

Market Data

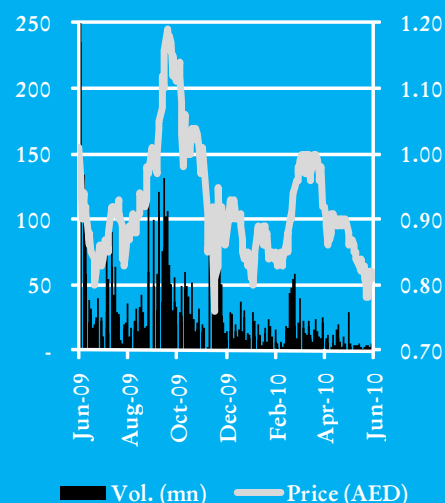
Bloomberg Code:	DSI UH
Reuters Code:	DSI DU
CMP (15 th July 2010):	AED 0.826
O/S (mn):	2,177.8
Mkt Cap (AEDmn):	1,798.8
Mkt Cap (US\$m):	482.6
P/E 2010e (x):	9.1
P/Bv 2010e (x):	0.7

Price Performance 1-Yr

High /Low (AED):	1.19 / 0.76
Average Vol. (mn):	23.7

	1m	3m	12m
Absolute (%)	3.5	-10.4	7.0
Relative (%)	2.3	5.3	15.6

DSI Price Volume Performance



Source: Zawya

Faisal Hasan, CFA
Head of Research
fhasan@global.com.kw
Phone: +965-2295-1270

Hettish Kumar
Senior Financial Analyst
hkumar@global.com.kw
Phone: +965-2295-1281

Drake & Scull International PJSC (DSI)

- Organic & inorganic growth strategy.
- Diversified client base.
- Margins to remain under pressure.
- New acquisition to increase the backlog.

BUY

**Target Price
AED1.01**

Entry into international markets to pave the way forward

A majority of DSI's activities were previously centered in UAE. However, looking at the growth potential in the regional markets, DSI initiated its geographical diversification strategy. Going forward, DSI's organic and inorganic entry into international markets specifically in Saudi Arabia, Egypt, Libya & Syria will have a significant bearing on the company's future growth.

Over AED2bn contracts awarded in 2010

DSI backlog exposure to UAE has dropped to 60% whereas the same for their Dubai exposure has come down to 30%, which clearly signifies the stance of DSI as they diversify away from UAE towards other emerging markets in MENA. Going forward, we believe that award of new contracts and addition from acquisitions will supplement their existing backlog.

Strong balance sheets and cash rich company

DSI enjoys a strong balance sheet with gross cash and investment position at AED1bn and AED336.2mn respectively. Even excluding the amount of debt the net cash position is still in a comfortable zone at AED409.1mn. Going forward, with the loan pay-off, we expect net cash position of DSI to improve, giving it an edge and cushioning it over any upcoming adversaries.

Margins to drop going forward

DSI enjoyed handsome margins during the past years and 2009 was a prime example of it. However, over a period of time majority of the local and international players have made a strong foot hold in their area of construction activities, giving DSI strong competition. Hence we expect the margins to remain under pressure in the coming years.

Investment Indicators

Year	2007	2008	2009	2010 F	2011 F	2012 F	2013 F
Revenue (AED mn)	820.5	1,425.4	2,211.7	2,035.1	2,335.5	2,559.7	2,784.3
Net Profit (AED mn)	105.6	158.5	336.5	196.7	207.9	211.4	212.5
Diluted EPS (AED)	0.05	0.07	0.15	0.09	0.10	0.10	0.10
Diluted BVPS (AED)	0.07	0.14	1.16	1.18	1.20	1.22	1.24
EV/EBITDA (x)	-	-	4.3	6.7	5.6	5.1	4.9
P/E (x)	-	-	5.8	9.1	8.7	8.5	8.5
P/BV (x)	-	-	0.8	0.7	0.7	0.7	0.7

Source : Company Annual Reports & Global Research.

Historical P/E & P/BV multiples based on respective year-end prices, while those for future years are based on current market price in the DFM as on July 15, 2010.

Valuation & Recommendation

Assumption for Discounted Cash Flow (DCF)

In order to compute the cost of equity for the DCF method, we have used the Capital Asset Pricing Model (CAPM).

The following assumptions have been made in order to arrive at the DCF value of QNCC.

- A risk-free rate of 5.8% has been assumed.
- A market risk premium of 6.5% has been assumed.
- Beta taken from Bloomberg comes out to be less than 1.0, hence being conservative we have taken beta as 1.0.
- The cost of equity derived from the above assumptions using the Capital Asset Pricing Model is 12.3%.
- The cost of debt has been assumed at 7.0%.
- Based on the above assumptions, the Weighted Average Cost of Capital (WACC) works out to be 10.7%.
- Terminal growth rate of 3.0% has been assumed.
- Based on our future earnings projections and the above assumptions for DCF computations, the DCF value of DSI comes out to be AED1.06/share.

