ALPEN CAPITAL

GCC Cement Industry

19 January, 2009

TABLE OF CONTENTS

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1. Executive Summary

1.1. Scope of the report

This report caters to investors looking for investment opportunities in the GCC cement sector. It focuses on GCC-based cement producers, the factors that drive revenue and earnings for the industry, as well as opportunities and risk factors. The report also covers valuations, governance and liquidity for the major listed GCC cement producers with bench-marking to a global peer group.

1.2. Investment rationale

- **Attractive long term investment opportunity:** Despite of the cloud hanging over the GCC real estate and construction sectors, we believe that the regional cement sector offers favorable long term investment opportunities. Notably, GCC cement producers are expected to add around 50 million tonnes of additional capacity over the next three years. Our cement supply-demand forecast suggests the market will move from a production deficit in 2008 to a surplus in 2009, but back to balance, and eventually a deficit, in 2010 or 2011. Therefore, 2009 could be a good time to enter the sector. Relatively strong volume and earnings growth and attractive dividend yields should support valuations over the long term.

  - ✓ **Large project pipeline:** With approximately US$2.5 trillion of planned construction over the next 5 to 7 years according to MEED, we foresee cement consumption to outstrip production in the long term. We have assumed that 35% to 50% of projects planned and underway are either cancelled or delayed beyond 2011 for the purpose of our cement demand forecast.

    - **Widening demand-supply gap over the long term:** Based on our forecast for cement consumption and production, we expect a balanced market in the near term but a widening supply deficit over the longer term. Over the long term, we foresee the need to increase capacity further or to resort increasingly to cement imports.

    - **Substantial scalable opportunity for GCC cement companies:** GCC cement companies are smaller than their peers outside the region. The average plant capacity of the GCC cement players is 6.3 million tonnes compared to 30.5 million tonnes for our emerging market and 100.2 million tonnes for our developed markets peer groups. This is indicative of substantial scalable opportunity for GCC cement companies given the historic dependence on imports. Larger size will bring benefits by economies of scale.

    - **Relatively better volume growth:** GCC cement companies have experienced stronger growth over the past two years than its peers in developed markets and other emerging markets. However, we have seen a sharp drop in revenue and earnings growth in the last three quarter of 2008 – primarily owing to the implementation of export restrictions or price caps. Going forward, we also expect volume growth to moderate as liquidity constraints and weak demand force developers to slow down the pace of new developments and competition intensifies. However, the region's volume growth should still remain higher versus the international standards.

- Three Saudi Arabian cement companies have been the first to report 2008 fourth quarter results. Yamamah Saudi Cement and Tabuk Cement have reported sharply lower earnings, citing the export ban and maintenance/renovation as the key contributing factors, while Yanbu Cement reported a small increase in profits quarter on quarter.

- **Funding and demand shortages to affect projects in the GCC:** Amid the global credit crisis and economic slowdown, developers are now finding it difficult to access financing from banks and buyers for off-plan developments are far between, resulting in liquidity shortages and eventually project delays and cancellations. In the same vein, some of the leading developers, including Emaar and Nakheel, are reviewing current and planned projects. Although, such delays and cancellations will lower demand for cement in the region, our estimates still suggest a return to a production deficit over the long term.

- **Regional pick:** We suggest focusing on Saudi Arabia and the UAE, as these two regions account for the largest share of construction spending and growth. The two regions are expected to see construction activity of over a trillion dollars in 2008 to 2011, driving demand for cement and aggressive capacity expansion.

	Saudi Arabia	UAE
Strong industry fundamentals	• In 2004-2007, cement consumption grew at a CAGR of 11.3% • Landmark construction projects announced includes six huge economic cities	• In 2004-2007, cement consumption grew at a CAGR of 18.5% • Per capita consumption at 3792 kg, second after Qatar. Some of the key developments include Jumeirah Gardens, Dubailand, Palm Deira, Palm Jebel Ali, Waterfront, Yas Island and White Bay
Aggressive capacity expansion	• Planned capacity addition of over 29 million tonnes in 2008-2010 • Saudi Cement recently completed a 6.4 million tonnes capacity addition. Many companies have obtained licenses for greenfield cement projects	• Planned capacity addition of about 15 million tonnes in 2008-2010 • Large number of small private cement players in the region are undertaking expansion/ addition activity
Increased production insufficient to meet	• Expected production more or less in line with expected consumption, leading to a marginal excess capacity. Companies may explore	• Expected production off the capacity expansion plans announced to date insufficient to meet expected demand over

expected demand	export opportunities if the current export ban is lifted	the long term. New plants may be built as the players foresee strong market demand
Companies exhibiting strong performance	• Our peer group of Saudi cement companies had high operating margins of on average 58.2% in 2007. However, the average operating margin dropped to 49.6% in the third quarter of 2008 • Saudi cement and Southern province cement are expected to witness the highest growth among the regional peer group with revenue growth of 21.3% and 19.2%, respectively in 2007-2009E (Bloomberg estimates)	• Our peer group of UAE cement companies reported an average operating margin of 25.2% in 2007, thereafter falling to 19.0% in the third quarter of 2008 • Fujairah Cement Industries and Union Cement Company are expected to exhibit revenue growth of 38.6% and 27.0%, respectively, in 2007-2009E, while, Gulf Cement, the largest player in the region, is expected to grow by 11.5% (Bloomberg estimates)
Strong shareholders return	• Average return on equity of 30.1% and dividend yield of 12.8% in 2007	• Average return on equity of 15.7% and dividend yield of 5.0% in 2007

- Risk factors to be considered when investing in GCC cement producers:
  - ✓ **Potential for lower profitability going forward:** Operating margins for GCC cement producers is significantly higher than that of peers outside the region. We see potential for lower profitability for GCC cement producers as the local market reaches equilibrium in terms of supply and demand and competition increases locally as well as from clinker/cement imports. Lower energy prices and increased production of own clinker may however provide support for margins in the near term. In the third quarter of 2008, the average operating margin of GCC cement producers dropped to 32.8% from 41.9% in the same quarter in 2007.
  - ✓ **Global economic slowdown:** The prices of building materials, including cement, witnessed an unprecedented increase in 2003 to 2007, with prices peaking during the first half of 2008. However, the prices have fallen significantly in the last couple of months, on the back of slowing economic activity around the world. In all likelihood, we are only at the outset of a longer-term slowdown in global economic activity, which may result in excess cement capacity outside the region and downward pressure on regional prices due to rising imports.
  - ✓ **Relatively weak governance:** The publicly listed GCC cement producers are behind their global peers in terms of transparency and governance measures. However, the region is increasingly realizing that corporate governance is crucial when it comes to attracting international investors. As a result, several initiatives have been launched by the respective GCC governments to promote improved governance and transparency.
  - ✓ **Relatively weak stock liquidity:** Some GCC cement stocks are relatively illiquid, which tends to accentuate swings in stock prices. There is a risk that GCC stocks will fall to levels lower than those justified by valuation multiples, based on fear and a strong selling pressure in an illiquid market.

1.3. Industry outlook

- The GCC cement consumption has outstripped domestic production over the last four years. Overall, cement consumption increased at a CAGR of 17.4% in 2003 to 2007 to reach 62.5 million tonnes, while, production grew at a CAGR of 11.5% with most of the plants operating at full capacity. Within the GCC, Saudi Arabia and the UAE are the largest cement producers and consumers.

  - ✓ **Healthy project pipeline:** With approximately US$2.5 trillion worth of GCC construction projects planned or currently underway over the next 5 to 7 years according to MEED (we assume 35-50% of this is delayed or cancelled in our cement consumption forecast), the GCC cement producers should continue to enjoy good market conditions.

    - Saudi Arabia and the UAE have emerged as the leading regions accounting for 73.0% of the total planned construction projects. The UAE has witnessed the fastest growth over the last four years and has the largest share of planned projects at US$1.2 trillion.

  - ✓ **Saudi Arabia and the UAE have the largest planned investments:** Out of the total announced investments of US$6.3 billion focused mainly on increasing cement/clinker production capacity, Saudi Arabia leads with planned capacity increase/expansion of approximately 23.3 million tonnes per year, followed by the UAE with 7.1 million tonnes per year.

  - ✓ **Lower oil prices to limit liquidity:** Historically, channeling of oil-based revenues into non-oil sectors has resulted in huge growth in infrastructure spending. Although oil prices have fallen dramatically since peaking at US$147.27 per barrel in mid-July 2008, the International Energy Agency (IEA) expects oil prices to rebound to average US$100 a barrel between 2008 and 2015, and increase further to US$200 a barrel by 2030. That said, last Friday IEA revised downward its forecast for oil demand in 2009, citing slower growth in Chinese demand. Overall, we believe the current oil price levels are sufficient to support the present and planned spending levels, in light of huge reserves built up over the years and budgets balanced at an oil price of below US$50/bbl.

  - ✓ **Relatively strong macroeconomics and favorable demographics:** Relatively strong economic fundamentals, as evident in high GCC GDP growth of 5.5% in 2007 compared to 2.0% for the US and 2.6% for Europe, offers huge growth opportunities for non-oil sectors, including construction. Within the GCC, Saudi Arabia accounts for 67.0% of the total GCC population and has the youngest population with a median age of 21.5 years. A favorable population structure and relatively strong economic growth combined with rising purchasing power will underpin demand for both residential and commercial real estate as more and more people join the workforce.

- Huge project spending and rapidly increasing cement consumption is changing the dynamics of the GCC cement industry:

- ✓ **Increasing size of production plants:** Overall, the GCC markets are adjusting to the continuing high demand for construction materials, which has driven cement producers to increase their production by upgrading existing plants and installing new production lines. We believe that companies with large production facilities will enjoy a competitive advantage arising from benefits of economies of scale.
- ✓ **Increasing use of alternative energy sources:** Several cement manufacturers have modified their production processes to accommodate the use of alternate fuels, creating necessary flexibility to respond to a shortage of any specific fuel. Such initiatives will help the GCC cement producers to manage their input costs, which forms a major part of the overall cost of cement production.
- ✓ **Reducing dependence on clinker imports:** In an attempt to control rising cost of clinker, many GCC cement producers have announced plans to set up their own clinker capacity and reduce dependence on more costly imports.
- ✓ **Increasing competition:** Global building material players, such as Lafarge, are looking to increase their presence in the GCC markets, through joint ventures. acquisition of local companies and/or construction of greenfield plants.

Challenges facing the industry:

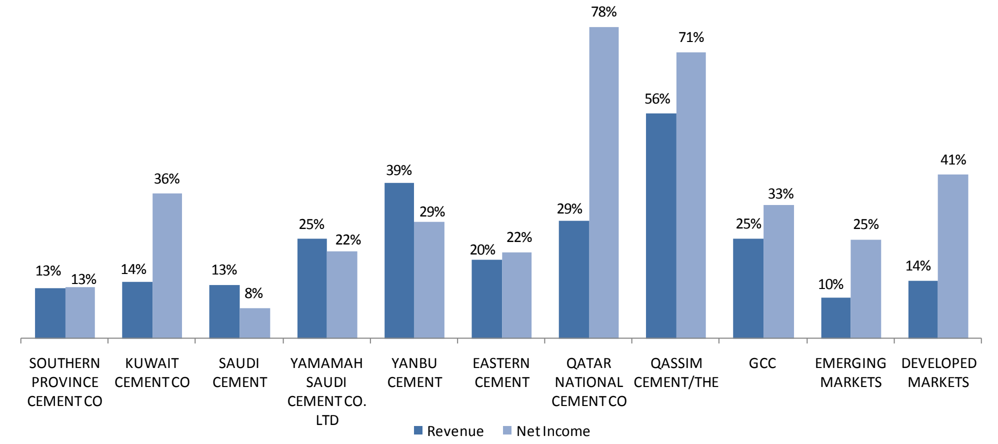
- ✓ **Construction sector slowdown:** The evolution of cement consumption in the region will depend on how the construction sector is affected by the global economic slowdown and falling crude oil prices. Although we expect local production to exceed consumption in 2009, we are of the opinion that the backlog of largely government-sponsored projects is large enough to absorb the increasing local cement production, at least from 2011 onwards.
- ✓ **Government initiatives to control prices of building materials:** Several initiatives were taken by the GCC governments in 2008 to control cement prices. Although, these initiatives prevented price hikes and maintained cement supplies, these steps hurt profitability of the cement producers. We don’t foresee the need for any such measures in 2009 as building materials prices are expected to fall further and remain at significantly lower levels than in 2008.
- ✓ **High exposure to regional stock markets:** GCC cement companies, especially in the UAE and Kuwait, have high exposure to the regions stock markets. The recent fall in the regional stock markets is likely to trigger meaningful capital losses due to asset value declines.

2. Valuations

2.1. Financial performance

GCC cement companies have benefited immensely from the construction sector boom over the past five years, which has translated into strong growth and high profitability. Increased cement consumption is reflected in strong revenue growth of 24.9% in 2007, compared with 10.2% for our emerging markets and 14.4% for our developed market peer groups.

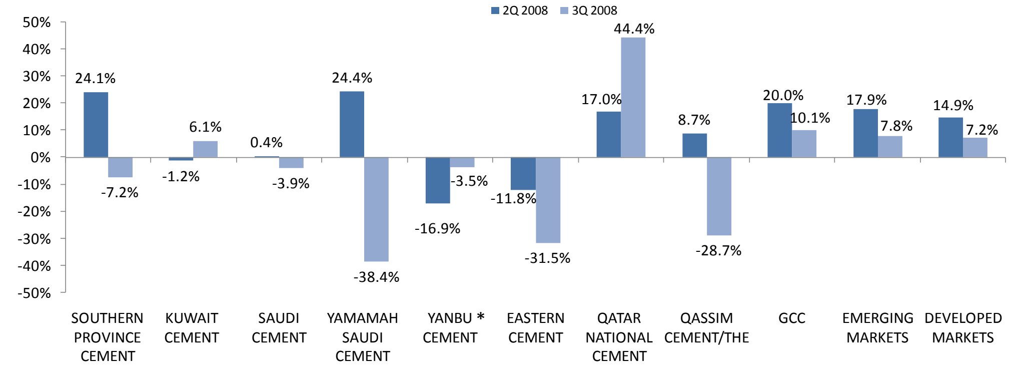
Chart 1. Revenue and Net Income Growth, 2007/06, (%)



Source: Zawya, Bloomberg

Although, we have seen revenue growth tail off in the last three quarters of 2008, it remains higher than the average of our emerging and developed market peer group. In the third quarter of 2008, GCC cement producers posted an average revenue growth of 9.3%, higher than 7.5% for our peer groups. This trend is expected to continue over the near future, reflected in a 2007-2009E CAGR of 8.2% (as per Bloomberg estimates) for the GCC cement players compared with 7.0% for our emerging market and 1.9% for our developed market peer groups. However, we expect a moderation in revenue growth in the coming quarters as liquidity and capacity constraints force some real estate developers to slow down the pace of new developments. Falling oil prices have also prompted governments to review budgets and the economics of big infrastructure projects.

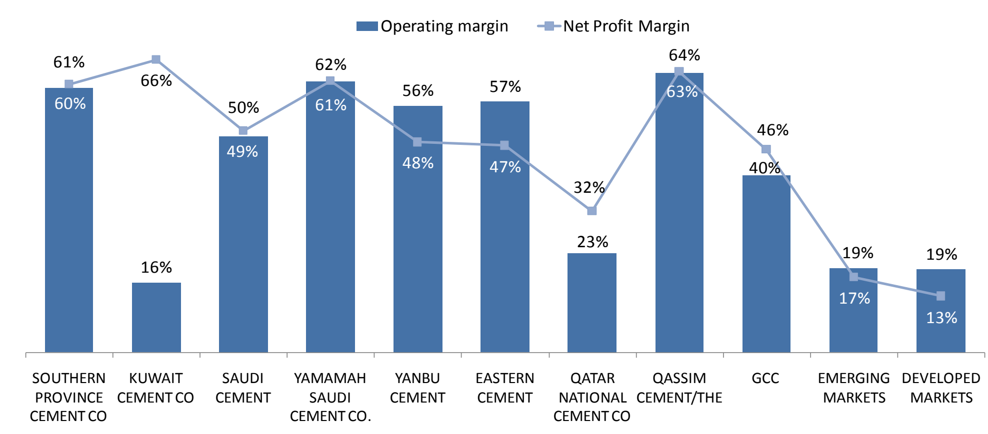
Chart 2. Revenue Growth, Quarterly (%)



Source: Zawya, Bloomberg, *For Yanbu cement the figures correspond for Q3 2008 and Q4 2008

In terms of cost-structure, GCC cement players are still more competitive than our emerging and developed market peer-groups mainly owing to government-subsidized energy and fuel, lower environmental regulation, and an abundance of raw materials at a relatively low cost. A favorable cost structure coupled with higher cement pricing has resulted in higher profitability for the GCC cement players.

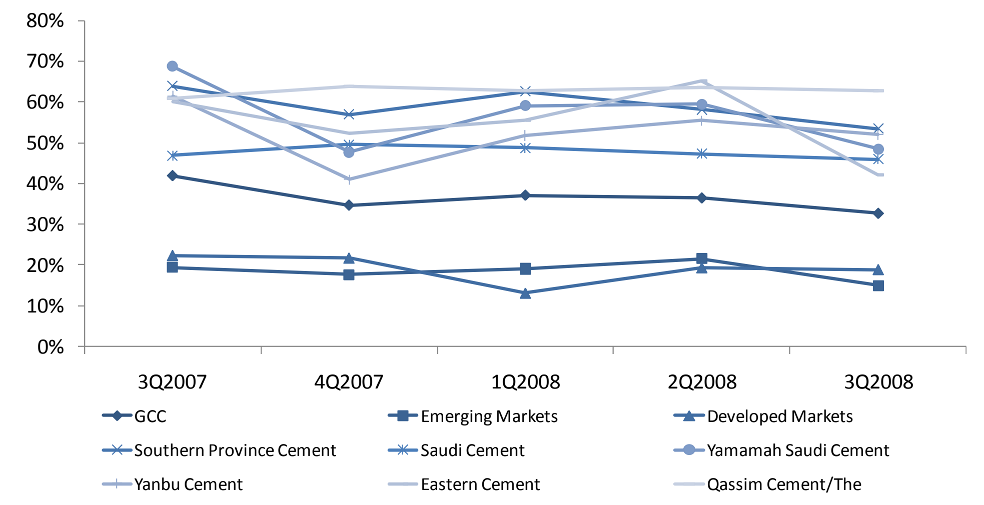
Chart 3. Profitability, 2007-06, (%)



Source: Zawya, Bloomberg

GCC cement players reported an average operating margin of 40.3% in 2007, significantly higher than the average of our emerging market and developed market peer groups. However, lately we have seen shortage of gas supplies in some regions of GCC to negatively impact operating margins in the second and third quarters, thereby forcing the cement producers to diversify into alternative forms of fuel such as coal. Although the average operating margin of GCC cement producers dropped to 32.8% in the third quarter of 2008 compared with 41.9% in the same quarter in 2007, it still remains higher than the average of our emerging market and developed market peer groups.

