7.5%	2531.5
COMMERCIAL INTERNATIONAL BAN	978.6	33.8%	731.5
NATIONAL BANK OF BAHRAIN	268.1	-17.3%	324.1
NATIONAL BANK OF ABU DHABI	2493.6	9.1%	2285.2
EMIRATES NBD PJSC	4274.7	49.8%	2854.1

Revenue	Q4	Growth	Q3
AL RAJHI BANK	807.1	2%	793.1
QATAR NATIONAL BANK	610.0	-5%	641.5
BANK MUSCAT SAOG	235.0	10%	213.4
NATIONAL BANK OF KUWAIT	645.0	-11%	722.3
ARAB BANK	651.0	6%	612.3
COMMERCIAL INTERNATIONAL BAN	281.4	19%	235.8
NATIONAL BANK OF BAHRAIN	126.1	209%	40.7
NATIONAL BANK OF ABU DHABI	631.5	7%	591.9
EMIRATES NBD PJSC	1008.9	-1%	1024.3

Net Income	2008	Growth	2007
AL RAJHI BANK	1739.4	1.1%	1721.1
QATAR NATIONAL BANK	1003.4	45.6%	689.0
BANK MUSCAT SAOG	243.5	11.5%	218.4
NATIONAL BANK OF KUWAIT	949.5	-1.3%	962.2
ARAB BANK	806.4	5.7%	762.8
COMMERCIAL INTERNATIONAL BAN	252.0	10.6%	227.8
NATIONAL BANK OF BAHRAIN	92.2	-16.4%	110.3
NATIONAL BANK OF ABU DHABI	821.9	20.5%	682.2
EMIRATES NBD PJSC	1002.1	32.8%	754.5

Net Income	Q4	Growth	Q3
AL RAJHI BANK	379.3	-19.0%	468.5
QATAR NATIONAL BANK	178.4	-43.3%	314.7
BANK MUSCAT SAOG	9.4	-88.8%	83.9
NATIONAL BANK OF KUWAIT	43.0	-83.3%	257.2
ARAB BANK	156.5	-21.6%	199.7
COMMERCIAL INTERNATIONAL BAN	18.8	-70.7%	64.4
NATIONAL BANK OF BAHRAIN	-0.8	-103.4%	25.2
NATIONAL BANK OF ABU DHABI	134.0	-24.4%	177.1
EMIRATES NBD PJSC	4.0	-98.5%	277.3