DSI - Equity Valuation by DCF

(AED mn)	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Free Cash Flow	145.8	250.3	130.6	109.7
Discounted Cash Flow	138.8	215.3	101.4	77.0
Terminal Value	1,467.6			
Primary Value	532.5			
Discounted Terminal Value	1,029.9			
Value of Investments	336.2	(As of 1Q-2010)		
Cash	1,025.4	(As of 1Q-2010)		
Debt	616.2	(As of 1Q-2010)		
Enterprise Value	2,923.9			
Equity Value	2,307.7			
Shares Outstanding (mn)	2,177.8			
Per Share Value (AED)	1.06			

Source : Global Research.

Sensitivity Analysis

A sensitivity analysis for different estimated long-run future growth rates and weighted cost of capital is shown in table below. The table provides estimated fair values for DSI's shares based on a range of varying inputs.

DSI - Sensitivity Analysis

WACC	Terminal Growth Rate					
		1.0%	2.0%	3.0%	4.0%	5.0%
8.7%		1.09	1.17	1.28	1.43	1.66
9.7%		1.01	1.07	1.15	1.26	1.41
10.7%		0.95	1.00	1.06	1.14	1.24
11.7%		0.91	0.94	0.99	1.05	1.12
12.7%		0.87	0.90	0.93	0.98	1.03

Source: Global Research

Relative Valuation Method

The peer group valuation is performed to compare the intrinsic value of DSI arrived at using the DCF calculation. In order to value DSI using this method, we have used the weighted average price-to-earnings (P/E) multiple for a basket of comparable companies, which make up the peer set for DSI. To arrive at the peer-set P/E multiple, we have computed the weighted average P/E of the six listed regional construction companies based on their current market prices and 2010 earnings estimates.

Construction Sector - 2010 Estimates

	Country	Net Margins	ROE	ROA	EV / EBITDA	P/E	P/Bv
Arabtec	UAE	6.5%	23.1%	5.3%	3.0	4.4	0.8
Orascom Construction	Egypt	11.3%	14.3%	5.4%	17.1	7.0	0.5
Nagarjuna Construction	India	4.9%	11.1%	3.0%	12.4	12.0	2.5
China State Construction	China	5.4%	17.9%	5.5%	5.3	7.8	1.7
Larsen & Toubro	India	12.5%	30.5%	7.8%	17.5	14.0	7.5
DSI	UAE	9.7%	7.7%	4.1%	6.6	9.1	0.7
Industry Average		8.4%	17.4%	5.2%	10.3	9.0	2.3

Source: Bloomberg & Global Research

The weighted average forward P/E for the peer set, thus arrived at, is 9.0x. On the basis of the weighted average forward P/E for the peer set and DSI's 2010 earnings, the company's stock valuation comes to AED0.81/share. However, as the price-earnings multiple varies with time and is dependent on several factors, such as market sentiment and other qualitative factors, we have provided a lower weightage of 20% to the peer valuation method, and 80% weightage to the value arrived at using the DCF method.

Valuation

The value of DSI's shares derived from the weighted average of the DCF and relative valuation methods is AED1.01/share. The stock closed at AED0.81/share on the Dubai Financial Market at the end of trading on 15th July 2010, which implies that the weighted average value of DSI's shares is at a premium of 22.3% to the share's current market price.

Weighted Average Share Value of DSI		
<i>(AED)</i>	Weightage	Fair Value
As per DCF Method	80%	1.06
As per Relative Valuation	20%	0.81
Weighted Average Share Value		1.01

Source: Global Research

At their current price, DSI's shares are trading at a P/E multiple of 9.1x and 8.7x for 2010 and 2011 respectively. We therefore recommend a 'BUY' on the Drake & Scull International stock at its prevailing price levels.

Key Risks to Valuations

- **Further weakness in construction and real estate market.**

Construction and real estate market in majority of the countries is facing hiccups. Talking specifically about GCC, many countries put their projects on halt during the crisis. With seven months of this year coming to an end and not much recovery seen on the international scenario, we expect that any further negative news on the international or regional front can delay the projects.
- **Cash suck-up by banks.**

Worldwide majority of the banks have come out of their peter pan syndrome. They have learnt from their mistakes of excess funding to unrenowned & financially unhealthy developers during the real estate and construction boom. Currently banks have given a red card to most developers who have no concrete plans and which are not financially soothing, which in turn can affect the projects market.
- **Bargaining power of developers to trigger price wars.**

Earlier majority of the construction companies like DSI and Arabtec enjoyed handsome margins due to the construction boom and availability of lesser experienced construction companies. But over the period of time majority of the local and international players have made a strong foot hold in their area of expertise along with the current slowdown in the developers scope. We have already assumed a drop in the margins of the company post 2009 but for later we expect tough competition and challenging business conditions in the region.
- **Integration of international acquisition.**

Although the acquisition made by DSI are very much calculated and cheap in terms of valuations but nevertheless getting newer contracts might not come so easy in the international markets because of the presence of prominent local players which are operating in the country over many years .
- **Exposure to specific clients.**

DSI backlog as of 1Q-2010 stands at AED4.0bn of which AED596mn is in LOI stage. Of the total backlog AED2.2bn is exposed to nine clients. Although the clients are financially sound as of now but any unforeseen event in the coming days can give rise to a doomsday scenario for the Company.