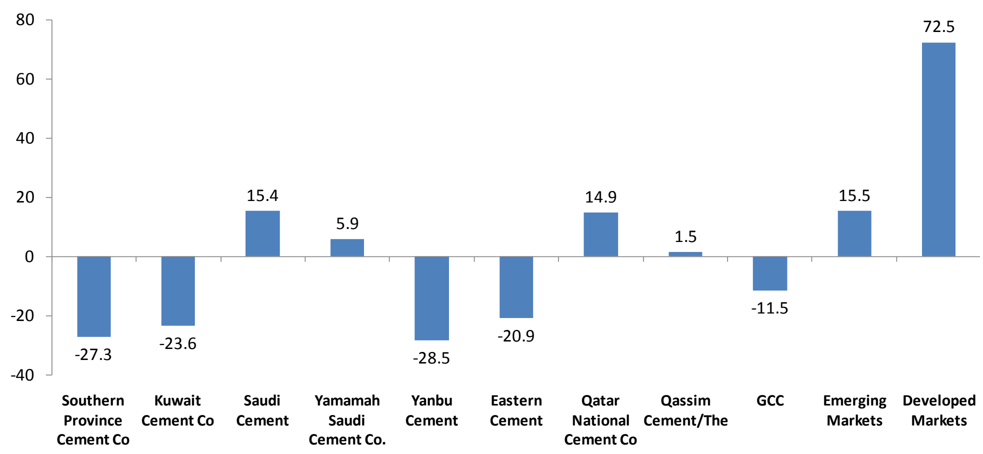
Chart 4. Operating Margins, quarterly, (%)



Source: Zawya, Bloomberg, Thomson analytics, 3Q2008 average excludes Indocement Tunggal Prakarsa and CRH plc (Report half-yearly)

Further, GCC cement companies have relatively strong free cash flows, which are expected to support ambitious capacity upgrades/expansions. Most of the cement companies in the GCC are in a net cash position compared to our emerging and developed market peer groups, which on average are in a net debt position.

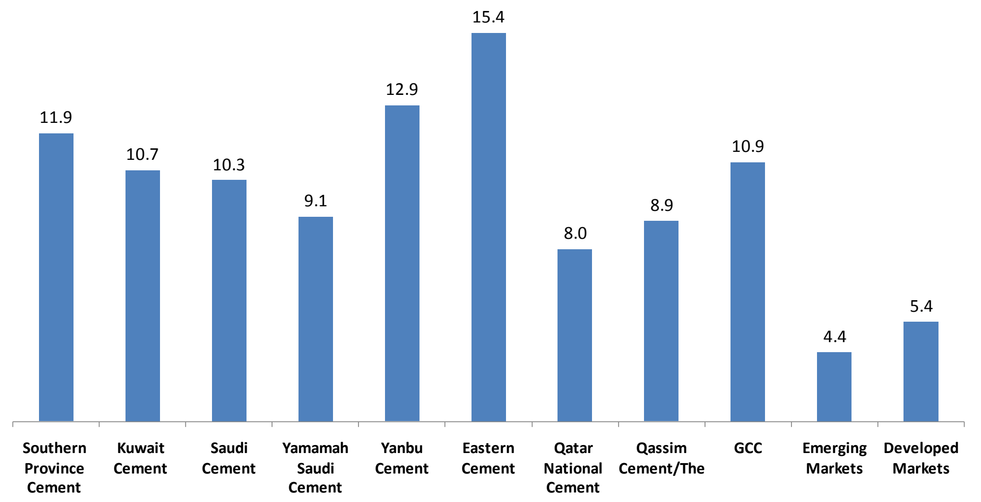
Chart 5. Net Cash (Debt) to Equity



Source: Bloomberg

Stronger cash flows have also resulted in strong dividend yields for GCC cement players with 10.9%, significantly higher than 4.4% for our emerging markets and 5.4% for our developed market peer groups.

Chart 6. Dividend Yield, (%)



Source: Bloomberg

2.2. Valuations

We believe that the sector offers attractive returns in the long run, as the fundamentals of the cement sector in the region remain favorable. Healthy margins, potential to scale up operations, healthy cash positions and favorable industry trends are some of the factors supporting our view.

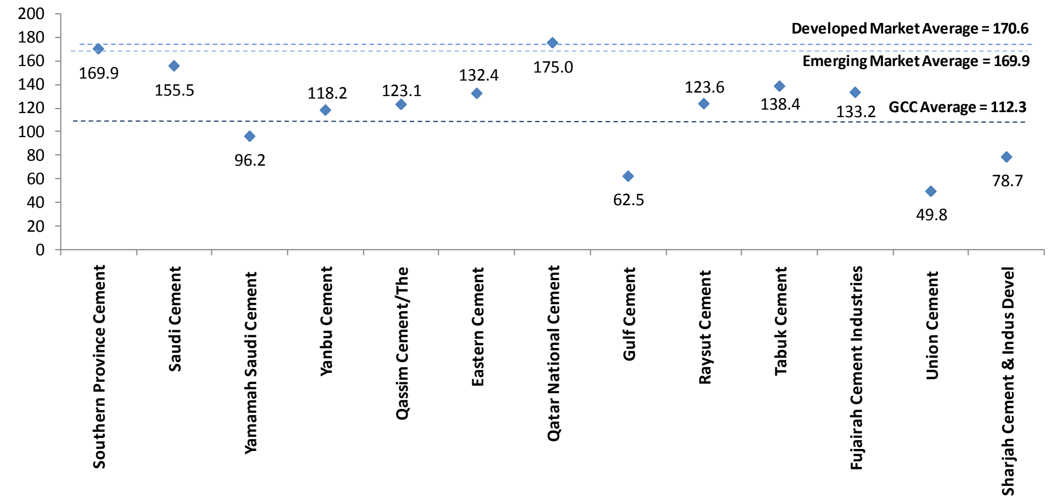
- **Favorable industry fundamentals:** GCC cement consumption has outstripped domestic production over the last four years. Consumption was 62.5 million tonnes and production 58.4 million tonnes in 2007. With

US$2.5 trillion of planned construction activity (we assume 35-50% of this is delayed or cancelled in our cement consumption forecast), we foresee cement consumption to exceed production over the long term supporting high capacity utilization for cement producers. We have forecast cement consumption based on two scenarios, with the base case offering substantial opportunity for cement players to scale up their operations.

- **Opportunity for up-scaling:** GCC cement players are relatively small compared to their peers outside the region. The average plant capacity of the GCC cement players is 6.3 million tonnes compared to 30.5 million tonnes for our emerging market and 100.2 million tonnes for our developed markets peer groups. This indicates substantial scalable opportunity for GCC cement companies given the historic dependence on cement imports. Greater plant size and capacity will offer economies of scale.
- **Higher expected volume growth:** Based on our forecast, we see a supply deficit over the long term, presenting strong potential for volume growth for the GCC cement companies. This trend is also reflected in the revenue CAGR of 8.2% and EBITDA CAGR of 4.8% (as per Bloomberg estimates) in 2007-2009, significantly higher than revenue CAGR of 7.0% and EBITDA CAGR of 2.8% for our emerging market peer groups.

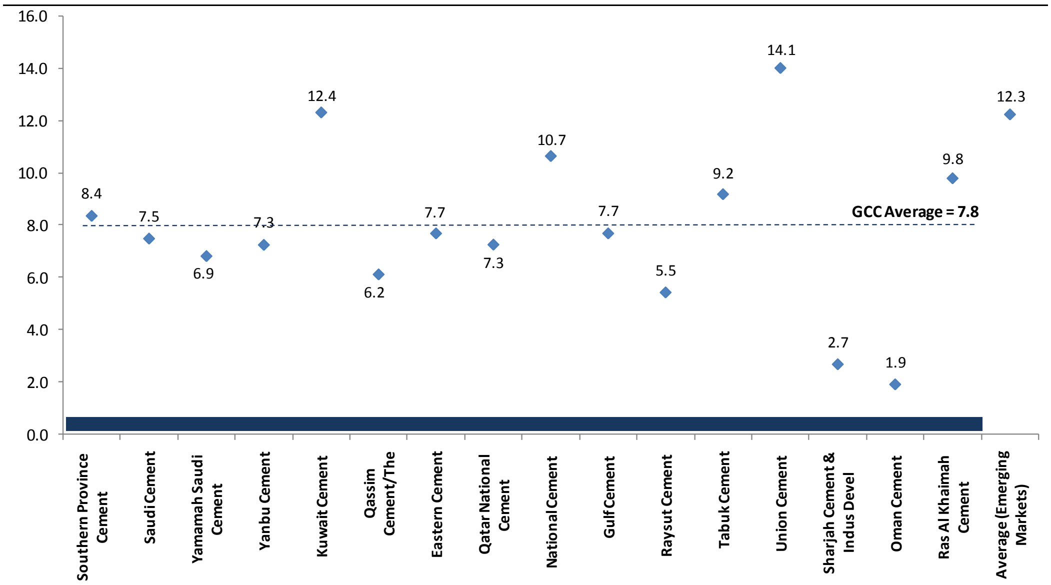
- **Attractive valuation based on P/E and EV/ton multiples:** Based on the current EV/ton multiple, GCC cement companies look more attractive than players outside the region. The current EV/ton for GCC companies stand at 112.3x compared with 169.9x and 170.6x for our emerging market and developed market peer group, respectively. In addition, GCC cement companies are operating at full capacity and more profitably than their Asian and European peers. Similarly, current and forward price multiples of GCC cement companies are lower than our emerging, but higher than the developed market peer group, justified by the superior growth opportunities. Significant capacity additions and upgrades announced mainly in Saudi Arabia and the UAE should enable cement companies to post relatively higher volume growth than our emerging and developed market peer groups.

Chart 7. EV/ton Multiple



Source: Bloomberg, Excludes Kuwait Cement and National Cement, Prices as of January 18, 2009

Chart 8. Current P/E Multiple



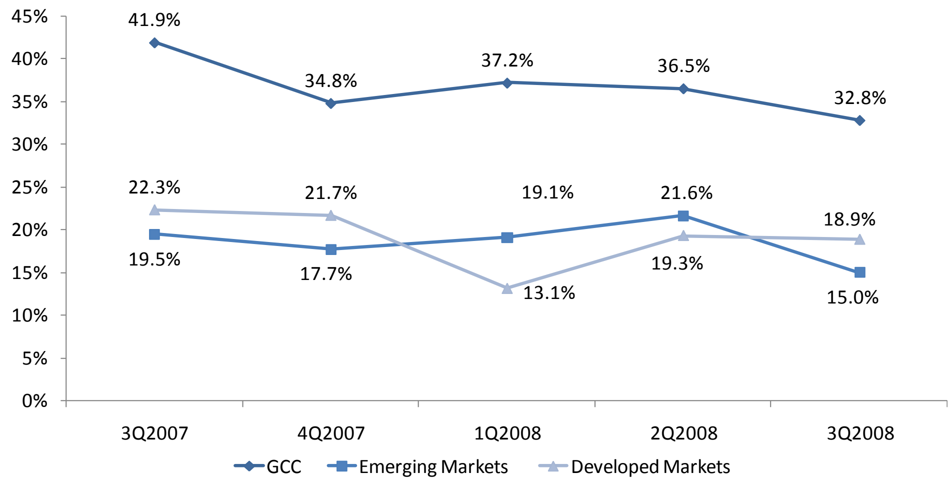
Source: Bloomberg, Prices as of January 18, 2009

Factors that may negatively affect the attractiveness of the sector include:

- **Global economic slowdown:** The global economic downturn is clearly manifesting itself in falling commodity and energy prices. Although it is unclear how severe the contraction will be in the GCC region, we are of the view that there will continue to be sufficient demand for cement to meet the current and planned production levels at least from 2011 onwards.

- **Potential lower profitability over the medium term:** Operating margins for GCC cement producers is significantly higher than that of peers outside the region. We see potential for lower profitabillity for GCC cement producers as the local market becomes more balanced in terms of supply and demand and competition increases locally as well as from clinker/cement imports. Lower energy prices and increased production of own clinker may however provide support for margins in the near term. In the third quarter of 2008, the average operating margin of GCC cement producers dropped to 32.8% from 41.9% in the same quarter in 2007.

Chart 9. Operating Margins, quarterly (%)



Source: Zawya, Bloomberg, Thomson analytics, For Q3 2008 average excludes Indocement Tunggal Prakarsa, and CRH plc (Reports half-yearly)

- **Construction sector to witness a slowdown**: The evolution of cement consumption in the region largely depend on how the construction sector is affected by the global economic slowdown, the effect on government-sponsored projects by the falling crude oil prices and the overall demand for residential and commercial real estate. We are of the opinion that the backlog of primarily government-sponsored projects is large enough to absorb the increasing local cement production, at least from 2011 onwards.

2.3. Comparison of transparency levels

In the fast maturing GCC region, corporate governance is a fundamental aspect of business that has not developed at the same rate as the economy. GCC companies do however realize the importance of good corporate governance to help attract international investors as long-term shareholders.

GCC cement companies are trailing behind their global counterparts in most areas of corporate communications and disclosure, as per the comparative analysis shown in the chart below. For instance, on average, three years of financial statements are available for the GCC cement players compared with six and nine years for the emerging and developed market peer groups, respectively. All GCC companies lack a separate investor relation's department and are covered by a fewer number of analysts. In addition, the emerging and developed market peer groups have an internal audit committee in place while most of the GCC cement companies do not. However, the only silver lining is the diversified ownership base (measured by the free float percent of shares) of the GCC cement stocks which exceeds the average of our emerging and developed market peer group.

Chart 10. Comparison of Corporate Governance and Transparency Levels

	Corporate Communications						Disclosures				
Company Name	**History of publicly available accounts**	**Latest annual report availabilty on website**	**Availability of Investor relations contact details**	**Pre-announcement of results publication dates**	**Holding of analyst meetings/ conference calls**	**Number of Analyst coverage**	**Disclosure of shareholding structure on Website**	**Complete interim results disclosure**	**Frequency of reporting on the website**	**Internal Audit Committee**	**Ownership Diversification**
GCC Region											
Kuwait Cement Co	◑	○	◔	○	○	○	○	○	◔	○	●
Saudi Cement	○	○	◔	○	○	◔	○	○	○	○	●
Yamama Saudi Cement Co. Ltd	◔	●	◔	○	○	◔	○	○	◔	○	●
Yanbu Cement	○	○	◔	○	○	◔	○	○	○	○	◕
Eastern Province Cement Co	○	○	◔	○	○	○	○	○	●	○	●
Qatar National Cement Co	◑	○	◔	○	○	◔	○	●	●	○	N.A.
Qassim Cement	◔	◑	◔	○	○	◔	○	○	○	○	●
Raysut Cement Co	◔	●	◑	○	○	◕	○	○	●	○	◕
Gulf Cement Co	◑	◑	◔	○	○	◕	○	●	●	○	◔
Tabuk Cement Co	●	○	◑	○	○	◔	○	○	●	○	●
Oman Cement Co	◔	●	◔	○	○	◕	○	●	●	●	●
Ras Al Khaimah Cement	◑	●	◔	○	○	◑	○	●	●	○	◕
Average (for the GCC region)	◑	◑	◔	○	○	◔	○	◔	◕	○	●
Emerging Markets											
Siam Cement Public	◕	●	◔	●	●	●	●	●	●	●	◕
Ambuja Cements Limited	◕	●	◑	○	○	●	●	○	◔	●	●
ACC Limited	◑	●	◑	●	●	●	●	●	●	●	◕
Indocement Tunggal Prakarsa	◑	●	◑	●	●	◕	●	●	●	●	◑
Semen Gresik (Persero) Pt	◔	●	◔	○	●	◕	●	◑	◑	●	◔
Cementos Argos Sa	◔	●	◑	○	●	◕	○	◑	◑	●	N.A.
Cemex Sab-Cpo	●	●	◑	●	●	●	○	◑	●	●	N.A.
Average (for the Emerging markets)	◕	●	◑	◑	●	●	●	◕	◕	●	◕
Developed Market											
Lafarge Sa	●	●	●	●	●	●	●	●	●	●	●
Holcim Ltd-Reg	●	●	●	●	●	●	○	●	●	●	◕
Heidelberg Cement AG	●	●	●	●	●	◕	●	●	●	●	◔
CRH Plc	◕	●	◔	●	●	●	●	●	◑	●	●
Ciments Francais	●	●	◑	●	●	●	●	●	◑	●	◔
Cimpor-Cimentos De Portugal	●	●	◑	●	●	◕	●	●	●	●	◕
Buzzi Unicem Spa	●	●	●	●	●	●	●	●	●	●	◑
Average (for the developed markets)	●	●	◕	●	●	●	●	●	●	●	◕

○ Unfavourable ◔ Least attractive ◑ Attractive

◕ More attractive ● Most attractive

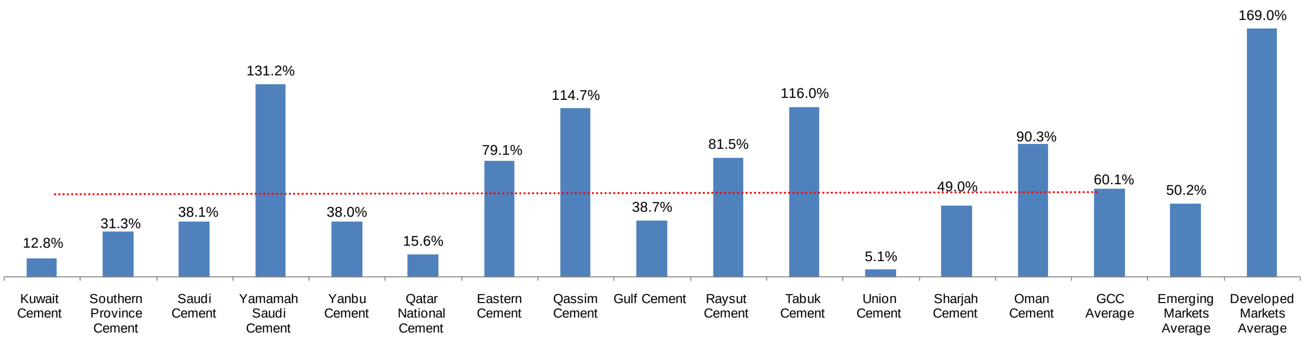
Source: Bloomberg, Thomson One Analytics, Company Website, N.A.= Not Available

2.4. Comparison of stock liquidity

The GCC cement stocks, with an average turnover velocity[1] of 60.1% (excluding Ras Al Khaimah Cement, National Cement and Al-Fujairah Cement Industries), are more liquid than our emerging market peer group (50.2%) but less liquid than our developed market peer group (169.0%). This reflects the fact that there are relatively fewer buyers and sellers for GCC stocks, which potentially impedes efficient price discovery. Amongst the GCC cement firms, the most liquid is Yamamah Saudi cement with a turnover velocity of 131.2%, followed by Tabuk Cement (116.0%) and Qassim Cement (114.7%).

However, the average free float of the GCC cement stocks is 72.9% (excluding Qatar National cement Company), higher than 51.2% and 55.5% for our emerging and developed market peer groups. Notably, the average free float of the GCC cement stocks falls to 69.1%, on excluding Southern Province Cement and Sharjah Cement and Industrial Development Company, which have free float of 100%.