Cement Sector

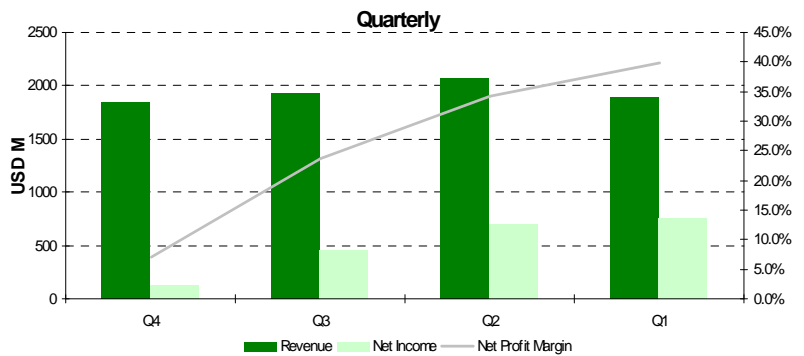
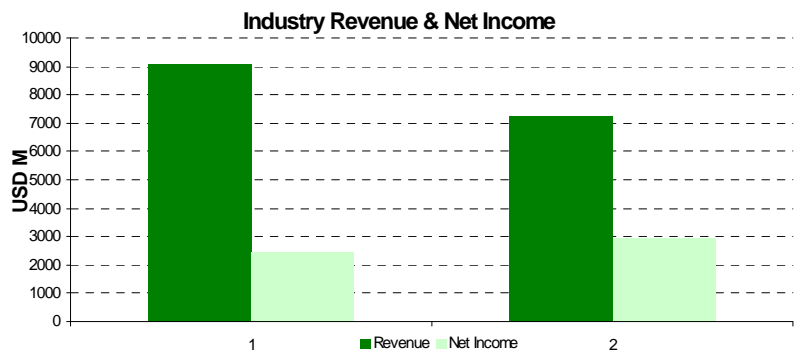
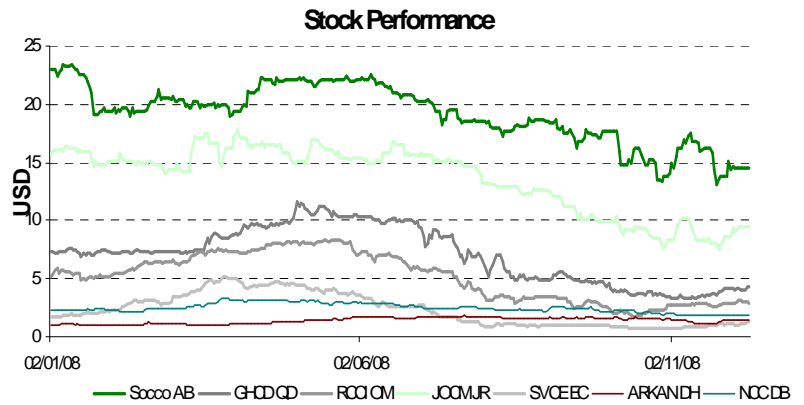
The MENA cement industry, like most other MENA industries, enjoyed years of extraordinary growth until last fall. The boom in cement demand was driven by the immense amount of construction and development in a MENA region awash with liquidity and low borrowing costs.

In the summer of 2008, sky-high commodity prices drove up costs for the industry, causing the increase in revenues derived from the frantic pace of construction, mainly in the GCC, to be offset by a decline in net income. As a result, industry profitability dropped from around 50% in the 2nd quarter to less than 20% in the third.

The collapse of Lehman Brothers, the resulting global economic crisis and the ensuing real estate slow downs, drove down demand for cement and in turn cement prices, causing both industry revenue and net income to fall dramatically in the fourth quarter. Net income fell over 77%, while profitability dropped to around 4%. The exceptionally poor fourth quarter was the principal cause of a 13% drop in net income Y-o-Y.

In 2009, the performance of the cement industry will continue to depend largely on the performance of the real estate industry and on government-sponsored infrastructure developments. GCC countries or cities with large currency reserves are well positioned to continue or increase spending on infrastructure.

Outside of the GCC, Egypt's government banned export of cement for four months starting April, 2009. The ban was ordered to stabilize local cement prices and will likely have a negative effect on Egypt cement producers. Jordan's financial sector is experiencing a slowdown, which will spread across the rest of its industries. While this will be somewhat countered by a relatively expansionary fiscal policy, it will most likely result in decreasing profitability for Jordanian cement manufacturers in 2009. Lebanese construction and real estate development will almost certainly be negatively affected by regional issues as the growth in FDI and remittances slows or even turns negative. The slowdown will result in decreasing profits for Lebanese cement manufacturers as well.





Y-o-Y revenue results were excellent for firms in the cement industry. Egypt's Suez Cement registered a 37% in total revenue over the year followed closely behind by Sharjah Cement of Kuwait and Gulf Cement from the UAE, both of whom saw revenues rise by 31% from 2007.

However, quarterly revenue growth stagnated or became negative in the fourth quarter. Suez Cement's revenue stayed stable from the third to fourth quarters, while Saudi Arabian Amiantit Company's revenue fell by around 6%. Sharjah Cement saw its revenue fall as well, by around 1%. Gulf Cement managed to increase its revenue, by around 8% to USD82m for the fourth quarter.