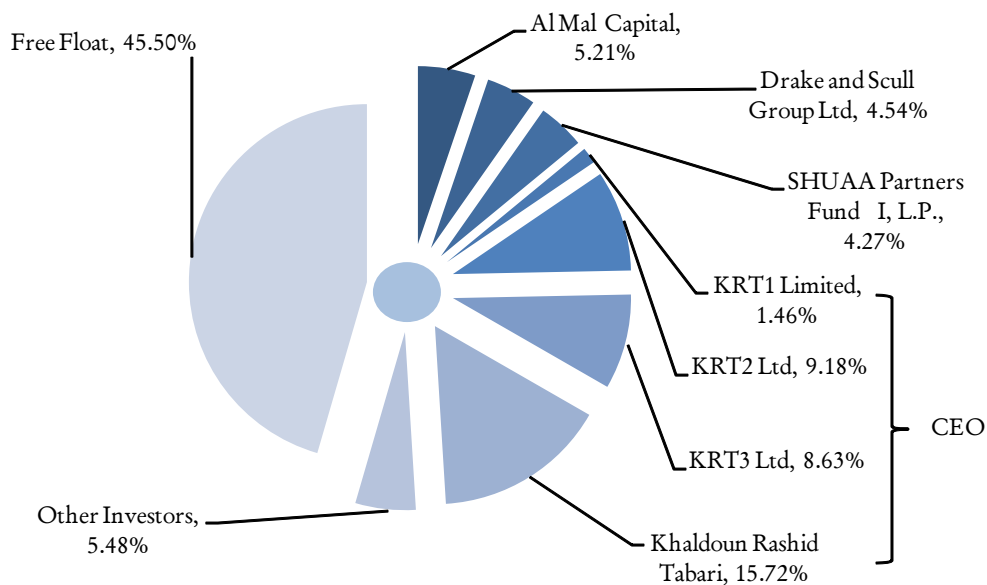
Drake & Scull International

Drake & Scull International was formed in 1966 and it is one of the most old and experienced contracting company in the GCC. The Company is primarily engaged in Mechanical, Electrical & Plumbing (MEP), Civil Contracting & Infrastructure, Water/Power (IWP) related activities.

DSI initiated its IPO in July 2008 and raised AED1.2bn (1.2bn shares at AED1.02/share) by divesting 55% stake. The IPO was 101x oversubscribed and the stock was finally listed in DFM on 16 March 2009.

In terms of its ownership structure, DSI is majorly owned by the CEO amounting to 35% followed by Al Mal Capital, Drake & Scull Group and Shuaa Partners Fund in the descending order. Other investors of DSI are funds of HSBC, Zabeel investment, STANDARD Bank Jersey & Vail Limited. Leaving the free float of the Company at 45.5%.

DSI International PJSC Ownership Structure



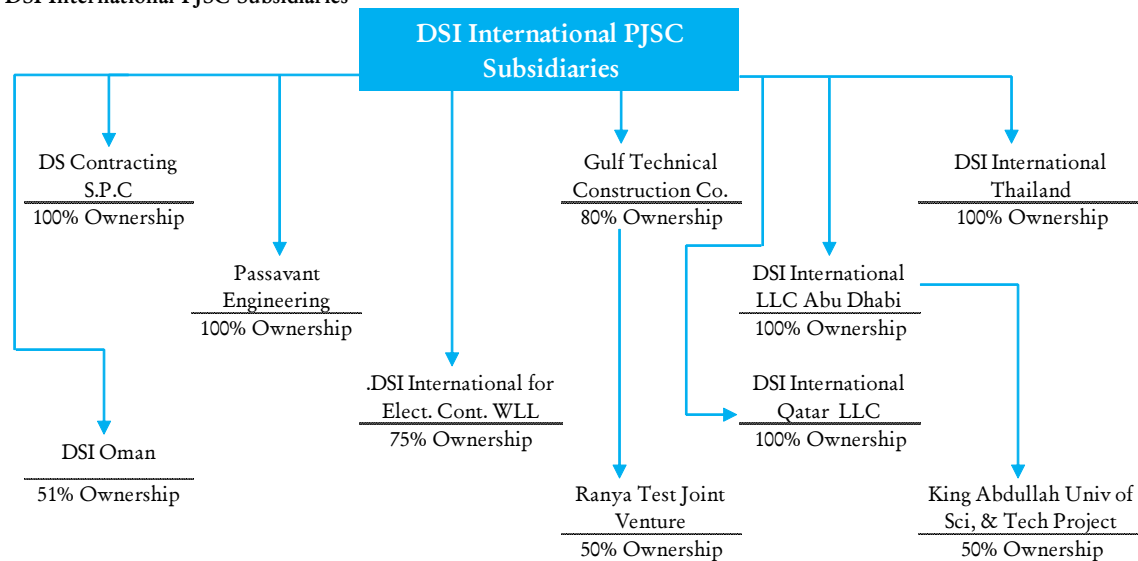
Source: DSI Annual Report 2009

Non GCC foreign ownership is limited to 49%, while GCC investors can own up to 100% of the outstanding shares.

Subsidiaries

DSI has over the years organically and inorganically expanded its scope of operations. In 2007, it made its first acquisition by acquiring 80% of Gulf Technical Construction Company (GTCC). In November 2009, DSI made acquisition in Germany. Under the acquisition agreement, DSI will own 82% of Passavant-Roediger. The remaining 18% will remain with Bilfinger Berger, a publically listed German company. Later on in Dec 2009, DSI announced acquisition of an Electrical Contracting Company in Kuwait.