Chart 11. Comparison of Liquidity Levels (Measured by Turnover Velocity)



Company Name	Free Float (%)	Company Name	Free Float (%)
Kuwait Cement	92.5%	National Cement	64.8%
Southern Province Cement	100.0%	Tabuk Cement	93.4%
Saudi Cement	87.1%	Union Cement	51.6%
Yamamah Saudi Cement	85.3%	Sharjah Cement and Industrial Development Company	100.0%
Yanbu Cement	70.5%	Oman Cement	94.3%
Qatar National Cement	N.A.	Al-Fujairah Cement Industries	3.9%
Eastern Cement	89.4%	Ras Al Khaimah Cement	63.0%
Qassim Cement	95.0%	GCC Average	72.9%
Gulf Cement	13.8%	Emerging Markets Average	51.2%
Raysut Cement	62.4%	Developed Markets Average	55.5%

Source: Bloomberg, Traded volume measured from January 19, 2008 till January 18, 2009 and Market capitalization as at January 18, 2009

[1] Turnover Velocity (%)= Total *traded volume (US$ mn)/Market Capitalization (US$ mn)*
Free float (%) = (Equity Float /Current Shares Outstanding)*100

Chart 12. Comparable Analysis – Global Cement peers

Global building materials peers			Market Performance			Growth, 2007-2006 (%)		Growth, 3Q2008/07 (%)		Profitability (%)				CAGR % (2007-2009E)			Current Multiples (x)				Forward Multiples (x)			
	Company Name	Ticker	Price (US$) As of Jan. 18, 2009	Market Cap (US$ mn)	Enterprise Value (US$ mn)	Revenue	Net Income	Revenue	Operating Margin	Operating margin	Net Profit Margin	ROA	ROE	Revenue	EBITDA	EPS	P/E	EV / EBITDA	EV/ton (In US$)	Dividend Yield	P/E 2008	P/E 2009	EV / EBITDA 2008	EV / EBITDA 2009
	GCC Region																							
1	SOUTHERN PROVINCE CEMENT CO	SOCCO AB Equity	12.3	1,721	1,614	12.5	12.8	-7.2	53.5	60.0	60.9	27.4	31.0	19.2	N.A	19.5	8.4	6.8	169.9	11.9	7.0	6.4	N.A	N.A
2	SAUDI CEMENT	SACCO AB Equity	12.9	1,319	1,633	13.5	7.6	-3.9	46.0	49.1	50.4	20.9	26.6	21.3	N.A	15.8	7.5	8.1	155.5	10.3	7.9	5.4	N.A	N.A
3	YAMAMAH SAUDI CEMENT CO. LTD	YACCO AB Equity	8.8	1,191	1,203	24.8	21.7	-38.4	48.4	61.5	61.7	21.7	34.0	-2.4	-3.2	-12.2	6.9	5.4	96.2	9.1	7.2	7.9	5.5	5.9
4	YANBU CEMENT	YNCCO AB Equity	10.3	1,086	993	38.8	29.0	-3.5	52.1	56.1	47.8	27.5	30.0	-2.0	-6.1	-9.9	7.3	5.4	118.2	12.9	7.1	7.6	5.4	5.4
5	KUWAIT CEMENT CO	KCEM KK Equity	1.9	1,029	942	14.0	36.1	6.1	20.8	15.9	66.5	16.8	20.9	N.A	N.A	N.A	12.4	N.A	N.M	10.7	N.A	N.A	N.A	N.A
6	QASSIM CEMENT/THE	QACCO AB Equity	20.9	942	861	56.0	71.3	-28.7	62.8	63.5	63.8	28.3	38.4	-2.7	-0.1	-0.2	6.2	5.0	123.1	8.9	5.8	6.6	4.8	N.A
7	EASTERN CEMENT	EACCO AB Equity	10.4	894	874	19.6	21.5	-31.5	42.3	57.0	46.9	23.0	27.4	-21.5	-25.6	-29.0	7.7	6.2	132.4	15.4	10.6	12.3	8.8	N.A
8	QATAR NATIONAL CEMENT CO	QNCD QD Equity	24.2	863	1,038	29.2	77.5	44.4	20.8	22.5	32.1	17.7	23.8	N.A	N.A	N.A	7.3	N.A	175.0	8.0	N.A	N.A	N.A	N.A
9	NATIONAL CEMENT CO	NCC UH Equity	1.6	587	N.A	16.7	-6.6	6.6	10.5	34.4	37.9	7.9	8.4	2.1	-17.1	-8.4	10.7	N.A	N.A	4.5	9.1	12.8	N.A	N.A
10	GULF CEMENT CO	GCEM UH Equity	0.7	552	406	24.0	275.6	28.5	34.8	28.2	50.3	22.1	26.6	11.5	14.0	-9.4	7.7	4.1	62.5	7.0	7.5	6.0	4.1	4.2
11	RAYSUT CEMENT CO	RCCI OM equity	2.6	518	487	31.3	11.9	50.0	32.1	43.6	47.8	28.7	37.2	20.5	28.0	23.8	5.5	4.9	123.6	10.0	4.8	4.3	4.0	3.7
12	TABUK CEMENT	TACCO AB Equity	5.1	462	374	-10.2	1.3	-41.2	41.8	60.0	64.6	17.5	23.6	-16.7	N.A	N.A	9.2	6.2	138.4	20.8	N.A	N.A	N.A	N.A
13	FUJAIRAH CEMENT INDUSTRIES	FCI UH Equity	1.4	448	546	44.9	15.3	31.2	19.8	29.9	30.8	18.4	22.8	38.6	27.1	26.8	N.A	N.A	133.2	3.4	8.4	5.9	9.0	6.0
14	UNION CEMENT CO	UCC UH Equity	0.7	444	468	68.1	-3.5	63.5	13.4	18.6	25.5	11.5	13.0	27.0	20.7	-13.9	14.1	10.5	49.8	5.1	18.3	12.8	9.1	7.7
15	SHARJAH CEMENT & INDUS DEVEL	SCEM KK Equity	0.6	301	420	36.4	63.0	32.4	23.1	34.8	44.6	22.1	29.1	N.A	N.A	N.A	2.7	4.0	78.7	27.5	N.A	N.A	N.A	N.A
16	OMAN CEMENT CO	OCOI OM Equity	0.7	243	236	0.6	-14.3	37.1	19.0	34.9	35.2	13.7	15.5	N.A	N.A	N.A	1.9	4.3	78.0	9.5	N.A	N.A	N.A	N.A
17	RAS AL KHAIMAH CEMENT CO	RAKCC UH Equity	0.3	130	110	3.0	-56.3	25.8	16.3	14.9	16.4	7.1	7.5	11.5	10.2	8.7	9.8	6.0	50.0	N.A	8.3	7.6	5.2	4.7
	Average (GCC Region)			**749**	**763**	**24.9**	**33.2**	**10.1**	**32.8**	**40.3**	**46.1**	**19.5**	**24.5**	**8.2**	**4.8**	**1.0**	**7.8**	**5.9**	**112.3**	**10.9**	**8.5**	**8.0**	**6.2**	**5.4**
	Emerging Markets																							
1	CEMEX SAB-CPO	CEMEXCP MM Equity	1.0	7,906	23,621	20.1	2.3	-13.6	15.4	13.6	11.0	6.0	17.3	4.4	5.9	-27.5	6.8	5.5	244.3	N.A	N.A	N.A	5.3	5.7
2	CEMENTOS ARGOS SA	CEMARGOS CB Equity	3.1	3,567	4,363	10.4	38.6	-8.5	6.7	9.7	13.4	2.1	2.9	N.A	N.A	N.A	41.4	N.A	228.4	1.6	53.1	N.A	13.0	11.7
3	SIAM CEMENT PUBLIC CO LTD	SCC TB Equity	3.0	3,542	7,925	3.7	3.1	14.7	8.5	9.9	11.3	12.8	37.7	1.8	-1.5	-20.5	4.8	7.1	344.6	12.6	5.5	6.4	6.6	7.1
4	AMBUJA CEMENTS LIMITED	ACEM IN Equity	1.5	2,233	1,938	-9.4	10.9	6.7	23.7	31.3	31.9	29.3	42.1	2.9	-11.8	-27.9	5.9	4.7	104.8	3.1	8.8	11.3	5.2	6.1
5	ACC LIMITED	ACC IN Equity	10.5	1,967	1,666	20.8	15.1	10.4	22.3	22.9	20.2	21.9	39.0	2.7	-10.2	-17.7	6.7	4.3	74.4	3.9	7.8	9.9	4.6	5.4
6	SEMEN GRESIK (PERSERO) PT	SMGR IJ Equity	0.3	1,921	1,619	10.0	37.0	16.5	28.2	25.0	18.5	22.2	29.3	12.6	14.2	14.6	9.2	5.1	94.7	4.2	9.3	9.0	5.1	4.9
7	INDOCEMENT TUNGGAL PRAKARSA	INTP IJ Equity	0.4	1,562	1,623	15.8	65.9	28.4	N.A	21.6	13.4	10.0	15.2	17.7	20.1	34.0	11.3	6.2	98.4	0.9	10.6	9.7	6.1	5.7
	Average (Emerging Markets)			**3,243**	**6,108**	**10.2**	**24.7**	**7.8**	**17.5**	**19.2**	**17.1**	**14.9**	**26.2**	**7.0**	**2.8**	**-7.5**	**12.3**	**5.5**	**169.9**	**4.4**	**15.8**	**9.3**	**6.6**	**6.7**
	Developed Market																							
1	CRH PLC	CRH ID Equity	24.3	12,943	23,297	12.0	22.3	N.A	N.A	9.9	6.8	7.5	19.1	-1.3	-9.0	-16.9	7.1	5.8	228.6	3.7	7.9	10.1	6.1	6.9
2	HOLCIM LTD-REG	HOLN VX Equity	47.4	12,484	29,086	12.9	83.7	-5.2	16.3	23.2	14.3	8.3	22.8	-4.4	-20.4	-36.6	6.0	4.5	147.0	6.2	6.9	8.9	5.7	6.3
3	LAFARGE SA	LG FP Equity	56.1	10,936	38,359	4.2	39.1	8.6	N.A	18.7	10.8	6.6	17.8	3.2	2.4	-17.6	4.1	5.9	215.5	9.5	4.3	5.6	5.9	6.2
4	HEIDELBERGCEMENT AG	HEI GR Equity	42.3	5,290	21,509	35.8	112.7	25.5	17.1	16.1	18.6	9.7	32.8	13.9	7.1	-43.5	4.7	5.9	215.1	4.1	2.1	5.8	5.5	5.8
5	CIMPOR-CIMENTOS DE PORTUGAL	CPR PL Equity	4.9	3,318	5,866	20.0	4.2	N.A	N.A	22.3	15.5	7.0	18.0	4.5	0.8	-5.7	10.3	6.0	193.6	6.2	11.4	9.3	7.3	7.0
6	CIMENTS FRANCAIS	CMA FP Equity	83.2	3,059	5,190	6.9	-7.2	2.6	N.A	18.2	9.9	6.7	16.2	-0.3	-10.0	-18.0	5.7	N.A	100.4	4.0	6.2	7.5	3.6	4.0
7	BUZZI UNICEM SPA	BZU IM Equity	13.2	2,505	3,893	9.1	31.1	4.5	23.3	23.9	13.1	8.4	21.1	-2.2	-13.5	-22.8	4.2	2.7	93.8	4.2	5.5	7.4	3.0	3.7
	Average (Developed Markets)			**7,219**	**18,171**	**14.4**	**40.8**	**7.2**	**18.9**	**18.9**	**12.7**	**7.7**	**21.1**	**1.9**	**-6.1**	**-23.0**	**6.0**	**5.1**	**170.6**	**5.4**	**6.3**	**7.8**	**5.3**	**5.7**

Source: Bloomberg, Thomson One Analytics, Company Website, Price data is as of January 18, 2009

3. GCC Industry Outlook

The GCC cement industry is expected to see strong growth in production capacity, with over US$6.3 billion of investment earmarked for expansion. The cement production capacity is expected to increase to 104.1 million tonnes in 2011 from 49.9 million tonnes in 2007 based on projects announced to-date.

The demand outlook is more difficult to predict since a large number of external and internal factors are impacting the region's construction activity - the primary driver of cement demand. These factors include the global and regional liquidity crunch leading to difficulty in financing real estate projects, the fall in regional stock markets leading to caution amongst investors, falling property prices and the possibility of a cut back in government sponsored projects on the back of the lower oil prices.

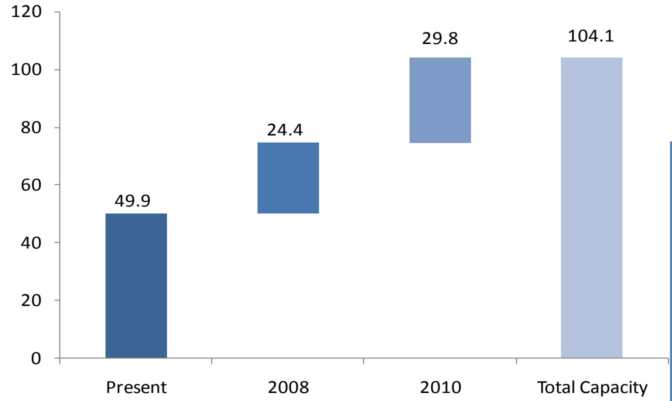
Consequently, we have forecast cement consumption under two scenarios - base, and downside, based on the MEED construction project pipeline.

- In the base case, we expect regional cement consumption to fall below regional production in 2009, but to outpace production from 2010 onwards, allowing cement companies to operate at full capacity and capitalize on a growing demand-supply gap.
- If the downside case prevails, the current and future cement production would be more than sufficient to meet the consumption, leading to excess capacity in the region over the next three years.

GCC cement production capacity

Currently, the region has around 27 plants, nine cement mills, and two packaging stations. With around 29 schemes that are planned or under way in the region, the region's cement production capacity is expected to more than double to 104.1 million tonnes per year in 2010 compared to 49.9 million tonnes in 2007. Saudi Arabia is leading with planned capacity additions of 17.0 million tonnes a year followed by the UAE with an additional of 7.1 million tonnes.

Chart 13. Proposed Capacity Expansion plans by end of 2010 (Million tonnes)



Country	Capacity (In million tonnes)				
	2007	Additions	2008E	Additions	2010E
Saudi Arabia	26.6	12.2	38.8	17.0	55.8
UAE	14.7	8.3	23.0	7.1	30.0
Kuwait	2.9	-	2.9	-	2.9
Qatar	1.5	3.0	4.5	3.2	7.7
Oman	3.6	-	3.6	1.8	5.4
Bahrain	0.6	1.0	1.6	0.7	2.3
Total GCC	**49.9**	**24.4**	**74.3**	**29.8**	**104.1**

Source: MEED; *Excludes projects currently under feasibility study

The proposed capacity expansion, if completed on time, would result in GCC cement production growing at a CAGR of 17.9% in 2007 to 2011 reaching 112.6 million tonnes. Although some existing production plants operate at more than 100% of name-place capacity, we have assumed that the new capacity will operate at 100%.

Chart 14. GCC cement production by end of 2011 (Million tonnes)

	2007	2008E	2009E	2010E	2011E
Saudi Arabia	32.5	36.6	44.7	53.2	61.7
UAE	14.8	17.6	26.6	30.1	30.1
Kuwait	3.0	3.0	3.0	3.0	3.0
Qatar	3.0	4.0	7.6	9.2	9.2
Oman	3.9	3.9	4.8	5.7	5.7
Bahrain	1.2	1.5	2.6	2.9	2.9
Total GCC	**58.4**	**66.5**	**89.2**	**104.1**	**112.6**

Source: MEED, Alpen Capital

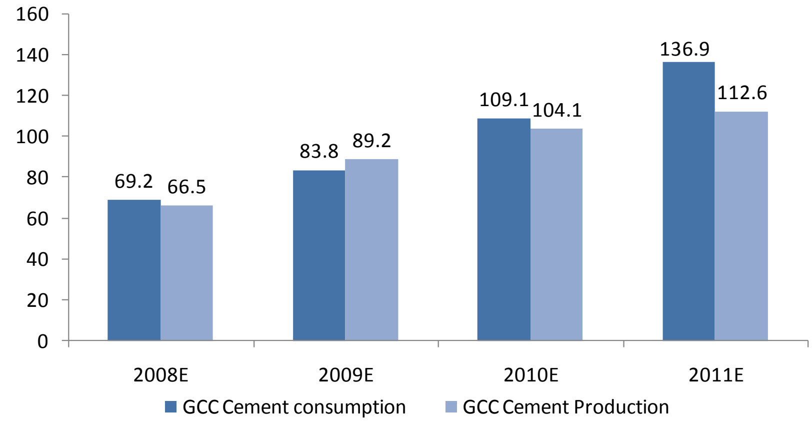
GCC cement consumption

The cement consumption in the region will depend on how the construction sector fairs in the wake of the global economic slowdown. The region has planned construction activity of US$2.5 trillion, out of which around 25% is already under construction and 75% is either under planning, design, or bidding stages. The domestic demand for cement depends on how much of the planned activity is implemented, which in turn depends on availability of critical resources including capital, labor and raw materials. Given the prevailing uncertainty over the construction activity in the region, we have forecast cement demand in the region under two scenarios:

3.1. Scenario 1: Base Case

65% of planned projects assumed to go ahead.

Chart 15. GCC cement production and consumption, 2008E-2011E (Million tonnes)



Source: Alpen Capital

Under this scenario, we expect a production surplus in 2009, but a return to a deficit from 2010 onwards. Since our forecast of cement production is based on the projects announced to-date, some cement producers may expand their capacities further beyond 2011, with any shortfall met by imports.

The key reasons for the base case:

- The financing of real estate projects is becoming increasingly difficult as financial institutions are cautious about the sustainability of demand for real estate and property prices.
- As the recent credit crunch drives the economies of oil-consuming nations into recession, demand for oil is expected to decline along with the expectation of crude oil prices settling at a lower level, which in turn may prompt GCC government to revisit planned construction spending.
- Essential infrastructure, water desalination and power projects are expected to go ahead as planned. Several of the GCC countries, including Saudi Arabia and Dubai, has stated their intentions not to cut budget spending in the wake of the global economic downturn, even is this results in a budget deficit.
- The non-oil sectors of the GCC economies will suffer from the global slowdown, fewer tourists, weaker exports and international trade.