Net Income Y-o-Y was more demonstrative of the perils of individual markets. Saudi Arabian Amiantit Co. had a large 267% increase in net income in 2008 while UAE-based Gulf Cement Co. saw its net income plummet 99% Y-o-Y. Lafarge Jordan Cement Co, Suaz Cement and Qatar National Cement Co. all registered increases in net income Y-o-Y but at slower rates than their increases in revenue.

Intra-2008 net income revealed an exceptionally poor fourth quarter performance from virtually all cement firms. As expected, UAE-based Gulf Cement Co. fared the worst out of the large-cap firms, as it went from an USD0.6m profit in the third quarter to a net loss of USD54m in the fourth. Sharjah Cement suffered a 73% decline in net income, while Saudi Arabian Amiantit Co and Suez Cement saw their net income fall 79% and 54% respectively. The only company covered whose net income rose Q-o-Q was Qatar National Cement Co, with a 35% increase.

The large decline in net income in the fourth quarter resulted in a reduction in full year profitability for most firms. Saudi Arabian Amiantit Co. was the only one to see an increase in net profit margin over Y-o-Y, but its margin fell in the fourth quarter to 2.1% from 9.7% in the third quarter. Every other company covered saw a decline in net profit margin Y-o-Y, with Gulf Cement Co. experiencing the steepest decline, going from 50% in 2007 to under 0.2% in 2008.

In 2009, cement manufacturers in countries with large amounts of government spending on infrastructure and relatively stable real estate development will prosper due to continued business and lower input costs. Therefore we can expect to see the most growth in Saudi Arabia and Qatar relative to the rest of MENA.

Revenue USD M	2008	Growth	2007
SAUDI ARABIAN AMIANTIT CO	1073.4	29.7%	827.7
SUEZ CEMENT	1018.9	37.1%	743.3
LAFARGE JORDAN CEMENT	453.3	24.4%	364.3
QATAR NATIONAL CEMENT CO	388.2	27.8%	303.8
SHARJAH CEMENT & INDUS DEVEL	326.1	30.7%	249.5
GULF CEMENT CO	293.5	31.0%	224.1

Revenue	Q4	Growth	Q3
SAUDI ARABIAN AMIANTIT CO	253.1	-5.7%	268.4
SUEZ CEMENT	259.5	-0.3%	260.4
LAFARGE JORDAN CEMENT	-	-	-
QATAR NATIONAL CEMENT CO	-	-	102.6
SHARJAH CEMENT & INDUS DEVEL	86.6	-0.8%	87.3
GULF CEMENT CO	82.1	8.4%	75.7

Net Income	2008	Growth	2007
SAUDI ARABIAN AMIANTIT CO	62.7	266.7%	17.1
SUEZ CEMENT	191.4	10.1%	173.8
LAFARGE JORDAN CEMENT	69.6	2.3%	68.0
QATAR NATIONAL CEMENT CO	113.6	16.4%	97.6
SHARJAH CEMENT & INDUS DEVEL	68.5	-38.4%	111.2
GULF CEMENT CO	0.6	-99.5%	112.7

Net Income	Q4	Growth	Q3
SAUDI ARABIAN AMIANTIT CO	5.5	-79.1%	26.2
SUEZ CEMENT	23.1	-53.6%	49.8
LAFARGE JORDAN CEMENT	-	-	-
QATAR NATIONAL CEMENT CO	25.6	34.7%	19.0
SHARJAH CEMENT & INDUS DEVEL	5.0	-73.3%	18.8
GULF CEMENT CO	-54.5	-8758.8%	0.6

Profit Margin %	2008	2007	Q4	Q3
SAUDI ARABIAN AMIANTIT CO	5.8	2.1	2.2	9.7
SUEZ CEMENT	18.8	23.4	8.9	19.1
LAFARGE JORDAN CEMENT	15.4	18.7	-	-
QATAR NATIONAL CEMENT CO	29.3	32.1	-	18.5
SHARJAH CEMENT & INDUS DEVEL	21.0	44.6	5.8	21.5
GULF CEMENT CO	0.2	50.3	-66.4	0.8