DSI International PJSC Subsidiaries



Source: Company Reports

DSI, through Gulf Technical Construction Company L.L.C., also has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company (L.L.C.) under a joint venture agreement dated 12 August 2005; and through Drake and Scull International L.L.C (Abu Dhabi), a 50% interest in King Abdullah University of Science and Technology project, a joint venture with Drake & Scull (W.L.L) –Saudi Arabia under a joint venture agreement dated 15 January 2008.

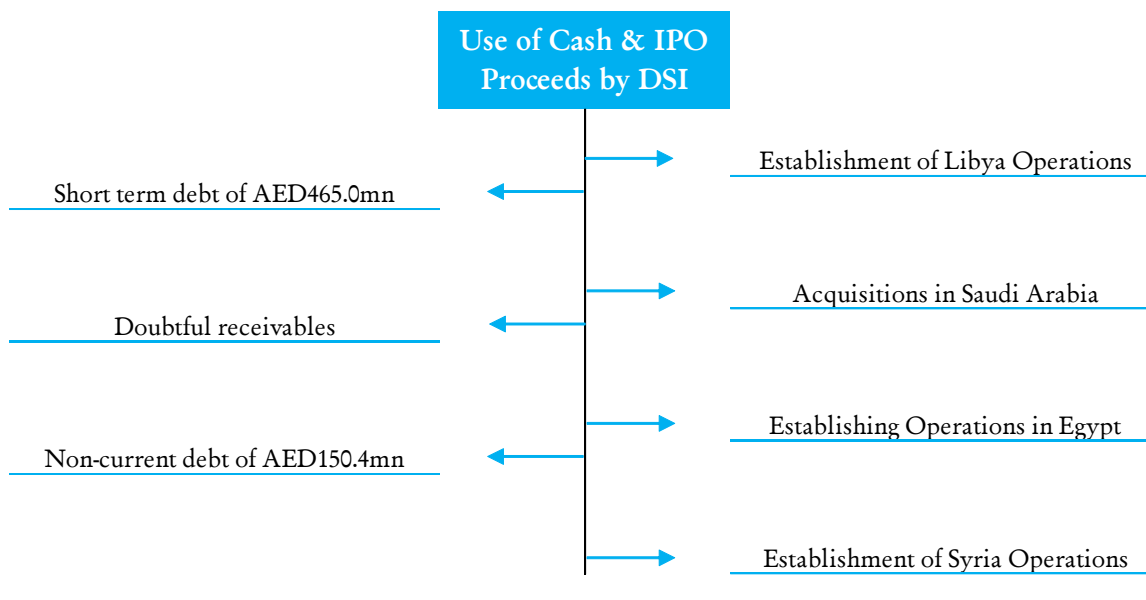
DSI Acquisitions

Year	Date	Country	EV (AEDmn)	Order Backlog (AEDmn)	EV/Backlog (x)
2009	18-Nov-09	Germany	145.0	410.0	0.35
	27-Dec-09	Kuwait	100.0	70.0	1.43
2010	15-Apr-10	Qatar	97.0	167.0	0.58

Source: DSI & Zawya

DSI recently made an acquisition in Qatar in 2010 at an enterprise value of AED97.0mn. The bought out firm backlog stands at AED167mn as of January 2010, which would be entirely executed and consolidated by DSI.

In May 2010, further progressed in its horizontal expansion plans through the establishment of its newest subsidiary, Drake & Scull International Oman (DSO). The new entity will specialize in Mechanical, Electrical and Plumbing contracting. Since the formation of DSO, the company has already been awarded its first contracts for two prestigious government projects worth a combined value of AED44.2mn (RO4.6mn). DSO will undertake the complete MEP works for the Sohar Court Complex (SCC) located in Sohar and the Oman National Museum (ONM), strategically located at the footsteps of the Hajar Mountains in Muscat.



Furthermore, DSI currently has about AED500.0mn in cash to spend on acquisitions. The specialist mechanical, engineering and plumbing contractor is also looking at opportunities in Egypt, Syria & Libya.

DSI Business Segments

DSI earns its revenue from three different segments namely MEP, IWP and Civil Contracting. Since 1966 until 2006 it continued to remain in the MEP business but later on in 2006 it diversified in the IWP business and in 2007 it acquired Gulf Technical Construction Company to venture into the Civil Contracting business. The key areas of the DSI activities under each segment can be seen in the table on the next page.

DSI Business Description		
Mechanical, Electrical & Plumbing (MEP)	Infrastructure, Water & Power (IWP)	Civil Contracting (CIVIL)
<ul style="list-style-type: none"> * Distribution systems for electrical power. * Lighting systems. * Plumbing. * Heating, ventilation, air conditioning, & refrigeration system. * Low - voltage systems. 	<ul style="list-style-type: none"> * District cooling. * Water, waste water and sludge treatment. * Telecommunications infrastructure. * Power infrastructure. * Oil & gas infrastructure. 	<ul style="list-style-type: none"> * Turnkey execution of towers, hotels and residential schemes. * Detailed design contract plans. * Construction management, planning, scheduling & specification. * Materials, equipment, procurement & expediting.