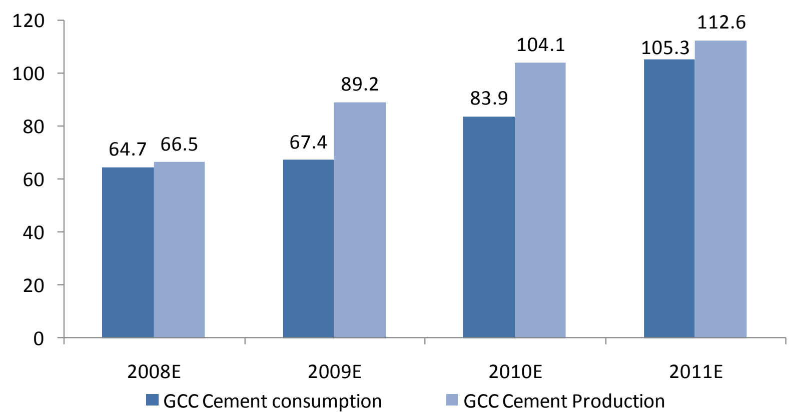
3.2. Scenario 2: Downside Case

50% of planned projects assumed to go ahead.

In this scenario, we assume an oil price below US$40/bbl, resulting in some cancellations of government sponsored projects along with a significant share of private projects curtailed.

In this scenario, the cement consumption will be insufficient to absorb the production from the new plants, leading to the sector operating at below full capacity.

Chart 16. GCC cement production and consumption, 2008E-2011E (Million tonnes)



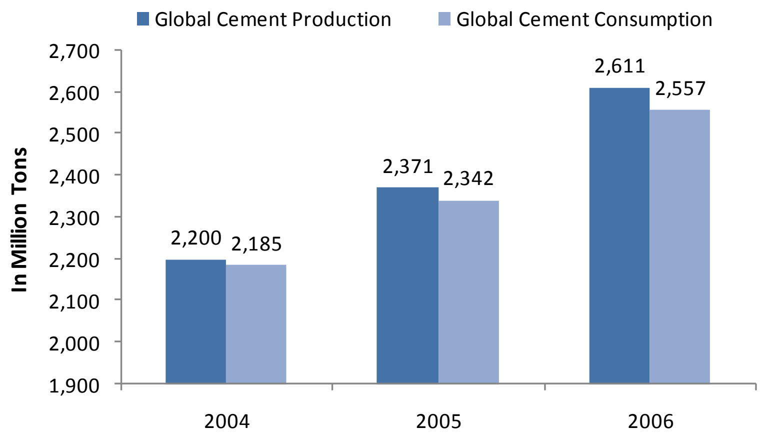
Source: Alpen Capital

4. Cement Industry

4.1. Global cement industry

The rise in construction activity has resulted in robust growth for the cement industry worldwide. In 2004-2006 global cement production grew at a CAGR of 9.0% to reach 2,611 million tonnes, while cement consumption grew at a CAGR of just over 8.0% to reach 2,557 million tonnes. Cement consumption in the GCC region accounted for about 2.0% of the total world consumption with approximately 52 million tonnes in 2006. However, the sector is expected to grow rapidly because of numerous mega-projects planned across the region.

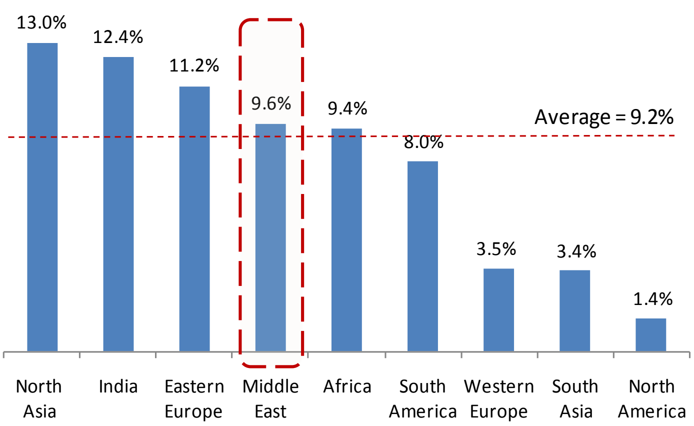
Chart 17. Global Cement Consumption and Production, (Million tonnes)



Source: CemTech

According to CemTech[2], North Asia, which accounts for approximately 52% of world cement demand, witnessed the highest year-on-year consumption growth of 13.0% in 2006, while the Middle East stood in fourth position with growth of 9.6%, above the global average of 9.2%.

Chart 18. Global y-o-y Demand Growth, 2006, (%)



Source: CemTech

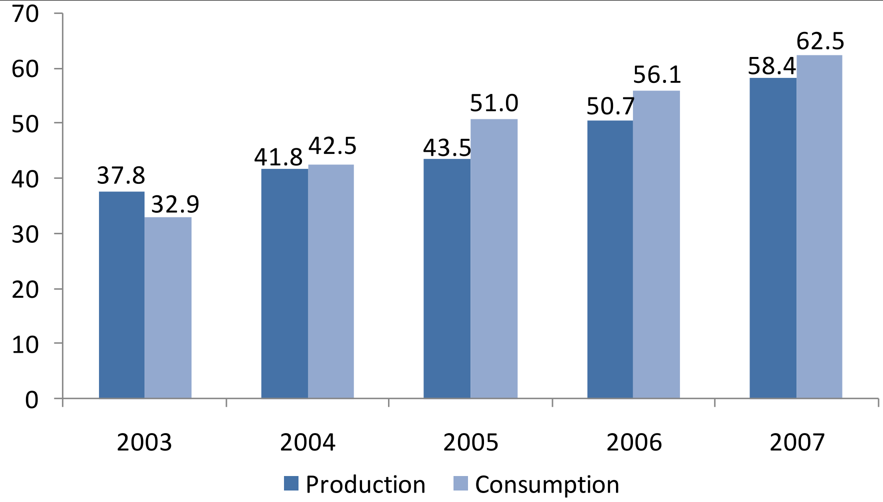
[2] CemNet.com is a leading portal to the cement manufacturing sector

4.2. GCC cement industry

The GCC cement industry is set to continue to post health growth on the back of US$2.5 trillion of construction projects planned or currently underway over the next 5 to 7 years (We have haircut this figure by 35% and 50% in our base and downside case forecasts). As per industry standards, about 6-10% of a project's value is accounted for by cement, translating into a potential US$138 billion-US$230 billion in revenue over the next five years for the GCC cement industry (ignoring exports and imports, and project delays and cancellations).

Overall, the cement industry in the GCC has developed remarkably over the last five years with its size in terms of number of plants, design capacities, production and consumption increasing rapidly across the region (See chart 20).

Chart 19. Cement Production and Consumption, Region wise, (Million tonnes)



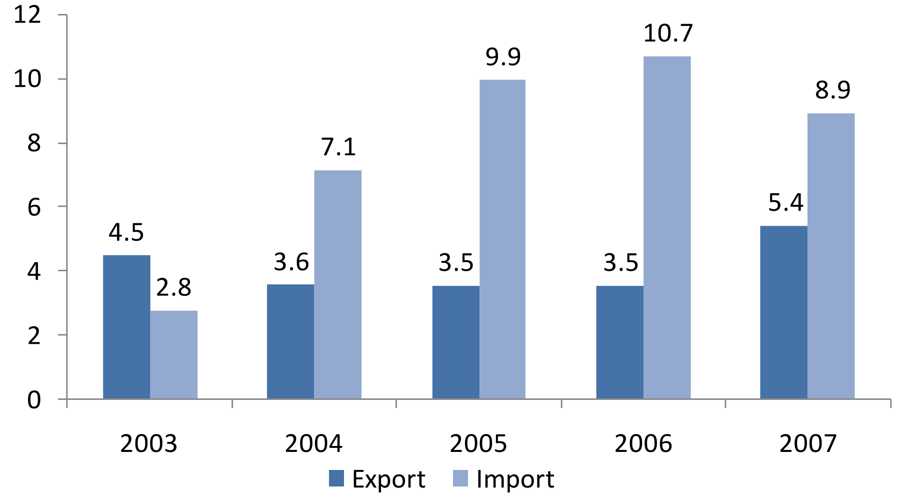
Source: CemTech

GCC cement consumption continued to outstrip domestic production in the region over the last four years. Overall, cement consumption increased at a CAGR of 17.4% in 2003 to 2007 to reach 62.5 million tonnes, while production grew at a CAGR of 11.5% with most of the plants operating at full capacity.

Within the GCC, Saudi Arabia and the UAE are the largest cement producers and consumers. In 2007, Saudi Arabia accounted for 55.7% and 53.2% while the UAE accounted for 25.4% and 27.2% of the total cement production and consumption, respectively.

The production-consumption gap is increasingly met by imports, making the region a net importer of cement in the last four years (See chart 21). In 2003 to 2007, overall imports increased at a CAGR of 34.0% while exports increased at 4.8%. The UAE is the largest importer with a widening demand-supply gap. On the other hand, Saudi Arabia, with the largest production in the region, has traditionally been the major exporter followed by Oman, although we understand exports from Saudi Arabia were banned this year to alleviate domestic shortages and to dampen prices. The increasing imports indicate the strong demand for cement in the region.

Chart 20. GCC Cement Export and Imports, (Million tonnes)

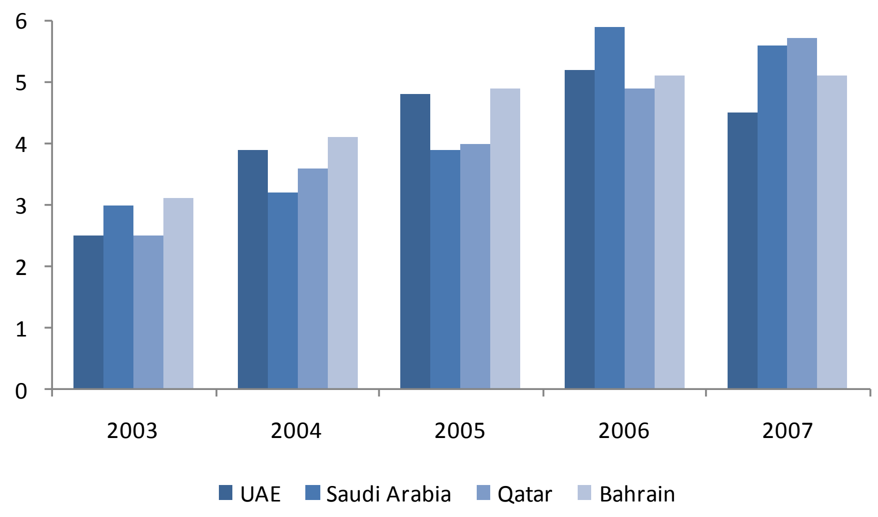


Source: CemTech

The prices of building material, including cement, witnessed an unprecedented increase in 2003 to 2007, with prices reaching their peak during the first half of 2008. According to the latest data from UK-based cost consultant Davis Langdon, at the start of August 2008, cement, rebar (reinforcement steel bars) and diesel prices in the Gulf were at record highs. In the six-month period from February to August 2008, the cost of cement increased by 12.5% in Saudi Arabia and 23.5% in the UAE.

The price rise was caused by an increasing demand-supply mismatch and rising global oil and commodities prices. The region also suffered large shortages of electricity supplies, compounded by a lack of natural gas, resulting in reliance by cement production facilities on far more expensive heavy fuel to power their plants. Cement and concrete have seen the biggest price fluctuations amongst all the key building raw materials, leading to delayed projects and in some instances cancellations.

Chart 21. GCC cement price per bag, 2003-2007 (US$)



Source: Davis Langdon

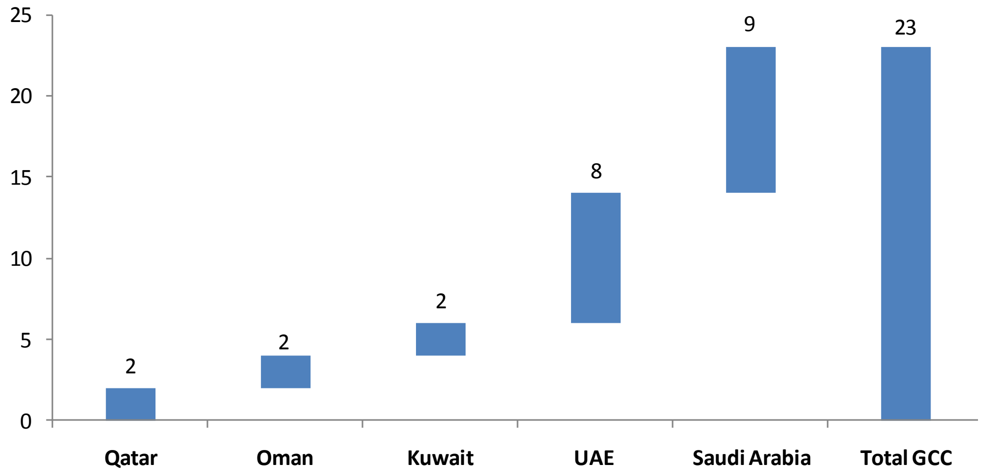
However, recently the prices have started softening, impacted by the global economic slowdown, the fall in crude oil and commodities prices, falling freight rates, and a number of government initiatives to prevent excessive price inflation.

In Saudi Arabia, steel, cement and scrap metal were banned from export at the start of summer as prices began to reach their peak. The Qatari government has similarly acted to reduce inflationary pressures by intervening and fixing the price of cement and fuel. Earlier this year, the UAE government introduced a price cap and removed a 5% customs duty on the import of steel and cement.

According to MEED, in less than 12 months, an enormous 21.4 million tonnes of annual cement capacity has come on stream in the Gulf, the majority in Saudi Arabia and the UAE, bringing the current regional capacity to 74.5 million tonnes.

Currently, there are 23 cement companies listed in the GCC region. Saudi Arabia leads with 39.1% of the total number of listed cement companies, followed by the UAE with 34.8%. Saudi Arabian cement companies represent 45% of the total GCC cement design capacity.

Chart 22. Publicly listed cement companies in GCC



Source: Zawya

According to MEED, cement companies across the GCC have announced investments worth US$6.3 billion focused mainly on increasing cement/clinker production capacity. Within the GCC, Saudi Arabia is estimated to have the highest number of announced planned or underway capacity increase/expansion projects of approximately 23.3 million tonnes per year, followed by the UAE with 7.1 million tonnes per year.

Chart 23. GCC cement projects planned or underway

Country	Project Name	Client	Value ($million)	Capacity addition (million tonnes	Status
Bahrain	Hidd Cement Plant Expansion	Star Cement	120	0.7	Main contract awarded to Hasler and LV Technologies
Oman	Oman Cement Company Cement Plant Expansion	Oman Cement Company	350	1.8	Main contract awarded to China National Building Material Equipment Corporation
Qatar	Umm Bab Cement Plant	Gulf Cement Company	375	1.6	Main contract awarded to Simples Infrastructures and FLSmidth
Qatar	Umm Bab Fourth Cement Line	Qatar National Cement Company	200	1.6	Main contract awarded to FCB Cement
Saudi Arabia	Al-Watan - Jalajil Cement Plant	Al-Watan Cement Company	295	3.0	Main contract awarded to to Saudi's TIG Group and Cemag
Saudi Arabia	Al-Safwa - Jeddah Cement Plant	Al-Safwa Cement Company	300	1.4	Main contract awarded to PolysiusWartsila and Orascom Construction Industries (now Lafarge
Saudi Arabia	Al-Bayan Cement - Cement Plant	Al-Bayan Cement	250	1.8	On Hold
Saudi Arabia	Yanbu Cement Plant II	Yanbu Cement Company	380	2.2	Main contract awarded to Sinoma International Engineering Company
Saudi Arabia	Dana Cement Company - Cement Plant	Dana Cement Company	295	0.0	Planned
Saudi Arabia	Arabian Cement Company/Italcementi - Labuna	Arabian Cement Company, Italcementi Group	600	3.2	Feasibility Study
Saudi Arabia	King Abdullah Economic City Cement Plant	Khayyat Group, Lafarge Ciments	360	2.0	Main contract awarded to Thyssen Krupp
Saudi Arabia	Al-Ahsa Development Company - Al-Ahsa Cement Plant	Al-Ahsa Development Company	230	1.6	Feasibility Study
Saudi Arabia	Jizan Cement Plant	Jizan Agricultural Development	300	1.5	Feasibility Study
Saudi Arabia	Hafr Al-Batin Cement Plant	Al-Jazeera Cement Company	400	3.2	Main contract awarded to Cemag
Saudi Arabia	Al-Jouf Cement Company - Al-Jouf Cement Plant	Al-Jouf Cement Company	200	1.8	Main contract awarded to Arabian Services Group
Saudi Arabia	Jeddah Cement Plant	United Cement Corporation	230	1.6	Main contract awarded to Sinoma International Engineering Company
UAE	Hamriyah Cement Factory	Al Ruya	415	3.6	Invitations to bid issued
UAE	Habbab Cement Plant	Sharaf Group	300	2.0	Planned
UAE	Cement Plant Expansion	Star Cement	120	0.5	Main contract awarded to FLSmidth and Loesche
UAE	EIIC - Clinker-Cement Factory	Emirates International Investment Company LLC	404	0.0	Planned clinker production facility
UAE	Arkan Building Materials Company - Dubai Cement Plant	Arkan Building Materials Company	200	1.0	Main contract awarded to Sinoma International Engineering Company
Total			**6324**	**36.1**	

Source: MEED, April 2008

4.3. Key growth drivers

4.3.1. Infrastructure projects drive demand for building materials

There are approximately US$2.5 trillion worth of projects planned or currently underway over the next 5 to 7 years, as reported by MEED[3]. This is a staggering figure when compared to the current level of construction spending of US$66 billion and suggests continued growth for the sector even when considering that a significant number of the announced projects may suffer delays or cancellations.

[3] MEED is a business intelligence tool for the Middle East, providing analysis and commentary on key Middle Eastern markets, companies and people and data and information on the Gulf (Arab states of the Persian Gulf) projects market.

The construction sector continues to dominate the project landscape with approximately US$1.4 trillion (as of July 2008) of projects either in progress or at the planning stage, ranging from entire cities to individual real estate and tourism projects, as well as basic infrastructure.

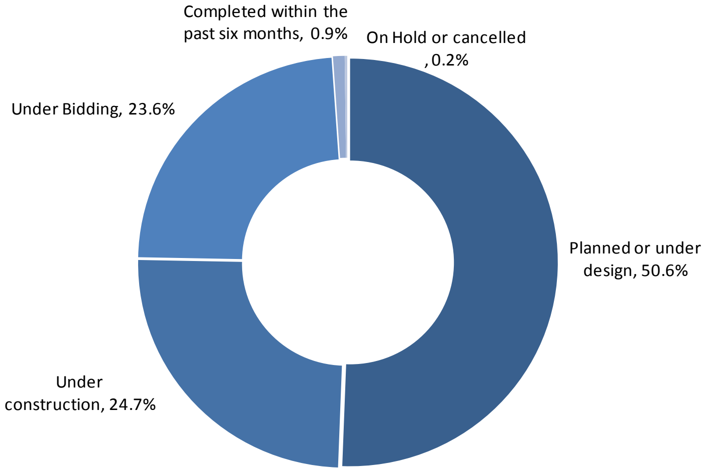
Chart 24. GCC projects (US$ million)

	5-Jan-09	22-Dec-08	% change on week	5-Jan-08	% change on year
Bahrain	64,317	64,187	0.2	27,901	130.5
Kuwait	303,612	303,912	-0.1	274,967	10.4
Oman	107,056	107,216	-0.1	50,715	111.1
Qatar	222,599	222,399	0.1	156,732	42
Saudi Arabia	618,113	615,346	0.4	390,172	58.4
The UAE	1,232,336	1,231,196	0.1	714,516	72.5
GCC total	**2,548,033**	**2,544,256**	**0.1**	**1,615,003**	**57.8**

Source: MEED, Gulf projects (January 05, 2009)

Out of the US$2.5 trillion project pipeline, approximately three quarters represents projects under bidding or planning, and only one quarter represents projects under construction. This means a large part of the pipeline remains open to the risk of delay, revision or cancellation in view of the current liquidity and capacity shortages.