Telecom Sector

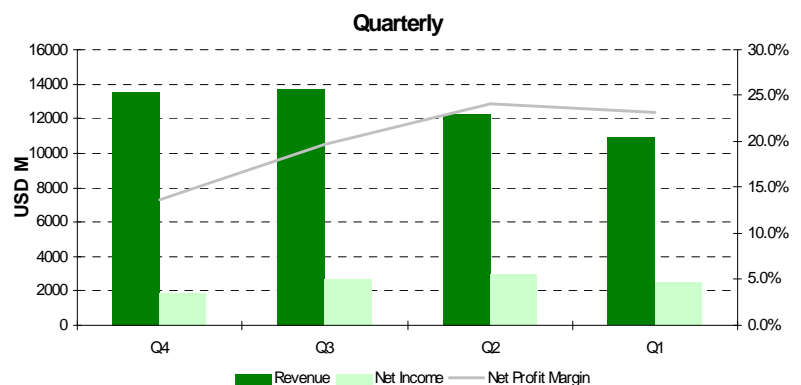
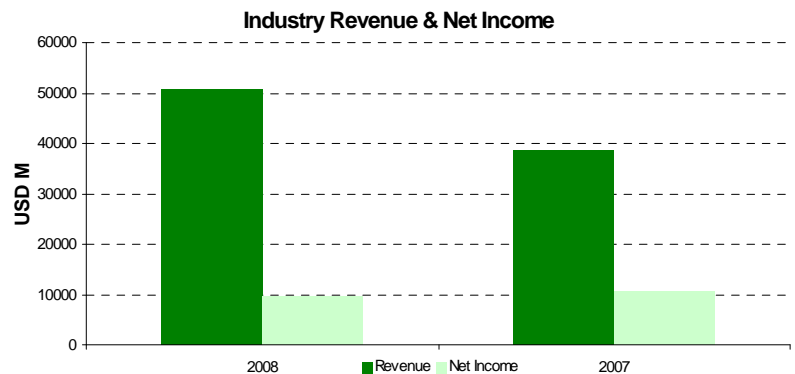
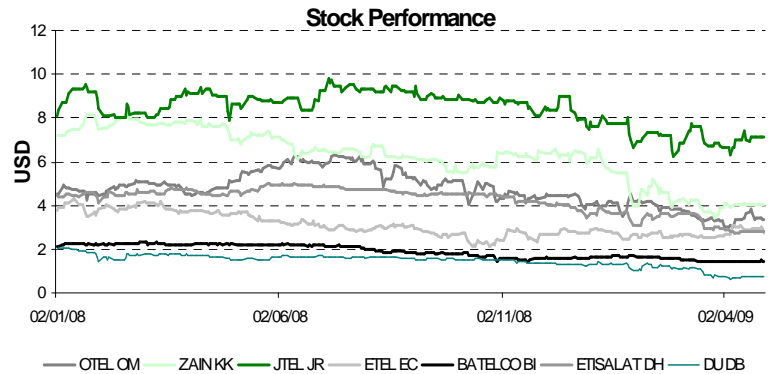
After recording double digit cellular CAGR over the 5 years from 2002 to 2007, GCC cellular market penetration reached well above 100%. This, combined with the entrance of new players in the telecom markets, resulted in declining ARPUs across the region (average revenue per user). Fixed-line subscribers declined by 6.9% from 2006 to 2007 as customers chose to go with the more convenient mobile handsets.

In Egypt, the number of mobile phone subscribers increased by a CAGR of 46.6% from 2002 to 2007, with market penetration reaching 50.7% in the third quarter of 2008. Jordan's cellular penetration rate reached 76% in 2007, versus 66% in 2006, with the number of mobile subscribers reaching 4.7m.

While the fourth quarter of 2008 was disastrous for most industries the MENA telecom industry avoided the downturn for the most part. FY2008 revenue was up 31.5% from 2007, while net income fell 11.4%.