Source: Company Reports

MEP segment has continued to take the lead so far. In 2009, MEP segment contributed 59.1% to the total revenue and 76.5% to the bottom line. MEP segment assets account for 81.7% of the Company's total. On the other hand, IWP & Civil segment contributed 18.8% and 26.6% to the top line and 15.4% and 8.2% to the bottom line.

Backlog Analysis

DSI total order backlog as of 1Q-2010 amounts to AED4.0bn of which AED596mn is in LOI stage and the rest have been awarded to the Company. Of the total backlog, MEP accounts for 38.5% of the total amounting to AED1.3bn followed by IWP and Civil at AED1.1bn (33.7%) and AED0.96bn (27.8%) respectively.

UAE and more specifically Dubai based contracts

Almost 2/3rd of DSI contracts amounting to AED2.5bn are based in UAE of which majority contracts are in Dubai amounting to AED1.3bn (51.8% of UAE and 38.1% of total) followed by Abu Dhabi at AED1.0bn (42.1% of UAE and 30.9 of the total).

In the MEP business, 96.2% of the total contracts are in UAE of which bulk are in Abu Dhabi at AED611.9mn (45.8% of the MEP total) followed by Dubai at AED554.3mn (41.5% of the MEP total) and Sharjah at AED117.6mn (8.8% of the MEP total).

In the IWP business, 25.7% of the total contracts are in UAE of which Dubai has the most mass at 72.1% at AED215.9mn (18.5% of IWP total) followed by Abu Dhabi at AED45.3mn (3.9% of the IWP total) and Fujairah at AED38.3mn (3.3% of the IWP total).

In the Civil Contracting business, all of the projects are based in UAE of which 74.7% amounting to AED718.2mn are in Dubai and only one residential project worth AED243.5mn (25.3% of CC total) of Luxury Real Estate Development Company is in Abu Dhabi.

Top Ten Clients of DSI - by Value of Work Remaining

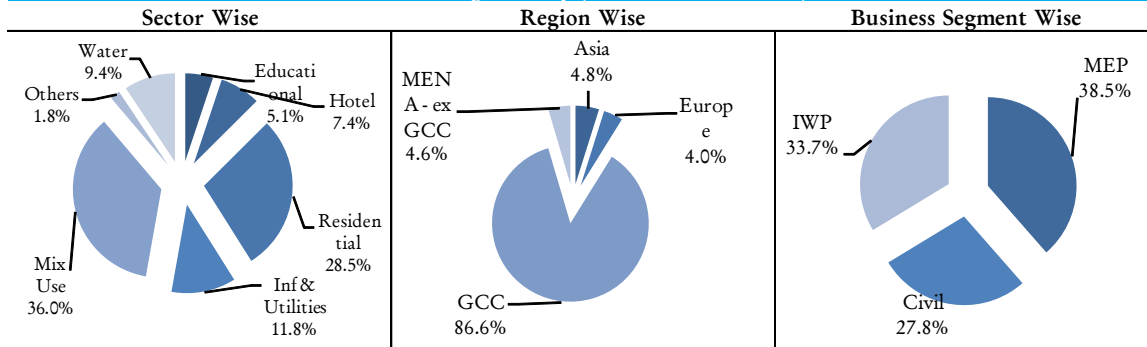
(AED mn)	Value of Work Rem.
DAMAC	461.30
Al Futtaim Carillion	354.75
IFA Hotel & Resorts	307.28
Luxury Real Estate Development	243.54
Marina Exclusive LLC	240.94
Private Property Management	215.90
Arab Construction Company	186.23
Taksin Properties	147.95
Real Estate Services Group	137.58
SABIC - Hadeed	119.76

Source: DSI

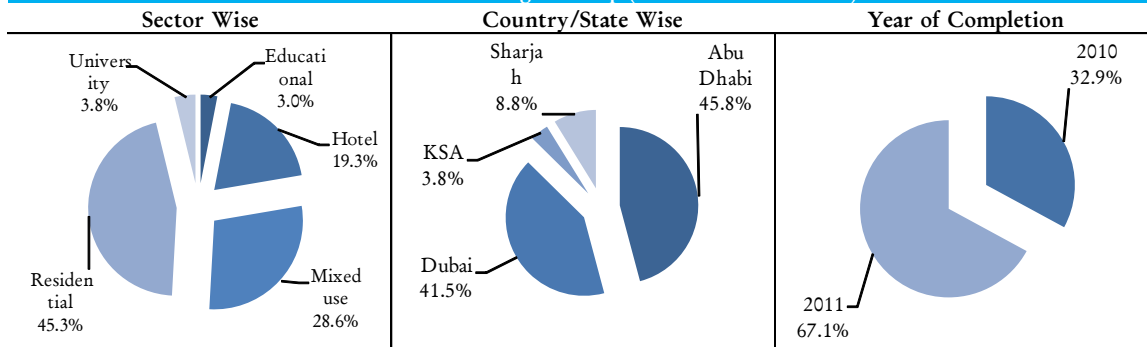
In terms of sector wise analysis of the backlog, DSI mix use contracts hold the majority share among the contracts at AED1.24bn (36.0% of the total) followed by residential contracts which are worth AED987.8mn (28.5% of the total) and infrastructure and utilities related contracts which are over AED407mn (11.8% of the total).