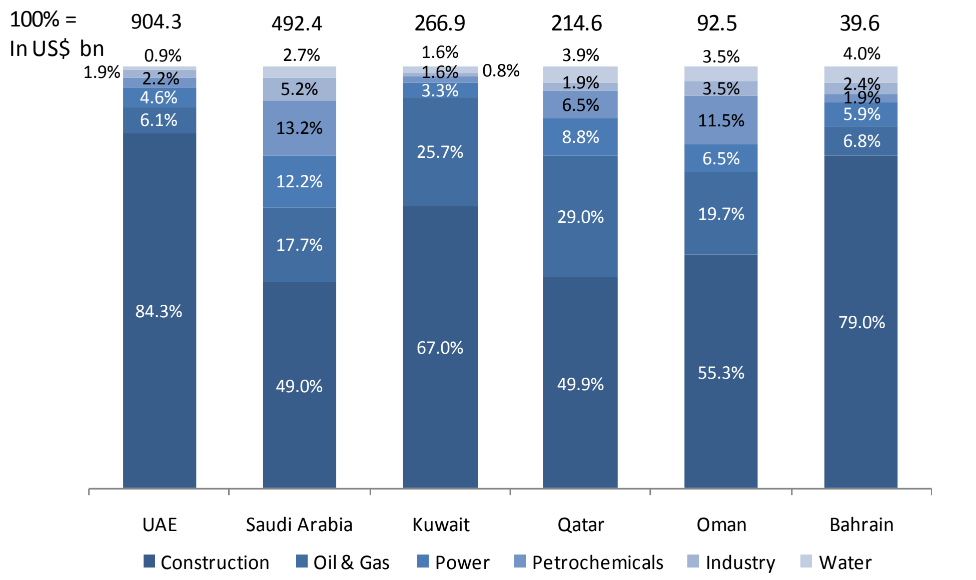
Chart 25. GCC Projects in progress (%)



Source: MEED

The UAE and Saudi Arabia together account for approximately 70.0% of the total value of the GCC project pipeline. Construction remains the dominant sector in the UAE, reflecting Dubai's sizeable real estate and tourism markets, and the more recent efforts by Abu Dhabi to expand its commercial and residential real estate base. Oil and gas is the second largest sector, with projects of US$294.1 billion, including regional plans to augment crude oil production capacity by some 3 million b/d over the next five years. Petrochemicals projects (most notably in Saudi Arabia) command some US$114.5 billion worth of investment, while power, utilities and industrial projects account for a combined US$229.8 billion (See chart 27).

Chart 26. GCC Projects



Source: MEED Projects

The three biggest construction projects in the GCC are the Silk City (US$132 billion) development in Kuwait, Jumeirah Gardens (US$95 billion) in Dubai and King Abdullah Economic City (US$93 billion) in Saudi Arabia.

4.3.2. Petrodollars continue to support infrastructure spending

High oil prices have been the primary underlying factor for the growing expenditure on mega infrastructure projects in the region. With particular emphasis on moving its economies away from oil-dependency, the rise in global oil prices has spurred growth in the construction, financial services and manufacturing sectors. However, a steep decline in oil prices in recent months means lower oil related income and foreign exchange reserves and may eventually translate into lower project spending.

According to IMF, the break-even oil price for 2008 fiscal accounts for the UAE is US$23 a barrel - the lowest in the GCC. In other words, most of the oil exporters have the capacity to fund its spending plans also in a low oil price environment.

4.3.3. Favorable demographic structure supports long-term growth

In comparison to the developed world, the demography of the GCC countries is characterized by a relatively young population. Within the GCC region, Oman and Saudi Arabia have the youngest populations, with a median age of 18.9 years and 21.5 years, respectively. The population growth is also supported by an increasing number of expatriates in the region, adding to the demand for better infrastructure and quality housing. Notably, expatriates constitute 31% of the total GCC population but represent 56% of the total workforce. Within the UAE, non-

UAE citizens continue to represent the largest population segment, accounting for 79% of the total, the majority of which are employed.

4.4. Emerging trends

4.4.1. Increasing production capacity

Overall, the GCC markets are adjusting to the high demand for construction materials, which has driven cement producers to increase their production by upgrading existing plants or by installing new production lines. Recently announced expansion plans include:

- In March 2008, state-controlled Oman Cement announced plans to raise its capacity by 1.2 million tonnes per annum in 2008 at a cost of US$162 million

- In March 2008, Sharaf Group signed an agreement with the Government of Fujairah to establish a new cement plant in Habhab at a cost of US$270 million.

- In May 20008, Gulf Finance House (GFH) announced plans to create one of the largest cement companies in the region with an investment of around US$2 billion. GFH will be collaborating with strategic partners including the Associated Group, Emirates Islamic Bank Emirates Islamic Bank, Capcorp, and technical partners Holtec and China National Building Material Group Corporation. The project will comprise multiple plants located across the MENA region.

Cement producers with large production facilities generally enjoy a competitive advantage arising from benefits of economies of scale, the ability to secure favorable long-term contracts with raw material suppliers and sales contracts with major customers.

4.4.2. Increasing use of alternative energy sources

Given the shortage of energy, particularly natural gas, and an increasing demand for cement, has forced cement manufacturers to find alternate, cheaper sources of fuel. Several cement manufacturers have already modified their production processes in order to accommodate the use of alternate fuels, creating necessary flexibility to respond to shortages of any specific fuel. Additionally, most of the UAE-based cement producers are planning to increase coal imports in order to fuel their kilns as well as to generate electricity. Initiatives taken by cement producers to manage their production cost effectively include:

- In February 2008, Union Cement announced plans to switch to coal from gas in order to reduce fuel costs

- In June 2008, Ras Al Khaimah announced that is was carrying out a feasibility study to switch from to coal from gas as the main fuel source for its facilities

4.4.3. Reducing dependence on clinker imports

Until now, most of the cement producers across the GCC faced the challenge of high cost of raw materials, especially clinker. Local production of clinker was unable to meet the demand from the cement producers, necessitating costly clinker imports to meet the short fall. As a result, controlling rising input cost in the form of clinker became a challenge, forcing many GCC cement producers to establish their own clinker capacity and reduce dependence on imports. As per MEED, a majority of proposed clinker capacity expansions are in Saudi Arabia and the UAE. Some of the recently announced expansion plans are:

- In July 2008, Yanbu cement signed a contract with Sinoma International Engineering of China to establish a new cement plant on the Red Sea to produce three million tonnes of clinker per annum.

- In October 2008, Oman Cement announced a plan to increase its clinker capacity by installing a new production line of 4,000 tonnes per day.

- In November 2008, UAE's Star Cement announced plans to invest US$200 million in a high-tech clinkerisation manufacturing unit in Ras Al Khaimah.

Chart 27. GCC Clinker Capacity (Million tonnes)

Country	Existing	Proposed Expansions		Total	
	Clinker	Clinker	Addition (%)	Clinker	Share (%)
Saudi Arabia	23.9	29.8	124.9	53.7	63.8
UAE	9.0	13.8	152.4	22.8	27.1
Qatar	1.3	1.0	76.9	2.3	2.7
Oman	2.9	1.3	45.9	4.2	5.0
Bahrain	-	-	-	-	0.0
Kuwait	1.2	-	-	1.2	1.4
Total GCC	**38.3**	**45.9**	**119.9**	**84.2**	**100.0**

Source: MEED

4.4.4. Increased competition

Global building material players (especially cement producers) are slowly making inroads in the GCC building material sector, including Switzerland's Holcim Trading, Italy's Italcementi, Mexico's Cemex, France's Lafarge and Germany's Heidelberg Cement. All are seeking to increase further their penetration in the market, either through joint ventures, acquisition of local companies or construction of greenfiled plants. Some of the recent activity in the region includes:

- In December 2007, Lafarge purchased Orascom Cement for US$12.9 billion.

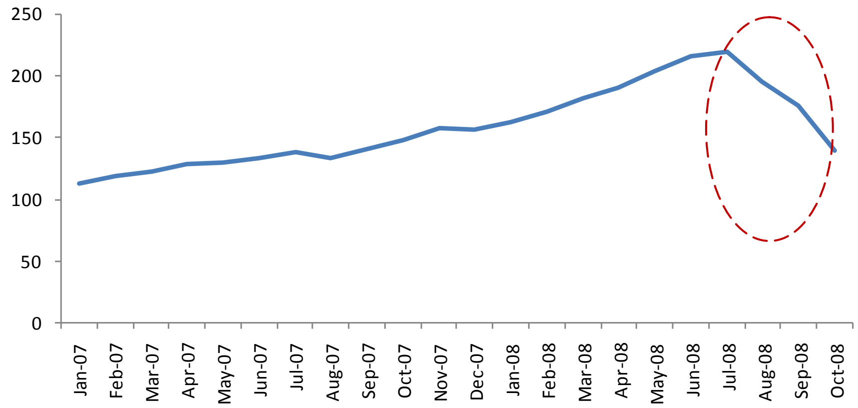
- In January 2008, JK Cement proposed to tie up with the government of Fujairah, to build a cement plant for US$350-400 million.
- In March 2008, Italian cement producer Italcementi acquired Kuwait's Gulf Readymix for US$14 million.

However, Gulf players would continue to retain control on the industry because of foreign ownership limits, forcing foreign players to forge alliances with regional players for market entry. For example, Italcementi has signed a co-operation agreement with Saudi Arabia's Arabian Cement Company (ACC) to pursue joint opportunities in the Middle East starting with a 3.2 million tonne Labuna cement plant in Saudi Arabia.

4.4.5. Falling commodity prices

2008 saw a culmination in oil prices and cement demand outpacing current supply levels. However, with the oil price back below US$50 per barrel and the development pipelines reviewed by major developers, it is now clear the price of cement will decline going forward. Notably, energy costs account for approximately 30-40% of the production cost of cement.

Chart 28. Commodity Price Index - Monthly Price - Commodity Prices



Source: IMF, Commodity Price Index, 2005 = 100, includes both Fuel and Non-Fuel Price Indices

4.5. Key risks

4.5.1. The global economic slowdown

The evolution of cement consumption in the region will depend on how the construction sector is affected by the global economic slowdown and falling crude oil prices. Although we expect local production to exceed consumption in 2009, we are of the opinion that the backlog of largely government-sponsored projects is large enough to absorb the increasing local cement production, at least from 2011 onwards.

4.5.2. Lack of financing threatens viability of projects in the GCC

Amid turmoil in the international financial markets, real estate developers in GCC are struggling to secure long-term financing for their projects. As global liquidity dries up, pressure on Gulf governments to take action is increasing so that vital infrastructure projects can go ahead. Among the schemes that are suffering is a host of water and power plants, as well as the ambitious program in Saudi Arabia to develop six economic cities. In addition, many of the regions leading developers including Emmar and Nakheel have said they are reviewing current or planned projects given the bleak near term demand outlook.

4.5.3. Government initiatives to control prices of building materials

Several initiatives were taken by GCC governments to control cement prices in 2008:

- The UAE government signed a memorandum of understanding with local suppliers, and production of 50-kilogram sacks was raised from 150,000 a day to no less than 250,000 sacks a day, while also reducing the price of 50 kg cement sacks from AED17 to AED16.

- The Saudi Arabian government introduced a ban on exports of cement at the start of summer 2008 to aid regional contractors to meet their current requirement for projects and limit rise in cement prices. In addition, the government also issued a royal decree in June 2008 to compensate contractors for the rise in the price of cement. In addition, the size of advance payments for government contracts was doubled to 20%.

- The Qatari government has capped cement and fuel prices. In addition, various GCC governments have been in a series of talks to subsidize the cost of construction building materials to secure the viability of major projects.

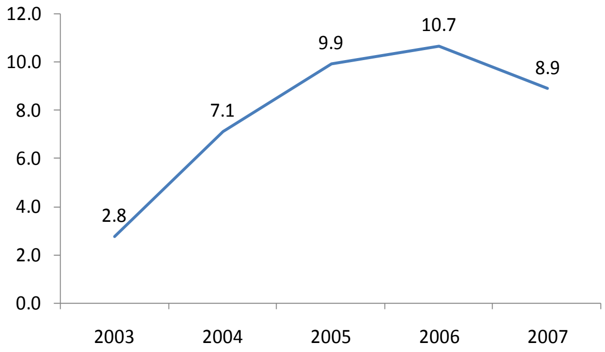
The need for the above actions have reduced significantly with the sharp fall in the price of most building materials in recent months.

4.5.4. Rising imports

Consequent to removing of custom duties, freight rates have dropped by as much as 80% over the past 2-3 months, lowering the cost of bringing cement into the GCC. This has triggered fears of international cement producers re-directing supplies into the region as the demand in the US and Europe markets fall.

Already, leading European cement companies like Cemex, Rosy, Unilan and others are planning to sell excess cement capacity in the UAE and other regions. These companies are now ready to absorb the transport cost to bring the surplus cement to the Middle East. This would mean increased competition for local cement producers in the near term. However, industry experts suggest that if the market looks like it is in danger of becoming flooded, the UAE will re-impose customs duties lifted earlier in the year.

Chart 29. GCC Imports (Million tonnes)



Source: CemTech

4.5.5. High exposure to regional stock markets

GCC cement companies, especially in the UAE and Kuwait, have high exposures to the region's stock markets. With the recent sharp falls in the regional stock markets, these firms are likely to suffer some revaluation/capital losses in 2008. The combined profitability of the gulf regions listed cement companies fell 15.0% in the first nine months of the year, as reported by Zawya.

Appendix – I: Macroeconomic Environment

Macro-economic profile

With 61.0% of the world's proven oil reserves, 30.0% of global production and 35.0% of exports, GCC has become one of the fastest growing regions in the world after China and India. Notably, the GCC economy grew 5.6% in 2006 followed by 5.5% in 2007, as against 2.8% and 2.0% for the US and 2.8% and 2.6% for Europe, in the respective periods. The robust growth in the region's economy will continue to be driven by prudent deployment of oil revenues, abundance of wealth and liquidity, and commitment to legal and economic reforms.

Persistent efforts to diversify economies away from oil dependency should ensure that the region continues to enjoy strong economic growth. Notably, the International Monetary Fund (IMF) expects the GCC economy to grow at 7.1% in 2008, supported by a robust growth in all the GCC nations.

Chart 30. GCC Macroeconomic Financial Indicators

Indicators	2004	2005	2006	2007E	2008P
Real GDP growth (%)	7.5	7.0	5.6	5.5	7.1
Nominal GDP (US$ bn)	485.1	618.6	727.9	815.2	1,150.9
Non-Oil Real GDP growth (%)	8.6	7.7	7.7	7.3	7.2
Oil Real GDP growth (%)	5.7	5.6	1.9	1.8	6.5
Consumer Price Inflation (Year Avearge, %)	1.7	2.6	4.3	6.3	11.5
Exports (US$ bn)	304.4	423.1	515.5	598.8	880.0
Gross Official Reserves (US$ bn)	62.1	67.0	277.2	420.1	517.7
Broad Money Growth (%)	17.9	19.2	22.0	27.1	26.6
Central Government Fiscal balance (% of GDP)	11.5	19.5	21.9	18.6	27.0
Total Government Debt (% of GDP)	43.9	27.5	19.9	14.3	9.1
Current account balance (US$ bn)	88.2	172.8	211.0	210.4	363.2
Current account balance (% of GDP)	18.2	27.9	29.0	25.8	31.6

Source (s): IMF - Middle East and Central Asia Outlook, October 2008, E=Estimate, P=Projected

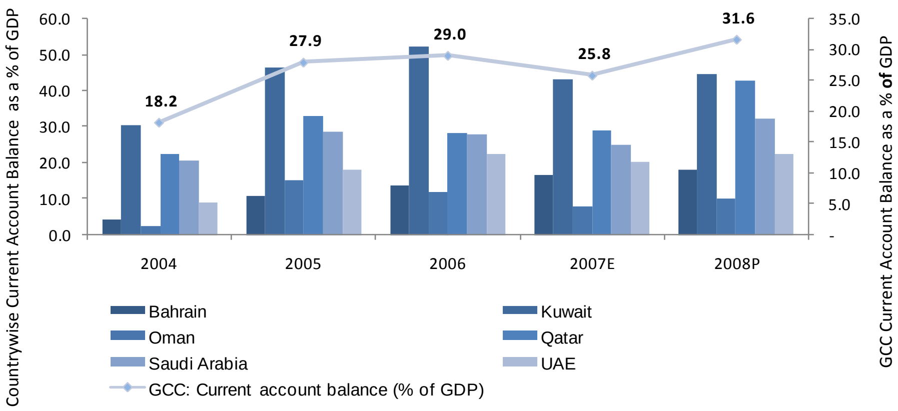
Chart 31. GCC Economic Indicators (by Country) - 2007E*

Indicators	Bahrain	Kuwait	Oman	Qatar	KSA	UAE
Real GDP growth (%)	6.0	4.6	6.4	15.9	3.5	7.4
Nominal GDP (US$ bn)	17.4	111.5	40.4	73.3	381.9	190.7
GDP per capita (US$)	22,770.6	33,687.3	15,713.6	78,754.4	15,724.5	42,500.9
Non-Oil Real GDP growth (%)	7.7	9.8	9.0	14.5	4.9	8.8
Oil Real GDP growth (%)	-4.0	-2.3	-0.8	17.4	0.5	3.5
Central Government Fiscal balance (% of GDP)	3.4	39.1	10.3	12.9	12.3	30.9
Government Debt (% of GDP)	19.6	7.0	6.3	8.9	18.7	10.6
Exports (US$ bn)	17.0	74.2	25.7	50.1	242.8	188.9
Gross Official Reserves (US$ bn)	4.1	15.9	7.2	9.8	305.3	77.9
Broad Money Growth (%)	40.8	19.3	34.8	39.5	19.6	41.7
Consumer Price Infaltion (Year Avearge, %)	3.4	5.5	5.9	13.8	4.1	11.1
Crude Oil Production (mn b/d)	0.2	2.6	0.7	0.8	8.8	2.7
Crude Oil Exports (mn b/d)	0.1	1.6	0.6	0.8	7.0	2.5
Current account balance (US$ bn)	2.9	48.0	3.2	21.4	95.8	39.1
Current account balance (% of GDP)	16.7	43.1	8.0	29.2	25.1	20.5

Source (s): IMF - Middle East and Central Asia Outlook, October 2008, *E=Estimate

Huge rise in oil prices since 2002 has resulted in healthy growth in government revenues and positive current account balances with the GCC current account balance-to-GDP ratio expected to be 25.8% in 2007 compared with 18.2% in 2004. Although oil prices have halved since peaking at US$147 a barrel in mid-July to below US$50, a recent report by the IEA suggests that oil prices will rebound to an average US$100 a barrel between 2008 and 2015. The negative effect of the global financial crisis would not be sufficient to offset the rising demand in developing countries, led by China and India, according to the IEA.