In terms of quarterly results, fourth quarter revenue fell by just under 1% from the previous quarter, while net income fell by 31.2%. The drop in net income was mostly attributable to increases in S, G&A expenses in individual firms. The industry net profit margin fell 13.7% in the fourth quarter, from 19.7% in the third, driving down full year profitability to 18.7% from 27.7% in 2007.

While the fourth quarter of 2008 was an exceptionally bad quarter world-wide, it's unlikely to repeat itself in 2009. Therefore going forwards the MENA telecom industry needs to be able to generate sustainable revenues in spite of GCC market saturation, which will likely lead to more acquisitions by cash-rich operators. The new economic climate has likely rendered spending forecasts obsolete, therefore new forecasts for spending on telecom infrastructure will also be needed. All in all however, the MENA telecom industry looks to be in good shape.





MENA telecom companies continued their Y-o-Y growth for FY 2008. Du (Emirates Integrated Telecom) the new telecom company in the UAE increased its total revenue by 156.9% from 2007, to reach USD1.1b. Its Emirati rival Etisalat (Emirates Telecom Corporation) increased its revenue by over 95% to reach USD5.59b in the same period.

Fourth quarter revenue suffered as customers most likely cut back on expenditure, including new phones and phone usage. Du was one of three covered companies to increase its revenue in the fourth quarter as its revenue rose by 15.8% to USD334m. Etisalat on the other hand, suffered a 2% drop in total revenue over the same period. The largest drop in revenue belonged to Bahrain Telecom. Its revenue declined by 13.1% Q-o-Q to USD195m.

Y-o-Y net income was positive for most companies in the sector, with the exception of Saudi Telecom whose net income dropped 8.3% to USD2.9b. Du registered the largest gain, increasing its net income to USD1.1m from a loss of USD241m in 2007. Qatar Telecom and Telecom Egypt increased their net income by 36% and 21.6% respectively.

Fourth quarter net income results were similar to the other MENA industries. Every company but Du registered a decline in net income in the fourth quarter as costs increased at a faster pace than revenue. Saudi Telecom and Oman Telecom saw their net income drop the most, 61.6% and 63.8% respectively. Du's net income increased a dramatic 148% over the third quarter.

Telecom profitability remained exceptional compared to other MENA sectors as the majority of companies had full year profit margins well in excess of 20%, with fourth quarter profitability remaining high despite large drops in net income in the fourth quarter.

Profit Margin %	2008	2007	Q4	Q3
SAUDI TELECOM CO	23.3	34.9	9.4	22.3
OMAN TELECOMMUNICATIONS CO	28.8	30.7	12.0	28.4
MOBILE TELECOMMUNICATIONS CO	16.1	19.1	15.4	17.3
JORDAN TELECOM	25.0	23.8	22.0	24.4
TELECOM EGYPT	27.6	23.8	22.9	35.4
BAHRAIN TELECOM CO	32.7	34.6	35.1	32.4
EMIRATES TELECOM CORPORATION	33.2	34.2	20.0	32.2
QATAR TELECOM (Q-TELL) Q.S.C	11.2	16.1	7.4	10.6
EMIRATES INTEGRATED TELECOMM	0.1	-57.6	6.4	3.0

Revenue USD M	2008	Growth	2007
SAUDI TELECOM CO	12654.7	37.6%	9195.1
OMAN TELECOMMUNICATIONS CO	1069.0	12.6%	949.2
MOBILE TELECOMMUNICATIONS CO	7448.2	26.3%	5899.1
JORDAN TELECOM	566.8	0.9%	561.6
TELECOM EGYPT	1859.9	5.1%	1770.3
BAHRAIN TELECOM CO	846.8	8.9%	777.8
EMIRATES TELECOM CORPORATION	7111.4	22.4%	5811.1
QATAR TELECOM (Q-TELL) Q.S.C	5581.8	95.8%	2850.4
EMIRATES INTEGRATED TELECOMM	1075.7	156.9%	418.6