Backlog Analysis

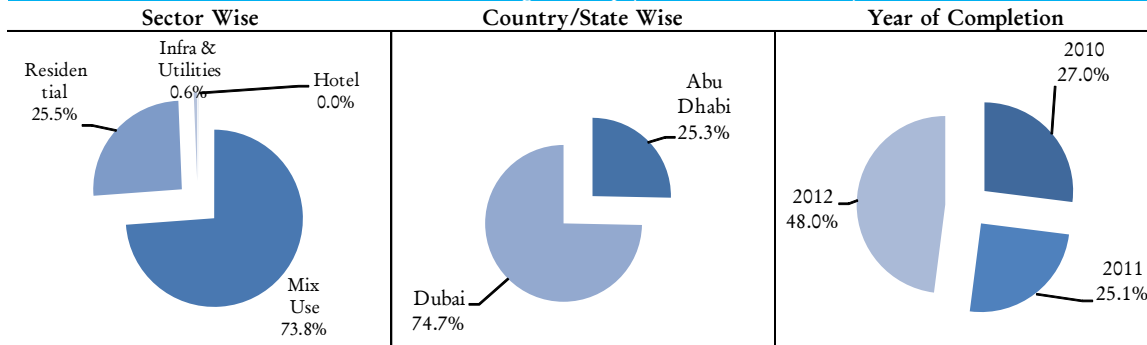
DSI Backlog Breakup (As of 31st March 2010)



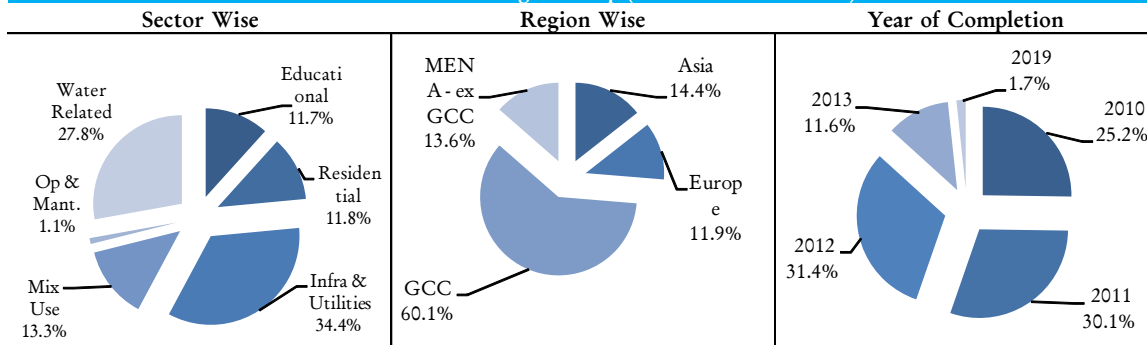
MEP Business Backlog Breakup (As of 31st March 2010)



Civil Business Backlog Breakup (As of 31st March 2010)



IWP Business Backlog Breakup (As of 31st March 2010)



Source: DSI

MEP Business

DSI started as an MEP contractor in 1966 in Abu Dhabi. In sub segment of mechanical business, DSI is engaged in ventilation & air treatment, refrigeration & air-conditioning, heating & hot water, telephone systems, data & structured cabling, communications & plant/machinery installations. In Electrical sub segment it is involved in: power distribution systems, lighting systems, data/telecommunications, low voltage systems & power generators. While in plumbing it is involved in high purity piping, water treatment/drainage & waste water treatments.

MEP Segment Backlog (As of 31st March 2010)

Sector	Backlog	%
Educational	40.5	3.0%
Hotel	257.1	19.3%
Mixed use	381.4	28.6%
Residential	604.7	45.3%
University	50.8	3.8%
Country	Backlog	%
Abu Dhabi	611.9	45.8%
Dubai	554.3	41.5%
KSA	50.8	3.8%
Sharjah	117.6	8.8%
Year of Completion	Backlog	%
2010	439.2	32.9%
2011	895.4	67.1%

Source: DSI

In the MEP segment, DSI has a backlog order of AED1.3bn of which majority amounting to 45.3% are in the residential segment followed by mix use and hotel contracts. Almost 96.2% of its MEP contracts are based in UAE amounting to AED1.28bn.

Post 1Q-2010, DSI received new MEP contracts worth AED44.2mn in Oman for two prestigious government projects and AED240mn in Abu Dhabi for Saadiyat Beach apartments.

Some of the remaining big ticket projects in the MEP business are: AED354.7mn residential project in Abu Dhabi, AED199.5mn mix use project in Dubai, AED186.2mn hotel project in Abu Dhabi, AED117.6mn residential project in Sharjah and AED107.7mn mix use project in Dubai.

IWP Business

Establishment of Drake & Scull Water & Power LLC (DSWP) in 2006 was a natural progression in the life cycle of DSI. DSWP is a wholly owned subsidiary of Drake & Scull International PJSC, providing efficient solutions and innovative technologies which reduce overall electrical demand and toxic emissions and offering customized, integrated service solutions to its clients. Commencing operation in Abu Dhabi in 2006 the division, previously designated as DSI IWP, was established as a separate entity under the name DSWP in 2009.