Chart 32. Current Account Balance as a % of GDP



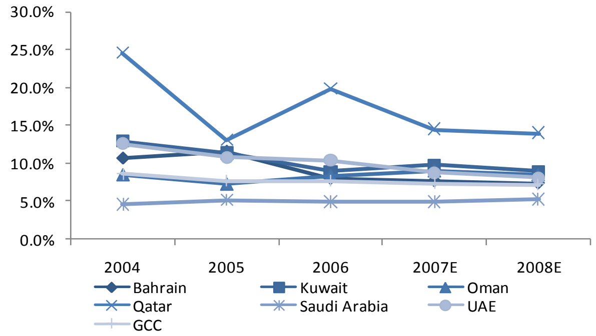
Source: IMF Middle East and Central Asia Outlook, October 2008, E = Estimate, P = Projected

Official reserves of the GCC region are expected to grow at a CAGR of 69.9% in 2004-2008. In fact, the public finances of the major GCC countries are now so strong that they could withstand a fall in oil prices to below US$40/bbl without having to resort to government borrowing according to a report by Standard & Poor's (October 20, 2008).

Realizing the benefits of economic diversification, the GCC countries are intelligently using their oil revenues to develop non-oil sectors, particularly construction, real estate, banking and tourism. Geopolitical stability, planned or currently underway projects of approximately US$2.5 trillion, high population growth, increased openness and liberalization, privatization and a number of bilateral trade agreements underway should also spur the non-oil sector growth.

Currently, non-oil GDP contributes over 50.0% of the total real GDP of the GCC. Within the GCC, Bahrain has the most diversified revenue base, with the non-oil sectors accounting for 74.0% of real GDP. Overall, non-oil real GDP grew 7.3% in 2007.

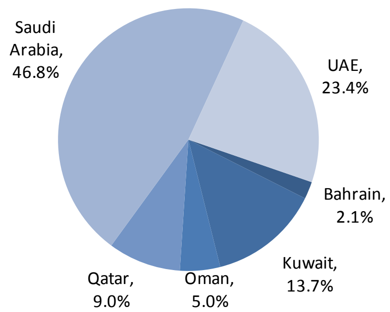
Chart 33. GCC Non-oil real GDP growth (%)



Source: IMF Middle East and Central Asia Outlook, October 2008, E = Estimate

Saudi Arabia and the UAE contribute 46.8% and 23.4% to the total GDP of the GCC countries with the majority of development work among the GCC nations. Bahrain's nominal GDP per capita is forecast to grow at a CAGR of 8.7%, followed by Saudi Arabia (6.0%) and Oman (5.7%) in 2008 to 2013.

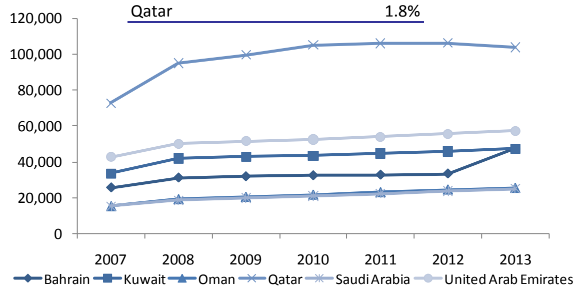
Chart 34. GCC: Size of Economy by Total Value of GDP- 2007



Source: IMF World Economic Outlook, October 2008

Chart 35. Nominal GDP per Capita (US$ per Capita)

	CAGR % (2008 -2013)
Bahrain	8.7%
Saudi Arabia	6.0%
Oman	5.7%
UAE	2.7%
Kuwait	2.4%
Qatar	1.8%



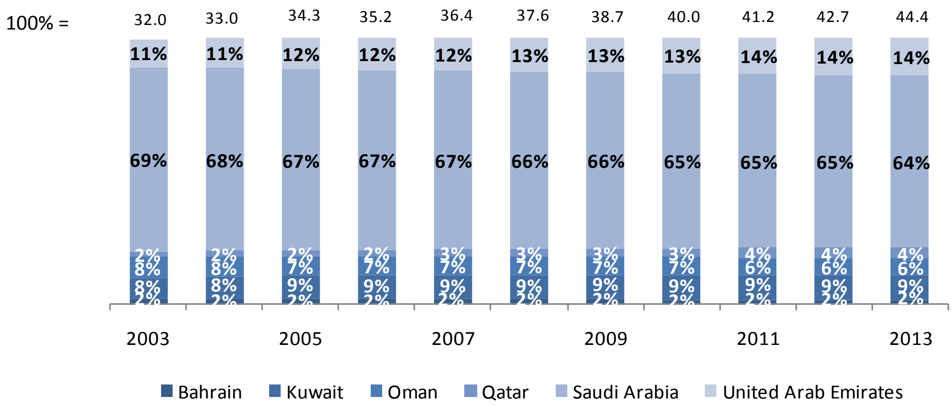
Source: IMF

Demographic profile

In 2004-2007, the GCC population grew at a CAGR of 3.2%. Due to the shortages of manpower in the region, a large-scale labour force migration has taken place. Moreover, high fertility rates, decline in infant mortality and increase in life expectancy, have also resulted in an increasing labor force and population in the GCC countries.

Saudi Arabia and the UAE are the most populated countries of the region with 67% and 12% of the total GCC population in 2007, respectively. As per IMF estimates, Saudi Arabia and the UAE will continue to be the most populated countries of the region.

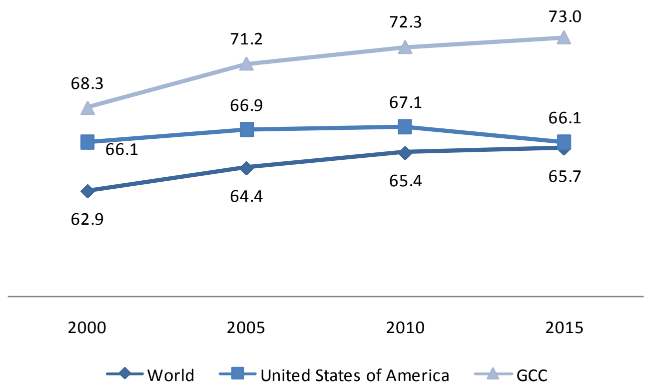
Chart 36. GCC Population – Country-wise, (Million)



Source: IMF, World Economic Outlook, October 2008, Estimates start from 2008

The GCC labor force is expected to grow at a fast pace, as the age bracket of 15-64 accounts for 70.2% of the overall population, higher than the world average of 64.4%. As per United Nations, GCC will continue to have a young working population averaging 73.0% in 2015 compared to the world average of 65.7%.

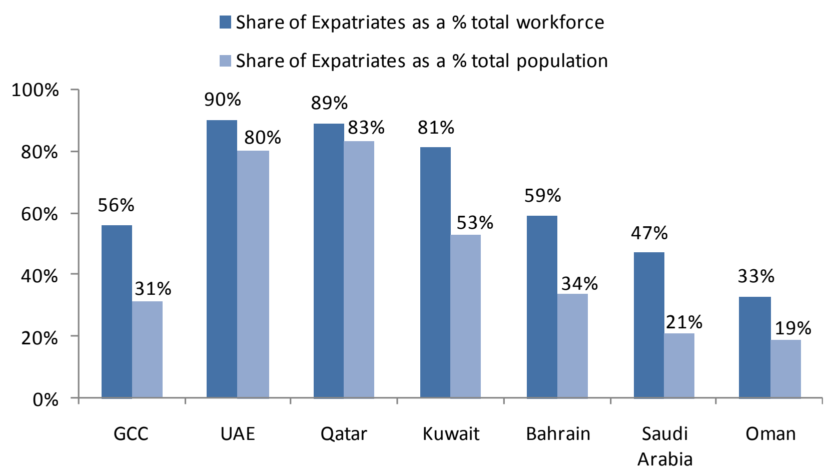
Chart 37. Population Aged 15-64 (% of Total Population)



Source: World Population Prospects: The 2006 Revision by the United Nations

Meanwhile, because of an acute skills shortage and an expectations mismatch, an increasing expatriate population is taking up most of the jobs (approximately 90% of new private sector jobs).

Chart 38. Number of Expatriates in the GCC



Source: Gulf Talent 2006 estimates, based on CIA World Factbook, European Central Bank Occasional Paper, July 2008

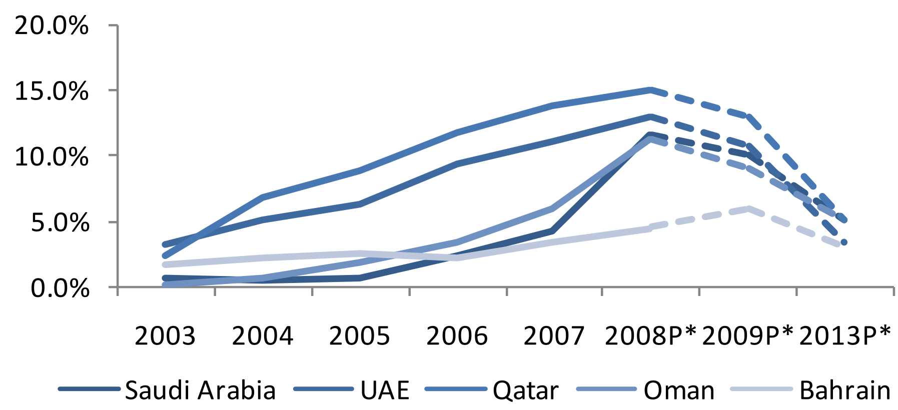
Inflation in the GCC region

While the oil backed economic growth in the region has been impressive, it has come at a cost. The rapid growth in government spending since 2003, together with rising private spending, have stirred up inflation in the GCC economies. In addition, the region's currencies, being pegged to the dollar, have worsened the situation, albeit with some relief due to the resent strengthening of the dollar.

Average inflation in the GCC economies has risen from 1.5% in 2003 to 6.3% in 2007, and estimated to reach 11.5% in 2008. The reasons for rising inflation are numerous, ranging from growth in money supply, rising house rents, commodity price boom to high import costs (food, labor and finished goods).

However, in the recent past the pressure on inflation has eased off and the year average GCC inflation is projected to settle to 10.0% in 2009 on account of the recent steep decline in commodity prices including oil, decline in global food prices and slowdown in real estate activities.

Chart 39. Consumer Price Inflation (Year Average, %)



Source: IMF, World Economic Outlook, October 2008,* P = Projected

Business environment

Governments across the GCC region have introduced reforms with the aim to restructure and simplify the business environments to promote greater private sector involvement. Reforms are primarily targeted at improving corporate governance, promoting transparency, and reducing tax burdens and the cost of export and import. Saudi Arabia has emerged as the leader in the GCC region in this regard, with the elimination of minimum capital requirement and initiatives to reduce the time needed for companies to start up from 39 days to 15 days. The Saudi government has also taken initiatives to reduce the documentation process for imports to cut the time needed for handling at ports and terminals by two days for both imports and exports.

Chart 40. Ease of Doing Business – Global Rankings

Ease of Doing Business - Global Ranking (1= Best; 181 = Worst)		
	2009	2008
Saudi Arabia	16	24
Bahrain	18	17
Qatar	37	38
UAE	46	54
Kuwait	52	49
Oman	57	57
Average	**38**	**40**

Source: World Bank, Doing Business Report 2008

Chart 41. Global Competitiveness Ranking

Global Competitiveness Ranking (1= Best; 131 = Worst)		
	2006-2007	2007-2008
Kuwait	30	30
Qatar	32	31
Saudi Arabia	N.A	35
UAE	34	37
Oman	N.A	42
Bahrain	48	43

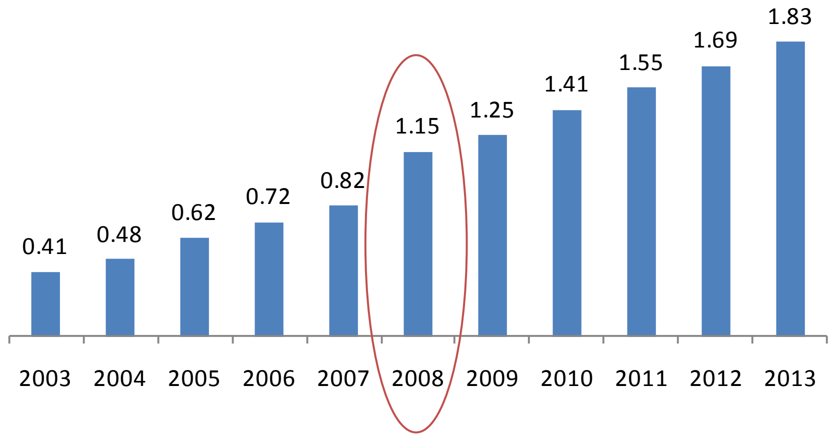
Source: World Economic Forum

GCC region economic outlook

As per IMF, GCC's nominal GDP will cross US$ 1 trillion in 2008, growing at a CAGR of 23.1% in 2003-2008. Consequently, it will pass South Korea's economy in size and be on par with the Indian economy, which is expected to grow at a CAGR of 9.4% and 16.6%, respectively, in the same period.

The economic outlook is positive as the regions continue to amass huge financial reserves primarily driven by the recent run up in oil prices. Although oil prices have come down to below US$50 from US$147 a barrel in mid-July 2008, the rising demand in developing countries, led by China and India, will more than offset the negative effect of the global financial crisis on oil demand, as per IEA.

Chart 42. GDP of GCC Countries (US$ trillion)



Source: IMF, World Economic Outlook, October 2008, Estimates start from 2007

The key challenges for the regain remains inflation, as IMF predicts inflation to rise above 11.5% for 2008 and gradually recede over the medium term, and job creation for the increasing population as expatriates continue to dominate the private sector.

Appendix – II: Company Profiles

Southern Province Cement Company (SOCCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	273.7	308.1	12.6
COGS	84.6	96.1	13.5
Operating Income	162.5	184.9	13.8
Operating Margin (%)	59.37	60.03	
Net Income	166.5	187.8	12.8
Net Income Margin (%)	60.82	60.95	
ROE (%)	29.92	30.97	
ROA (%)	26.45	27.39	
Dividend Yield (%)	27.4	30.81	

* Zawya

COMPANY DESCRIPTION

Established in 1978, Southern Province Cement Company (SPCC) manufactures building materials. The company produces cement, clinker and related products. The company, based in Abha, primarily caters to the domestic demand of western and southwestern region of Saudi Arabia and to Yemen.

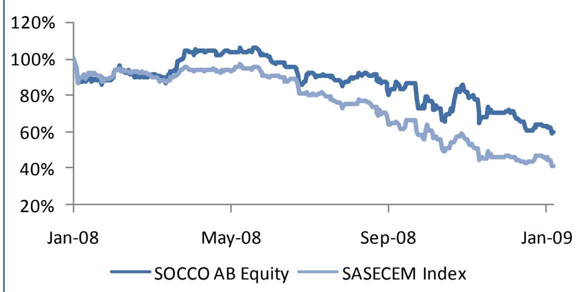
It has two plants based at Jizan and Bishah with a combined annual output of 2.6 million tonnes. Bisha's single-line plant produces 1.9 million tonnes of clinker per year, as of 2007.

Significant event in 2008

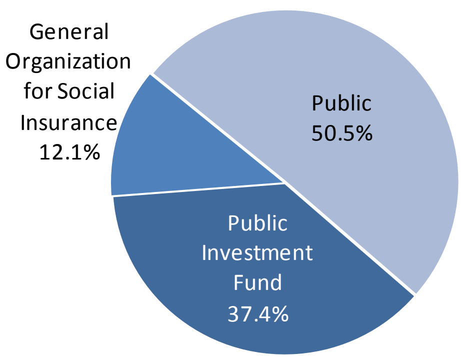
- Built at a cost of SAR 1.1 billion, SPCC started operations at its third plant at Tuhama in February 2008 with an annual production capacity of 1.8 million tonnes. With this addition, SPCC 's annual production capacity is expected to reach 6.3 million tonnes

STOCK DATA

	SAR
Bloomberg Ticker:	SOCCO AB
Exchange Ticker:	3050.SE
Price (January 18, 2009)	46.1
52 Week High/Low	85.0/45.1
Mkt. Cap (SAR million)	6454.0
(US$ million)	1720.7
Enterprise value (SAR million)	6053.5
(US$ million)	1614.1
Div. Yield (%)	11.9



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	8.4	7.0	6.4
P/BV	-	2.5	2.3
EV/EBITDA	6.8	-	-

Kuwait Cement Co (KCEM KK Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	250.2	300.8	20.3
COGS	159.7	197.0	23.4
Operating Income	81.9	45.7	(44.2)
Operating Margin (%)	32.74	15.2	
Net Income	139.3	200.0	43.5
Net Income Margin (%)	55.7	66.48	
ROE (%)	18.9	20.87	
ROA (%)	14.88	16.83	
Dividend Yield (%)	8.18	9.48	

* Zawya

COMPANY DESCRIPTION

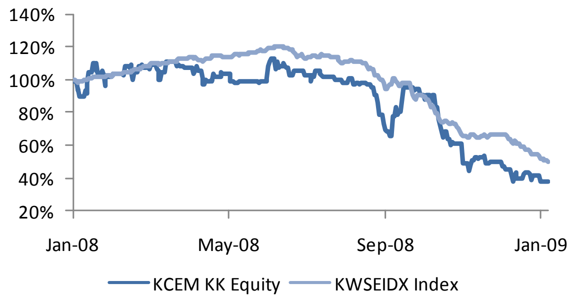
Kuwait Cement Co. is engaged in production, supply and transportation of cement for the construction industry. Products include ordinary Portland cement used for normal construction works; sulfate resisting type V for severe sulfate attack constructions; moderate sulfate resisting type II used for moderate salty underground water and soils of moderate salt content; white Portland, and masonry cement.