Revenue	Q4	Growth	Q3
SAUDI TELECOM CO	3283.6	-9.0%	3609.5
OMAN TELECOMMUNICATIONS CO	251.9	-14.5%	294.7
MOBILE TELECOMMUNICATIONS CO	2077.7	10.0%	1888.1
JORDAN TELECOM	141.7	-4.2%	147.9
TELECOM EGYPT	475.0	-5.3%	501.8
BAHRAIN TELECOM CO	195.6	-13.1%	225.0
EMIRATES TELECOM CORPORATION	1919.4	6.4%	1804.0
QATAR TELECOM (Q-TELL) Q.S.C	1659.8	-2.0%	1692.9
EMIRATES INTEGRATED TELECOMM	334.1	15.8%	288.5

Net Income	2008	Growth	2007
SAUDI TELECOM CO	2942.5	-8.3%	3208.0
OMAN TELECOMMUNICATIONS CO	308.1	5.9%	291.1
MOBILE TELECOMMUNICATIONS CO	1197.3	6.2%	1127.1
JORDAN TELECOM	141.6	6.2%	133.4
TELECOM EGYPT	512.9	21.6%	421.8
BAHRAIN TELECOM CO	276.5	2.7%	269.4
EMIRATES TELECOM CORPORATION	2359.2	18.7%	1987.0
QATAR TELECOM (Q-TELL) Q.S.C	625.6	36.0%	460.1
EMIRATES INTEGRATED TELECOMM	1.1	100.5%	-241.1

Net Income	Q4	Growth	Q3
SAUDI TELECOM CO	308.0	-61.6%	803.2
OMAN TELECOMMUNICATIONS CO	30.3	-63.8%	83.6
MOBILE TELECOMMUNICATIONS CO	320.1	-2.1%	326.9
JORDAN TELECOM	31.2	-13.7%	36.1
TELECOM EGYPT	108.8	-38.7%	177.4
BAHRAIN TELECOM CO	68.6	-6.0%	73.0
EMIRATES TELECOM CORPORATION	384.6	-33.8%	581.2
QATAR TELECOM (Q-TELL) Q.S.C	122.5	-31.5%	178.8
EMIRATES INTEGRATED TELECOMM	21.3	148.3%	8.6



Steel Sector

The collapse in global commodity prices and a sharp slowdown in the Middle Eastern construction sector have put heavy downwards pressure on the steel industry.

The global steel industry had experienced CAGR production growth of 8.1% and CAGR consumption growth of 7.7% from 2003 to 2007. According to IISI production data, 1.21m metric tons of steel were produced in the Middle East, with another 0.38m metric tons from Egypt for 2008. Production per quarter had remained relatively stable in 2008, as 2nd and 3rd quarter steel production for the Middle East was around 1.3m metric tons, and Egypt's steel production was around 0.55m metric tons each. This changed in the fourth quarter as Middle Eastern production dipped to 1.2m metric tons and Egyptian production fell to 0.38m metric tons.