The DSWP headquarter is based in Dubai and operates through projects in the MENA region such as an EPC contractor areas include: UAE, Bahrain, KSA, Algeria and Sudan. DSWP's operations specialize in Design & Build, Engineering, Procurement & Construction (EPC) and Engineering, Procurement & Construction Management (EPCM) basis and their services include: district cooling, waste water & sludge treatment, telecommunications infrastructure, power infrastructure and oil/gas infrastructure.

IWP Segment Backlog (As of 31st March 2010)

Sector	Backlog	%
Educational	136.4	11.7%
Residential	137.6	11.8%
Infra & Utilities	400.8	34.4%
Mix Use	154.6	13.3%
Op & Mant.	12.7	1.1%
Water Related	324.5	27.8%

Country	Backlog	%
Asia	167.9	14.4%
Europe	138.8	11.9%
GCC	701.6	60.1%
MENA - ex GCC	158.3	13.6%

Year of Completion	Backlog	%
2010	294.2	25.2%
2011	351.3	30.1%
2012	366.3	31.4%
2013	135.0	11.6%
2019	19.8	1.7%

Source: DSI

Despite tough market conditions, the revenue from IWP business stream increased to AED417mn in 2009. This was due to continued spending by countries in the region on infrastructure projects. The segment was able to report a net income of AED52mn at net margins of 12.4% and ROA of 7.6%.

DSI expects to put more focus on its IWP business keeping in view the high return on the contracts. The Company established an alliance with Assyce Group of Spain. Assyce Group is a well established company providing specialist solutions in the field of renewable and sustainable energy. The alliance has been agreed based on the two companies' recent activities in the development of a grid-free telecom solution and will focus on expanding the portfolio of products through custom-made value engineered solutions.

On the acquisitions front, DSI has acquired 82% of Passavant-Roediger, a German global developer of water, wastewater and sludge treatment technologies with a presence in 13 countries across Europe, MENA and Asia and with over 5,000 worldwide installations, thus strengthening the presence and participation of DSI in this sector. The enterprise value of this acquisition was AED145mn, and the acquisition was funded by 50% cash from IPO and 50% bank financing.

Civil Contracting Business

Keeping in view the real estate and infrastructure boom evolving in the GCC specially in UAE, DSI saw the opportunity to expand its product offerings by acquiring a local civil contracting company i.e. Gulf Technical Construction Company (GTCC) in 2007. GTCC is involved in the execution of a vast array of civil and building projects specialized in oil & gas, district cooling, water purification and power generation.

To continue its expansion plans and undertake civil works projects outside UAE, DSI established a new construction subsidiary in 2010 under the name Drake & Scull Construction L.L.C (DSC), to act as its civil contracting arm throughout the Middle East. DSC controls, manages and oversees the operations of already existing civil construction companies under DSI Gulf Technical Construction Company (GTCC) Dubai, GTCC Abu Dhabi and Drake & Scull International LLC Saudi Arabia, in addition to any civil contracting companies that would be acquired or established by DSI in the future.

Civil Segment Backlog (As of 31st March 2010)

Sector	Backlog	%
Hotel	0.0	0.0%
Mix Use	710.1	73.8%
Residential	245.5	25.5%
Infra & Utilities	6.2	0.6%
Country	Backlog	%
Abu Dhabi	243.5	25.3%
Dubai	718.2	74.7%
Year of Completion	Backlog	%
2010	259.50	27.0%
2011	240.94	25.1%
2012	461.30	48.0%

Source: DSI

Some of the big ticket projects with the Company in the Civil Contracting business are: AED348.7mn of mixed use project of DAMAC which is expected to be completed in 2012, AED243.5mn of residential project in Abu Dhabi to be completed in 2010 and AED240.9mn of mixed use project of Marina Exclusive.

In 2009, civil contracting business added 26.6% to the top line of the Company. The segment earned a net income of AED28mn at net margins and ROA of 4.7% and 5.7% respectively. Civil contracting is a low margin business and the players mainly play on volume as in number of contract received.

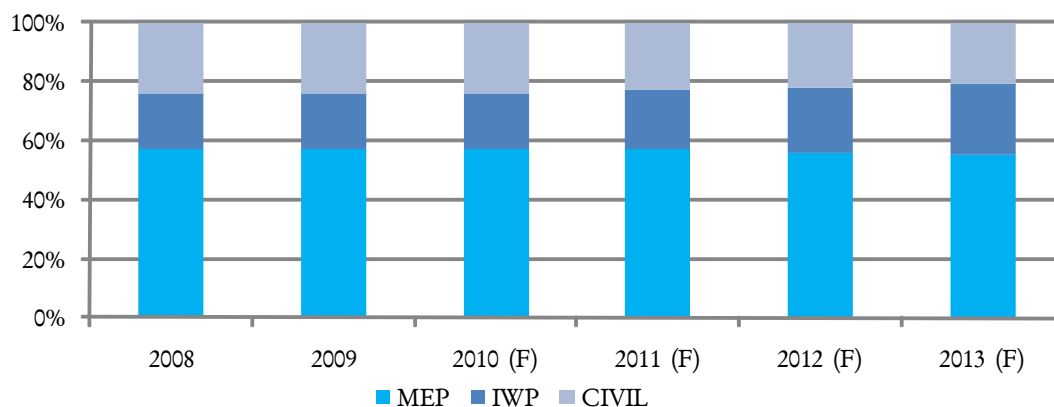
For further growth in the civil contracting business, GTCC intensified its business development activities in the region by bidding on several major projects in Abu Dhabi, KSA and Libya. DSC will continue to expand its operations in new markets by emphasizing inorganic growth, and it has also identified a potential company to acquire in KSA.