Significant events in 2008

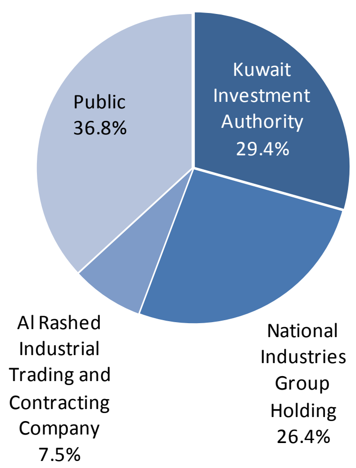
- The Company started producing Masonry cement, an advanced type of cement that is used in all types of construction works.
- Major contracts awarded:
  - The design of construction and civil works for a second line of clinker production with a capacity of 5,500 tonnes / day with an American consulting firm
  - Contract for the procurement of the main equipment, including the kiln and the accessories, with a European supplier

STOCK DATA

	KWD
Bloomberg Ticker:	KCEM KK
Exchange Ticker:	KCEM.KSE
Price (January12, 2009)	0.53
52 Week High/Low	1.6/0.51
Mkt. Cap (KWD million)	291.9
(US$ million)	1020.8
Enterprise value (KWD million)	268.7
(US$ million)	933.9
Div. Yield (%)	10.7



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	12.4	-	-
P/BV	-	-	-
EV/EBITDA	-	-	-

Saudi Cement (SACCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	320.1	363.3	13.5
COGS	107.1	134.6	25.6
Operating Income	163.5	178.4	9.1
Operating Margin (%)	51.1	49.1	
Net Income	170.1	183.1	7.7
Net Income Margin (%)	53.14	50.4	
ROE (%)	29.05	26.6	
ROA (%)	25.95	20.91	
Dividend Yield (%)	5.14	7.14	

*Zawya

COMPANY DESCRIPTION

Saudi Cement Company (SCC) manufactures building materials. The Company produces Portland and oil well cements and clinker. It operates through two cement plants, Hofuf Plant and Ain Dar Plants, in the Eastern Province of Saudi Arabia. Saudi Cement sells its products in Saudi Arabia and exports throughout the Middle East and to Africa. SCC owns and operates an export terminal at King Abdulaziz Port in Damman.

Hofuf Plant

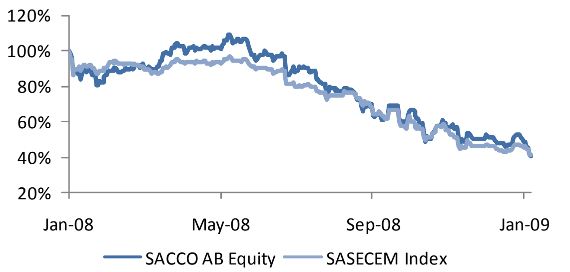
- Saudi Cement Company started its operations in 1961 with the Hofuf plant with a kiln capacity of 300 tonnes of clinker per day
- After continuous expansions/renovations, the plant now has a capacity of 7,825 tonnes of clinker per day

Ain Dar Plant

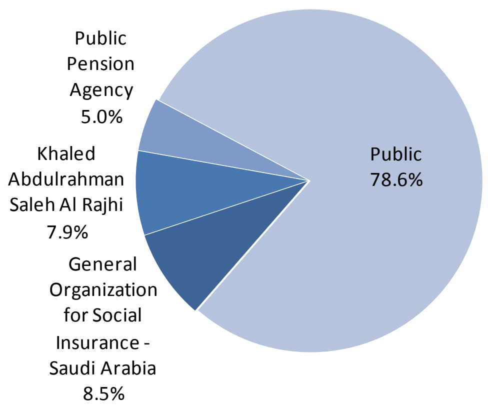
- Started as an independent company in 1981, “Saudi-Bahraini Cement Company” (SBC) has 4 kilns of 1,500 tonnes of clinker capacity each
- In January 1992, SBC merged with SCC

STOCK DATA

	SAR
Bloomberg Ticker:	SACCO AB
Exchange Ticker:	3030.SSE
Price (January 18, 2009)	48.5
52 Week High/Low	133.0/48.0
Mkt. Cap (SAR million)	4947.0
(US$ million)	1318.9
Enterprise value (SAR million)	6127.7
(US$ million)	1633.2
Div. Yield (%)	10.3



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	7.5	7.9	5.4
P/BV	-	1.8	1.5
EV/EBITDA	8.1	-	-

Yamama Saudi Cement Co. Ltd (YACCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	253.4	316.2	65.4
COGS	75.1	111.2	48.0
Operating Income	160.2	196.2	22.5
Operating Margin (%)	63.22	62.06	
Net Income	160.3	195.1	21.7
Net Income Margin (%)	63.27	61.7	
ROE (%)	34.2	33.99	
ROA (%)	20.61	21.73	
Dividend Yield (%)	5.0	7.5	

*Zawya

COMPANY DESCRIPTION

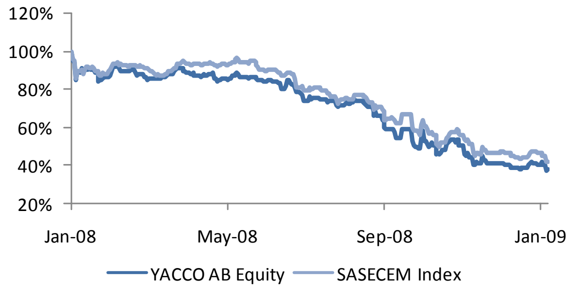
Yamamah Saudi Cement Company Ltd. (YSCC) manufactures building products. The Company produces Portland and sulphate resistant cements, clinker, and cement packing sacks. It was founded in 1961 by H.H. late Prince Mohammad Bin Saud Al-Kabir, with a capital of SAR 25 million. With the recent completion of its new production line during the first quarter of 2007, with a clinker production capacity of 10,000 tpd, YSCC produces 6 million tonnes of clinker, and 6.3 million tonnes of cement per year. In addition, the Company manufactures 30 million paper sacks annually for cement packaging.

Significant developments in 2008

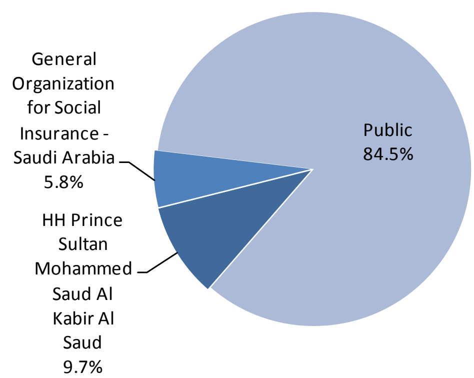
- During the second half of 2008, YSCC bought a 5% stake in Hael Cement Co for SAR 60 million and became a founding partner. The company is expected to increase its paid up capital to SAR 1.2 billion.

STOCK DATA

	SAR
Bloomberg Ticker:	YACCO AB
Exchange Ticker:	3020.SSE
Price (January 18, 2009)	33.1
52 Week High/Low	94.75/32.2
Mkt. Cap (SAR million)	4468.5
(US$ million)	1191.4
Enterprise value (SAR million)	4510.3
(US$ million)	1202.5
Div. Yield (%)	9.1



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	6.9	7.2	7.9
P/BV	-	1.7	1.6
EV/EBITDA	5.4	5.5	5.9

Yanbu Cement (YNCCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2007	2008	2007-08 (% change)
Revenue	312.6	291.9	(6.6)
COGS	131.0	135.7	3.7
Operating Income	175.2	149.7	(14.6)
Operating Margin (%)	56.0	51.3	
Net Income	176.5	149.4	(15.3)
Net Income Margin (%)	56.5	51.2	
ROE (%)	28.4	23.8	
ROA (%)	25.8	21.5	
Dividend Yield (%)	5.31	-	

*Saudi Stock Exchange

COMPANY DESCRIPTION

Established in 1977, Yanbu Cement Company markets ordinary Portland, sulphate resistant, pozzolana, low heat and other types of cement manufactured at its sophisticated plant located north of the city of Yanbu on the west coast of Saudi Arabia.

Yanbu Cement Company was established in 1976 with an initial production capacity of 3,000 tonnes of clinker per day, subsequently raised to 4,000 tonnes. At the end of 2007, its annual production reached 4.6 million tonnes of cement and 3.8 million of clinker.

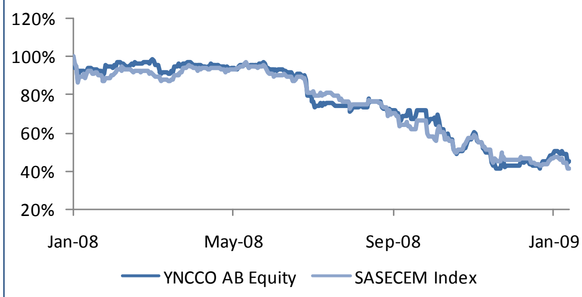
Significant developments:

- In August 2008, Yanbu Cement Company signed a memorandum of understanding with Sinoma International Engineering Co. Ltd., a Chinese firm, to set up a fifth production line at a cost of SAR1.7 billion (US$453.3 million). The new line is expected to start operations in 2010 and have an annual production capacity of 3 million metric tonnes of clinker.

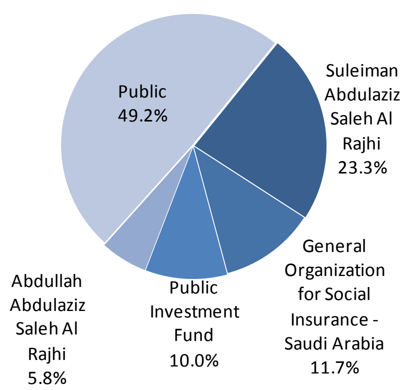
- Moreover, the Company will sign another contract with MAN Diesel of Germany to set up an electric power station at a cost of about SAR300 million to provide the power needed by the new expansion.

STOCK DATA

	SAR
Bloomberg Ticker:	YNCCO AB
Exchange Ticker:	3060.SSE
Price (January 18, 2009)	38.8
52 Week High/Low	91.5/34.2
Mkt. Cap (SAR million)	4074.0
(US$ million)	1086.2
Enterprise value (SAR million)	3724.3
(US$ million)	993.1
Div. Yield (%)	12.9



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	7.3	7.1	7.6
P/BV	-	1.8	1.7
EV/EBITDA	5.4	5.4	5.4

Eastern Province Cement Company (EACCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	206.0	246.5	19.6
COGS	63.1	77.0	22.0
Operating Income	116.5	140.5	20.6
Operating Margin (%)	56.54	57.01	
Net Income	118.8	144.4	21.6
Net Income Margin (%)	57.66	58.6	
ROE (%)	25.26	27.44	
ROA (%)	21.14	22.99	
Dividend Yield (%)	9.03	13.54	

*Zawya

COMPANY DESCRIPTION

Established in 1983 as Saudi Kuwaiti Cement Company, Eastern Province Cement Company produces cement and clinker at its production plant in Ras al-Khafji, Saudi Arabia. Its plant in the eastern province serves the domestic market and exports to the Gulf States of Kuwait, Bahrain and Qatar, through its Jubail Commercial Port, Saudi Arabia.

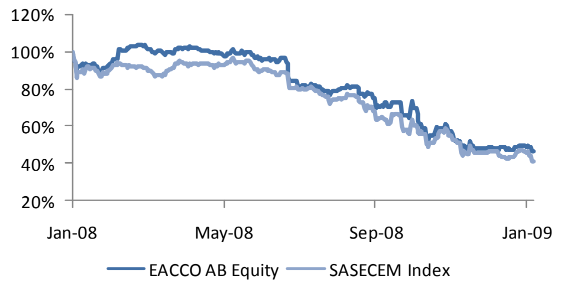
The Company commenced commercial production in 1985, with production of 1.4 million tonnes of clinker and 0.9 million tonnes of cement. The current production stands at 3.3 million tonnes of clinker and 3.5 million tonnes of cement per year.

Significant Development:

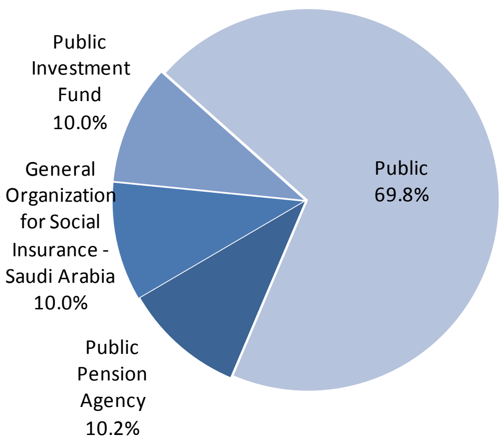
- The shareholders have elected a new board of directors for the next three-year term with the new term beginning January 29, 2009.

STOCK DATA

	SAR
Bloomberg Ticker:	EACCO AB
Exchange Ticker:	3080.SSE
Price (January 18, 2009)	39.0
52 Week High/Low	94.25/38.2
Mkt. Cap (SAR million)	3354.0
(US$ million)	894.2
Enterprise value (SAR million)	3276.3
(US$ million)	873.6
Div. Yield (%)	15.4



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	7.7	10.6	12.3
P/BV	-	2.0	1.9
EV/EBITDA	6.2	8.8	-

Qatar National Cement Company (QNCD QD Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	235.0	303.6	29.2
COGS	179.6	201.6	12.3
Operating Income	34.2	68.8	101.1
Operating Margin (%)	14.57	22.67	
Net Income	55.0	97.5	77.5
Net Income Margin (%)	23.39	32.13	
ROE (%)	14.15	23.77	
ROA (%)	9.93	17.67	
Dividend Yield (%)	3.86	6.76	

*Zawya

COMPANY DESCRIPTION

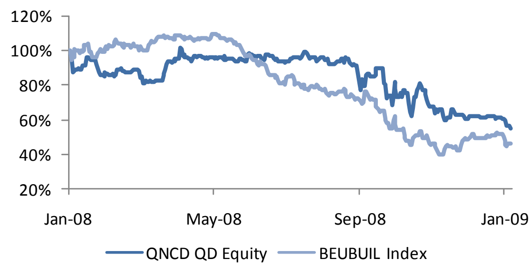
Established in 1965 Qatar National Cement Company (QNCC) started commercial production in 1969. It produces and sells cement and lime at its plants at Umm bab, Qatar. QNCC manufactures and distributes ordinary Portland cement, sulfate resistant Portland cement and hydrated and calcined lime. It enjoyed a monopoly status in Qatar for nearly 40 years until the advent of Gulf Holding Company.

Significant Developments:

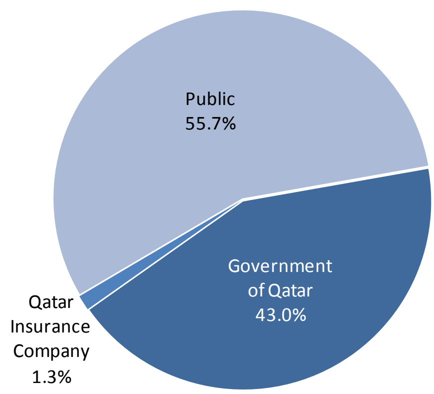
- QNCCs expansion program, plant IV located at Umm Bab, comprises two mills with a production capacity of 2,750 tpd each. The QAR 800 million project is scheduled for completion by the first half of 2009.
- In June 2008, QNCC signed a US$40 million term loan with BNP Paribas, whereby the funds are to be used to cover the cost of plant IV and other projects yet to be announced. The cement producer is seeking loans totaling US$120 million.
- QNCCs also plans to commission a furnace to produce clinker by the first quarter of 2009, after which the output is expected to reach about 12,000 tonnes per day.

STOCK DATA

	QAR
Bloomberg Ticker:	QNCD.QD
Exchange Ticker:	QNCD.DSM
Price (January 18, 2009)	88.0
52 Week High/Low	170.0/87.0
Mkt. Cap (QAR million)	3142.4
(US$ million)	863.8
Enterprise value (QAR million)	3779.9
(US$ million)	1038.8
Div. Yield (%)	8.0



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	7.3	-	-
P/BV	-	-	-
EV/EBITDA	-	-	-

Qassim Cement (QACCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	144.8	225.9	56.0
COGS	45.5	58.3	28.3
Operating Income	85.2	143.4	68.3
Operating Margin (%)	58.84	63.48	
Net Income	84.2	144.2	71.3
Net Income Margin (%)	58.11	63.82	
ROE (%)	25.42	38.36	
ROA (%)	18.64	28.34	
Dividend Yield (%)	4.74	6.49	

*Zawya

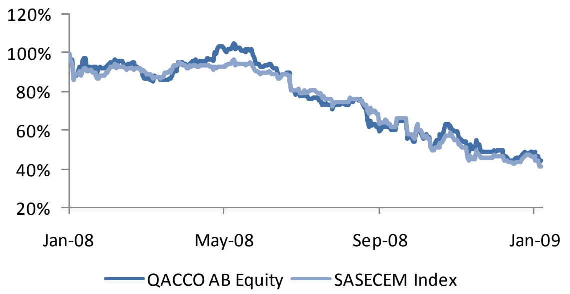
COMPANY DESCRIPTION

Qassim Cement Company (QCC) is engaged in production and marketing of cement and its derivatives through its two-kiln cement plant located in Buraidah city, Saudi Arabia, with production capacity of 4,200 metric tonnes of clinker per day. The Company produces two types of cement: ordinary Portland type I used for the construction of walls, floors, sidewalks and prefabricated elements, and sulfate-resistant cement type V used for concrete structures.

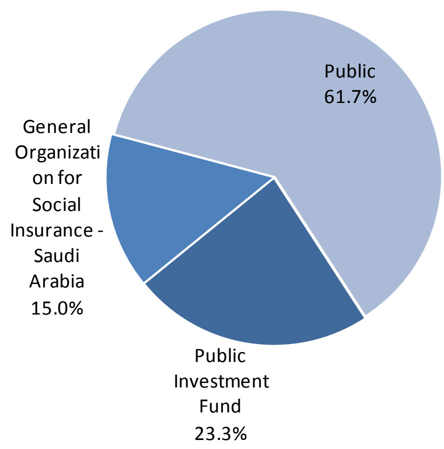
QCC started with an initial production run of 2,000 metric tonnes of clinker per day in 1981. The current annual clinker capacity stands at 3.0 million tpa, while the cement capacity is 3.7 million tpa.

STOCK DATA

	SAR
Bloomberg Ticker:	QACCO ABI
Exchange Ticker:	3040.SSE
Price (January 18, 2009)	78.5
52 Week High/Low	192.0/75.75
Mkt. Cap (SAR million)	3532.5
(US$ million)	941.8
Enterprise value (SAR million)	3230.2
(US$ million)	861.4
Div. Yield (%)	8.9



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	6.2	5.8	6.6
P/BV	-	2.1	1.8
EV/EBITDA	5.0	4.8	-

Raysut Cement Company (RCCI OM Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	124.6	163.7	31.3
COGS	61.3	81.7	33.3
Operating Income	52.8	71.4	35.2
Operating Margin (%)	42.38	43.61	
Net Income	53.7	78.2	45.8
Net Income Margin (%)	43.06	47.8	
ROE (%)	32.81	37.24	
ROA (%)	23.37	28.74	
Dividend Yield (%)	4.22	8.43	

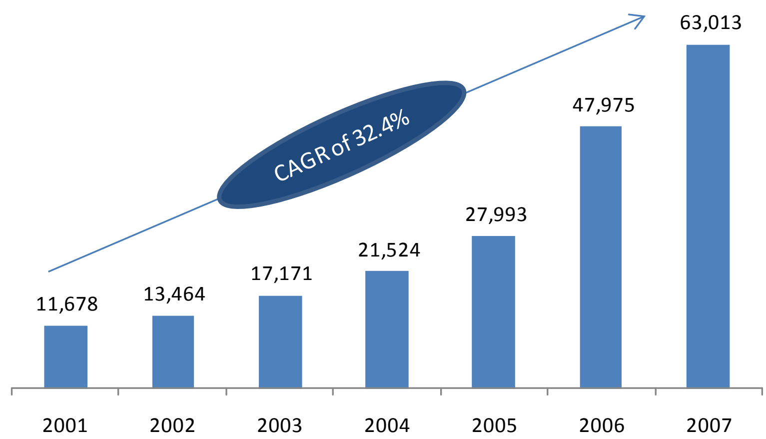
*Zawya

COMPANY DESCRIPTION

Raysut Cement Company SAOG produces cement. The Company markets its products in Oman and exports to Sri Lanka, Pakistan, Somalia and Yemen. The Company has four production lines, with three million tonnes capacity of clinker and cement per year; seven cement storage silos, bulk cement terminals at Mukalla (Yemen) and Muscat Port (North Oman), and four special bulk cement-carrying ships.