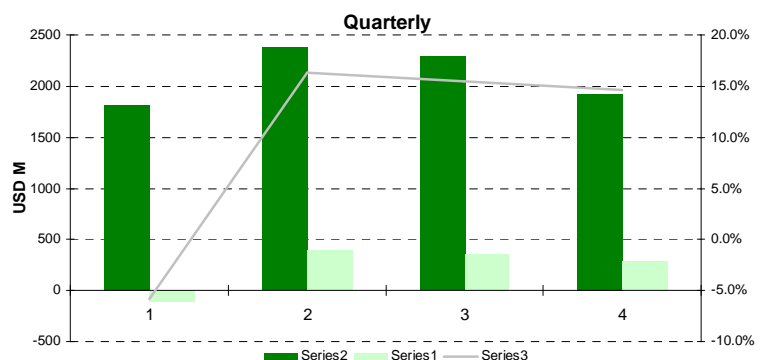
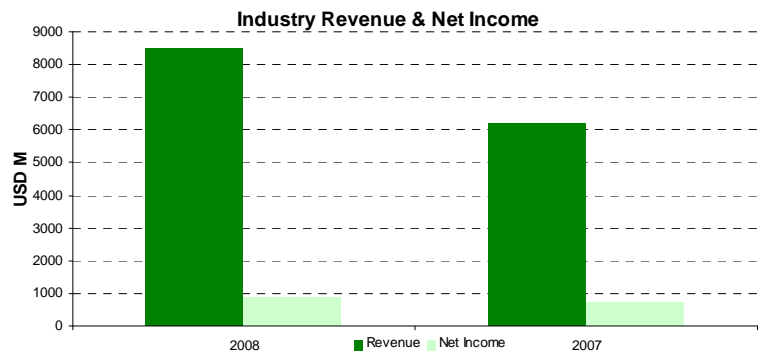
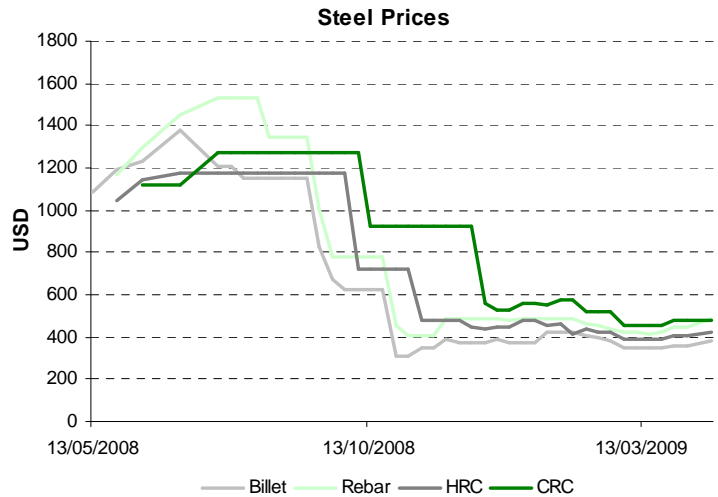
In 2008, steel rebar prices dropped from well over \$1400/ton to less than \$600 at the end of 2008.

The impact of the global economic crisis was heavily felt in the Middle Eastern steel industry as credit dried up and mega projects were put on hold. The on-going nature of the crisis has put pressure on markets, like Egypt, which were not overly affected by a real estate slow-down but are feeling more effects as export growth declines and FDI decreases.

MENA steel industry FY revenue was buoyed by rising steel prices over the first three quarters of the year. Revenues increased by 37.5% to over USD8.5b. Net income rose 25.7% to USD0.89b.

Of course the full year results only tell half the story. Industry revenue, net income and profit margin increased through the first three quarters of 2008, reaching USD2.3b, USD0.39b and 16.4% respectively. The fourth quarter resulted in a 23.6% decline in revenue to USD1.8b and a 127% decline in net income to -USD0.1b.

Steel prices appear to have bottomed out in the first quarter of 2009 and have shown signs of recovery. 2009 is likely to experience a decline in MENA steel production as producers attempt to deplete inventories first. Production is set to resume increasing in 2010 along with prices.





As with the cement industry, Y-o-Y revenue results were excellent for individual steel manufacturers in the MENA region. Al Jazeera Steel, based in Oman, had the largest percentage increase in revenue with a 76.2% rise. The largest absolute increase in revenue belonged to two Egyptian steel makers, El Ezz Steel Co. and El Ezz Aldekhela. The former increased its total revenue by 40% to USD4b in 2008, from USD2.8b in 2007 while the latter increased its revenue to USD2.1b from USD1.56b, a 36.9% increase.

Quarterly revenue growth was abysmal with the exception of Egyptian Iron & Steel Co. El Ezz Steel Co. and El Ezz Aldekhela saw their revenues shrink 32% and 15.1% respectively. Al Jazeera Steel and Saudi Arabian Company Maadaniyah's revenues shrank 33.2% and 49.6% respectively.

FY net income grew strongly, entirely due to the first three quarters of the year. Maadaniyah and Egyptian Iron & Steel Co. led the way with 94.2% and 87% respective increases Y-o-Y. El Ezz Steel and El Ezz Aldekhela increased their net incomes 13.2% and 34.1% respectively as well.

Fourth quarter net income results were terrible. Every company witnessed a dramatic decline in its bottom line. El Ezz Steel Co. lost USD53.8m in the fourth quarter, compared to a gain of USD93.6m in the third, a 157% decline. El Ezz Aldekhela's net income went from USD181.9m in the third quarter to less than USD50m in the fourth, a 74% decline. Similarly, Zamil Industrial's net income fell over 75%, Egyptian Iron & Steel's fell almost 200%, Al Jazeera Steel's net fell 382%!

As a result, profitability suffered. Y-o-Y figures are still adequate in spite of the extraordinary fourth quarter. A few companies, like Egyptian Iron & Steel, managed to increase their profitability from 2007. However, fourth quarter profitability dived for every company in comparison to the third quarter.

2009 will no doubt be a difficult year for steel companies. Prices are likely to stay low for the rest of the year, as will global demand. Prices will likely pick up only if demand from China increases, U.S. auto-sales start increasing again and the MENA region pushes on with developments and infrastructure spending. Inside the MENA region, the pace of development will depend on government spending and the willingness of banks to finance projects, if either one is insufficient the steel sector's suffering will continue.

Revenue USD M	2008	Change	2007
EL EZZ STEEL REB	4009.0	40.0%	2863.5
EL EZZ ALDEKHELA	2140.4	36.9%	1564.0
ZAMIL INDUSTRIAL	1212.9	23.5%	982.4
EGYPTIAN IRON&ST	663.5	42.3%	466.4
AL JAZEERA STEEL	203.8	76.2%	115.6
JORDAN STEEL	150.2	45.9%	103.0
MAADANIYAH	133.4	35.3%	98.6

Revenue	Q4	Change	Q3
EL EZZ STEEL REB	801.8	-32.0%	1178.7
EL EZZ ALDEKHELA	479.1	-15.1%	564.2
ZAMIL INDUSTRIAL	252.8	-27.4%	348.4
EGYPTIAN IRON&ST	217.3	21.7%	178.6
AL JAZEERA STEEL	41.6	-33.2%	62.3
JORDAN STEEL	-	-	-
MAADANIYAH	21.3	-49.6%	42.2

Net Income	2008	Change	2007
EL EZZ STEEL REB	225.0	13.2%	198.8
EL EZZ ALDEKHELA	545.4	34.1%	406.8
ZAMIL INDUSTRIAL	60.0	8.9%	55.1
EGYPTIAN IRON&ST	64.5	87.0%	34.5
AL JAZEERA STEEL	4.5	5.4%	4.2
JORDAN STEEL	-13.9	-273.3%	8.0
MAADANIYAH	10.7	94.2%	5.5

Net Income	Q4	Change	Q3
EL EZZ STEEL REB	-53.8	-157.4%	93.6
EL EZZ ALDEKHELA	47.4	-74.0%	181.9
ZAMIL INDUSTRIAL	5.3	-75.5%	21.8
EGYPTIAN IRON&ST	-78.5	-198.9%	79.3
AL JAZEERA STEEL	-18.4	-382.1%	6.5
JORDAN STEEL	-	-	-
MAADANIYAH	-7.2	-226.6%	5.7

Net Profit Margin %	2008	2007	Q4	Q3
EL EZZ STEEL REB	5.6	6.9	-6.7	7.9
EL EZZ ALDEKHELA	25.5	26.0	9.9	32.2
ZAMIL INDUSTRIAL	4.9	5.6	2.1	6.3
EGYPTIAN IRON&ST	9.7	7.4	-36.1	44.4
AL JAZEERA STEEL	2.2	3.7	-44.2	10.5
JORDAN STEEL	-9.2	7.8	-	-
MAADANIYAH	8.0	5.6	-33.8	13.5



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