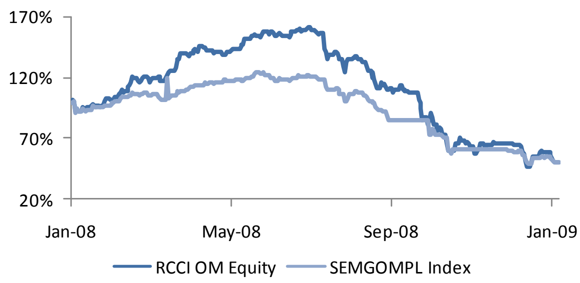
Raysut Cement Company was formed in 1981, with a 210,000 tonne capacity four-stage suspension Pre-heater kiln. The output was subsequently enhanced to 250,000 tons with extensive modification and optimization.

Sales Revenue (in RO '000)

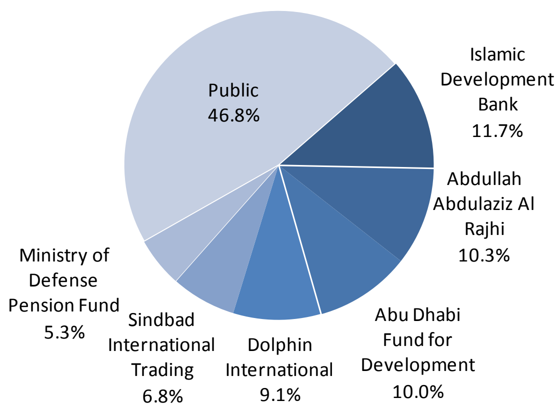


STOCK DATA

	OMR
Bloomberg Ticker:	RCCI OM
Exchange Ticker:	RCCI.MSM
Price (January 15 , 2009)	0.999
52 Week High/Low	3.23/0.92
Mkt. Cap (OMR million)	199.8
(US$ million)	518.9
Enterprise value (OMR million)	187.8
(US$ million)	487.7
Div. Yield (%)	10.0



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	5.5	4.8	4.3
P/BV	-	-	-
EV/EBITDA	4.9	4.0	3.7

Gulf Cement Company (GCEM UH Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	180.7	224.0	24.0
COGS	108.2	146.9	35.7
Operating Income	64.8	63.1	(2.7)
Operating Margin (%)	35.87	28.17	
Net Income	30.0	112.7	275.6
Net Income Margin (%)	16.6	50.3	
ROE (%)	8.14	26.6	
ROA (%)	6.72	22.09	
Dividend Yield (%)	3.44	5.27	

*Zawya

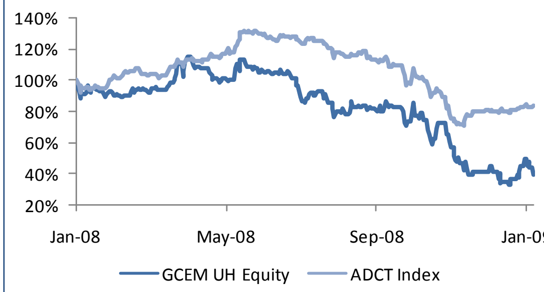
COMPANY DESCRIPTION

Gulf Cement Company, established in 1977 as a joint stock company with a paid-up capital of AED300 million, is the largest cement producer in the United Arab Emirates and a leading regional cement exporter.

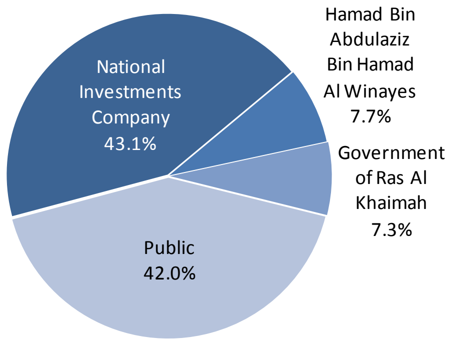
It provides cement on large, complex and demanding projects for public and private customers primarily in the UAE and the Arab Gulf. Its products include ordinary Portland cement, sulphate resistant Portland cement, and moderate sulphate resistant Portland cement. Gulf Cement Company currently produces 3.8 million tpa of clinker and 2.7 million tpa of cement.

STOCK DATA

	AED
Bloomberg Ticker:	GCEM UH
Exchange Ticker:	GCEM.ADSM
Price (January 18, 2009)	2.47
52 Week High/Low	7.68/2.05
Mkt. Cap (AED million)	2028.1
(US$ million)	552.1
Enterprise value (AED million)	1492.7
(US$ million)	406.4
Div. Yield (%)	7.0



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	7.7	7.5	6.0
P/BV	-	1.2	1.3
EV/EBITDA	4.1	4.1	4.2

Tabuk Cement Company (TACCO AB Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2007	2008	2007-08 (% change)
Revenue	91.1	77.7	(14.8)
COGS	32.8	36.1	10.1
Operating Income	54.7	37.0	(32.3)
Operating Margin (%)	60.0	47.7	
Net Income	58.9	41.8	(28.9)
Net Income Margin (%)	64.6	53.9	
ROE (%)	21.4	14.9	
ROA (%)	16.1	12.8	
Dividend Yield (%)	5.95	-	

*Saudi Stock Exchange

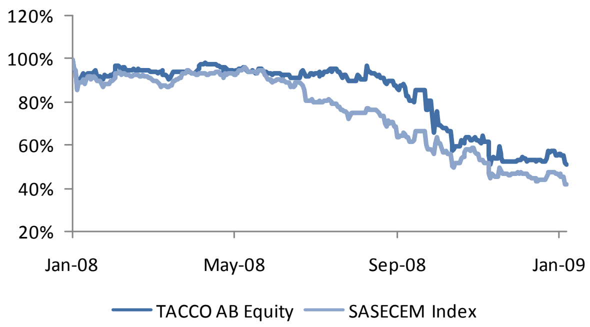
COMPANY DESCRIPTION

Tabuk Cement Company manufactures and markets building materials. The Company produces cement and related products and markets cement reinforcing rods. Its annual production capacity of clinker and cement reached 1,258 tonnes and 1.36 million tonnes respectively in 2007.

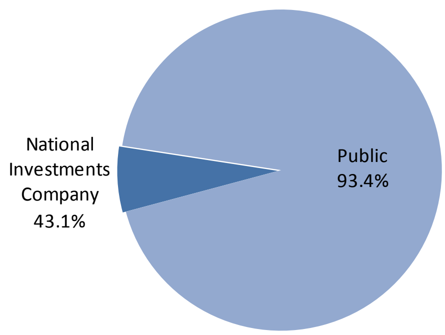
The plant is located south of Dubai port on the coast of the Red Sea, 25 km north of Dubai city, which is 180 km away from Tabuk province. Its strategic location enables it to cater to the demand for cement in the northern regions of the Kingdom and also for export to other countries.

STOCK DATA

	SAR
Bloomberg Ticker:	TACCO AB
Exchange Ticker:	3090.SSE
Price (January 18, 2009)	19.25
52 Week High/Low	42.0/18.5
Mkt. Cap (SAR million)	1732.5
(US$ million)	462.0
Enterprise value (SAR million)	1401.1
(US$ million)	373.8
Div. Yield (%)	20.8



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	9.2	-	-
P/BV	-	1.7	1.7
EV/EBITDA	6.2	-	-

Union Cement Company (UCC UH Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	109.4	183.9	68.1
COGS	67.6	142.1	110.3
Operating Income	32.8	32.4	(1.2)
Operating Margin (%)	30.01	17.63	
Net Income	48.7	47.0	(3.5)
Net Income Margin (%)	44.51	25.54	
ROE (%)	14.68	12.98	
ROA (%)	13.12	11.53	
Dividend Yield (%)	-	15.21	

*Zawya

COMPANY DESCRIPTION

Union Cement Company (UCC) was the first UAE cement producer established in 1972. It manufactures markets and distributes Portland cement, moderate and high sulphate resisting cement and oil-well cement. The Company's production plant is located at Khor Khwair area of Ras Al Khaimah Emirate.

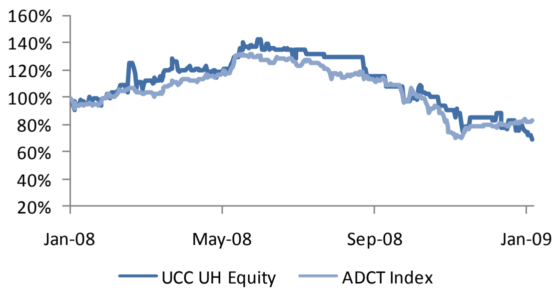
The two year AED1 billion expansion program made UCC as the largest cement producer in the UAE with a capacity of 4.3 million tonnes of clinker and 4.5 million tonnes of cement in 2007.

Significant events in 2008

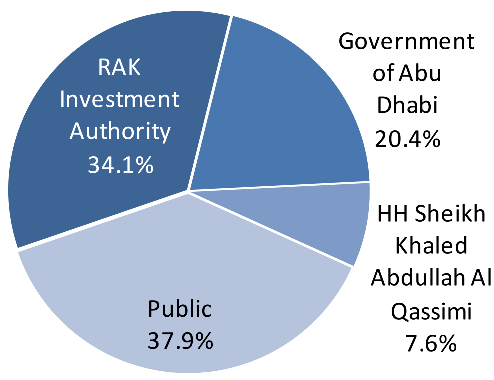
- UCC's borad has approved to conduct a feasibility study to use coal instead of heavy fuel and natural gas as feedstock to reduce cost
- The board also approved to conduct a feasibility study into building a cement mill with a capacity of 180 tons an hour

STOCK DATA

	AED
Bloomberg Ticker:	UCC UH
Exchange Ticker:	UCC.ADSM
Price (January 18, 2009)	2.56
52 Week High/Low	5.39/2.5
Mkt. Cap (AED million)	1632.2
(US$ million)	444.3
Enterprise value (AED million)	1718.3
(US$ million)	467.8
Div. Yield (%)	5.1



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	14.1	18.3	12.8
P/BV	-	-	-
EV/EBITDA	10.5	9.1	7.7

Fujairah Cement Industries Company (FCI UH Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	105.6	153.0	44.9
COGS	63.9	103.0	61.2
Operating Income	38.5	45.9	19.2
Operating Margin (%)	36.51	30.03	
Net Income	40.9	47.1	15.3
Net Income Margin (%)	38.73	30.83	
ROE (%)	22.86	22.82	
ROA (%)	19.09	18.38	
Dividend Yield (%)	1.23	0.94	

*Zawya

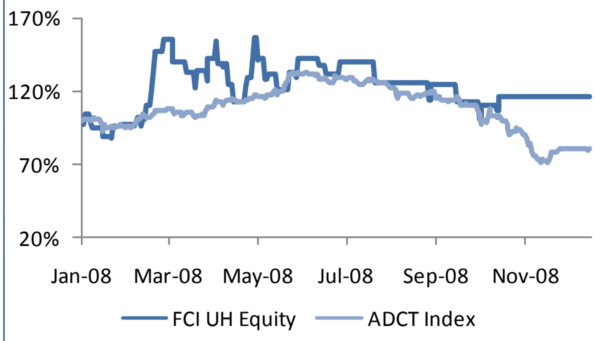
COMPANY DESCRIPTION

Fujairah Cement Industries Company PSC is a United Arab Emirates-based manufacturer of cement and related construction materials. The Company operates a cement plant at Dibba on the outskirts of Fujairah city. The series of expansions has raised its capacity to 1.35 million tonnes of clinker and 2.2 million tonnes of cement per annum. It plans to expand its clinker capacity to 3.75 million tonnes per annum by 2009.

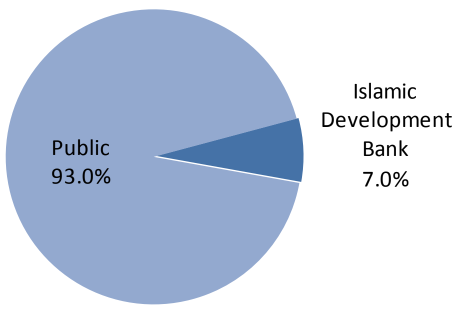
Its products include ordinary Portland cement, sulfate resisting cement, moderate sulfate resisting cement, oil well cement and blast furnace slag cement. The Company distributes its products locally, as well as serving the Gulf Cooperation Council countries.

STOCK DATA

	AED
Bloomberg Ticker:	FCI UH
Exchange Ticker:	FCI.ADSM
Price (December 22, 2008)	5.32
52 Week High/Low	7.27/3.91
Mkt. Cap (AED million)	1646.3
(US$ million)	448.2
Enterprise value (AED million)	2006.2
(US$ million)	546.2
Div. Yield (%)	3.4



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	-	8.4	5.9
P/BV	-	1.8	1.7
EV/EBITDA	-	9.0	6.0

Oman Cement Company (OCOI OM Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	129.1	129.9	0.6
COGS	60.9	67.7	11.3
Operating Income	54.7	46.5	(15.0)
Operating Margin (%)	42.39	35.83	
Net Income	53.4	45.8	(14.3)
Net Income Margin (%)	41.35	35.23	
ROE (%)	20.53	15.53	
ROA (%)	17.75	13.73	
Dividend Yield (%)	11.51	8.88	

*Zawya

COMPANY DESCRIPTION

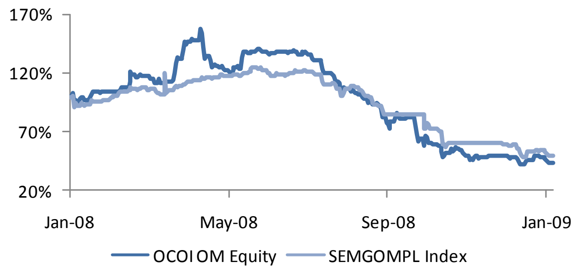
Oman Cement Company SAOG was formed in 1978 and produces Portland and sulphate-resistant cements. The Company uses limestone, silica, iron ore, and gypsum from Oman to manufacture its cement.

Rusayl Cement plant was completed in 1983 with an annual integrated cement production capacity of 0.6 million tonnes of ordinary Portland Cement and sulphate resistant cement. Presently the Company is working on expanding the plant capacity from 1.3 to 1.7 million tpa by upgrading production line No. 1 and No. 2. The Company produced 1.9 million tpa of cement in 2007 by importing additional clinker.

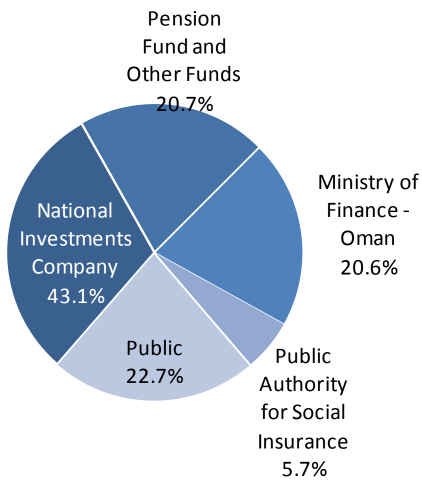
The clinker and cement produced during the first nine months of 2008 were 0.9 million tpa and 1.5 million tpa as against 0.8 million tpa and 1.4 million tpa in 2007.

STOCK DATA

	OMR
Bloomberg Ticker:	OCOI OM
Exchange Ticker:	OCOI.MSM
Price (January 15, 2009)	0.283
52 Week High/Low	1.04/0.26
Mkt. Cap (OMR million)	93.6
(US$ million)	243.2
Enterprise value (OMR million)	90.7
(US$ million)	235.6
Div. Yield (%)	9.5



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	1.9	-	-
P/BV	-	-	-
EV/EBITDA	4.3	-	-

Ras Al Khaimah Cement (RAKCC UH Equity)
Industry: Cement

PERFORMANCE SUMMARY*

(US$ million)	2006	2007	2006-07 (% change)
Revenue	88.5	91.2	3.0
COGS	46.4	68.6	47.9
Operating Income	33.4	13.5	(59.4)
Operating Margin (%)	37.69	14.85	
Net Income	34.2	15.0	(56.3)
Net Income Margin (%)	38.69	16.4	
ROE (%)	18.51	7.5	
ROA (%)	17.6	7.09	
Dividend Yield (%)	13.76	-	

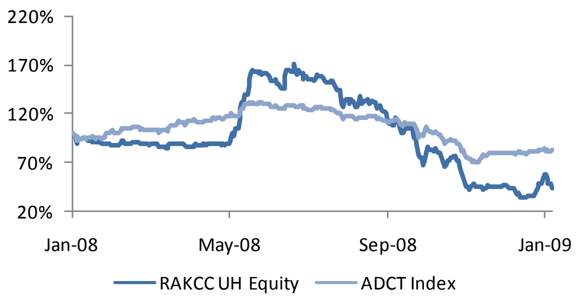
*Zawya

COMPANY DESCRIPTION

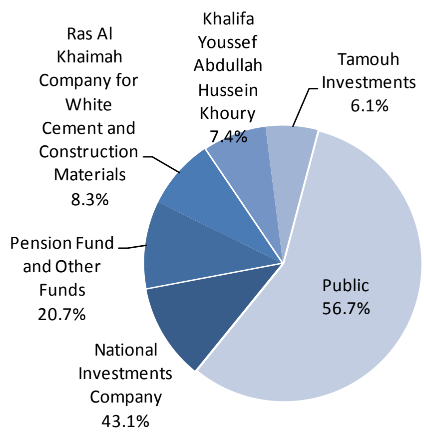
Established in 1995, Ras Al Khaimah Cement Company PSC manufactures and sells Portland cement. The Ras Al Khaimah Cement Company plant is connected to a terminal inside the adjacent Saqr Port and has a capacity to load ships up to 40,000 dwt, with a short turn around. Its plant is capable of producing 960,000 tonnes of clinker and 1,000,000 tonnes of cement per year.

STOCK DATA

	AED
Bloomberg Ticker:	RAKCC UH
Exchange Ticker:	RAKCC.ADSM
Price (January 18, 2009)	0.99
52 Week High/Low	4.07/0.73
Mkt. Cap (AED million)	479.2
(US$ million)	130.4
Enterprise value (AED million)	404.0
(US$ million)	110.0
Div. Yield (%)	-



SHAREHOLDER STRUCTURE



VALUATION MULTIPLES

	Current	2008E	2009E
P/E	9.8	8.3	7.6
P/BV	-	0.7	0.6
EV/EBITDA	6.0	5.2	4.7

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