Drake & Scull – Overview & Forecast

Contracts Revenue – To increase post 2010...

DSI contract revenue rose by 55.2% in 2009 to AED2.2bn as compared to AED1.4bn in 2008. Such a phenomenal increase in 2009 was on account of availing of new big contracts in different business segments. All three business segments reported more than 50% increase in the top line. MEP business contract revenue rose from AED812.5mn in 2008 to AED1.26bn in 2009, an increase of 56.1%. The revenue was highly tilted towards the MEP business as its contribution to the top line was 57.3% in 2009 as compared to 57.0% in 2008. IWP business segment revenue rose from AED270.8mn in 2008 to AED416.6mn in 2009, rise of 53.8%.

Revenue Composition of DSI



Source: DSI & Global Research

During 1Q-2010, DSI contract revenues were recorded at AED386.3mn as compared to AED488.1mn in the corresponding period of last year. MEP business contribution remained higher during the period at 58.7% followed by 28.9% by IWP and 12.5% by Civil. IWP contribution to the top line grew from 18.8% during 2009 to 28.9% during 1Q-2010, which is in line with the Company's plan to increase the share of IWP segment revenue because of higher margins.

Revenue Assumptions

	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Opening backlog	3,300	3,465	3,530	3,570
New contract awarded	2,200	2,400	2,600	2,800
Monthly run-rate	183	200	217	233
Value of work completed (Revenue)	2,035	2,336	2,560	2,784
Closing backlog	3,465	3,530	3,570	3,586

Source: Global Research

In 2010, we expect the Company's revenue to decline due to hiccups in the UAE real estate and construction market, the major revenue earning country of DSI. Post 2010, we expect the revenue to increase at a CAGR of 11.0% during 2010-13.

Going forward, we expect the contribution of the IWP segment to increase as there are more IWP related contracts being rolled out in the market nowadays in the GCC. We expect the contribution of IWP segment to the top line to increase from 18.8% in 2009 to 24.0% in 2013. This gradual increase in the IWP contract is expected to give breather to the margins of the Company as IWP contract margins are generally higher than Civil contracts. With diversification on top of the mind of the DSI management, we expect DSI revenue from UAE to decline from 80.6% in 2009 to 70% by 2013. This would come as a result of Company's newly planned acquisitions in MENA specifically in Libya, Egypt, Syria and Saudi Arabia.

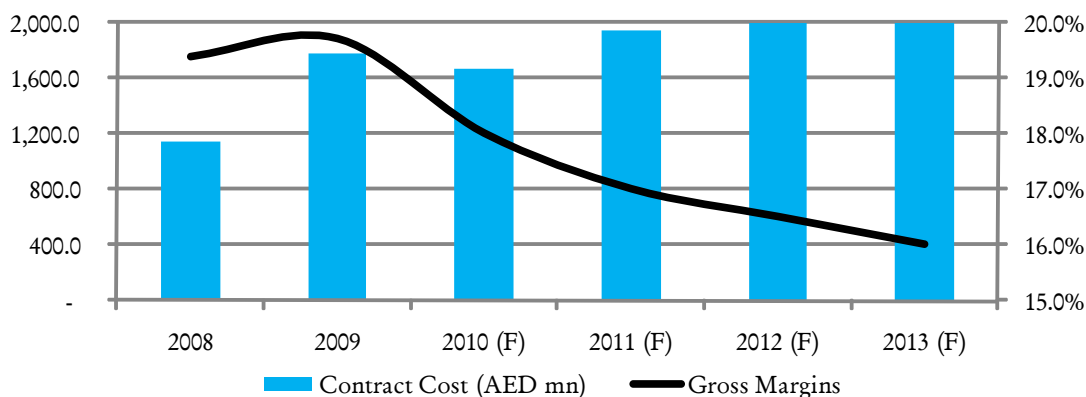
Gross Margins – Competition to drop the margins...

DSI contract cost rose from AED1.1bn in 2008 to AED1.8bn in 2009, an increase of 54.5%. Such an increase in cost was a direct result of increase in the new contracts acquired by the Company. Nevertheless, the Company was able to maintain its gross margins which in 2009 grew marginally to 19.7% as compared to 19.4% in 2008. The reason for sustained margins was because of tough market conditions which drove down the contract prices considerably and the cost of material also decreased significantly in unison to it, helping to keep margins at sustained levels.

During 1Q-2010, DSI gross margins were recorded at 19.2% as compared to 14.4% in the corresponding period last year. The margins were high when compared to previous year but were relatively down when compared with those of 2009.

Moving forward, we expect Company's margins to drop to 18% in 2010 and then further down to 16% by 2013. The decline in gross margin is expected because of the price wars between the competitors.

Contract Cost & Margins



Source: DSI & Global Research

Earlier, during the boom time the main priority was to find a contractor, however the financial crisis has drastically changed the overall outlook and these days developers bargaining power is on the upswing and contractors capacity utilization rates are going down. Nevertheless, few prominent names such as DSI and Arabtec would continue to prosper due to their vast experience in the field and a brand name.

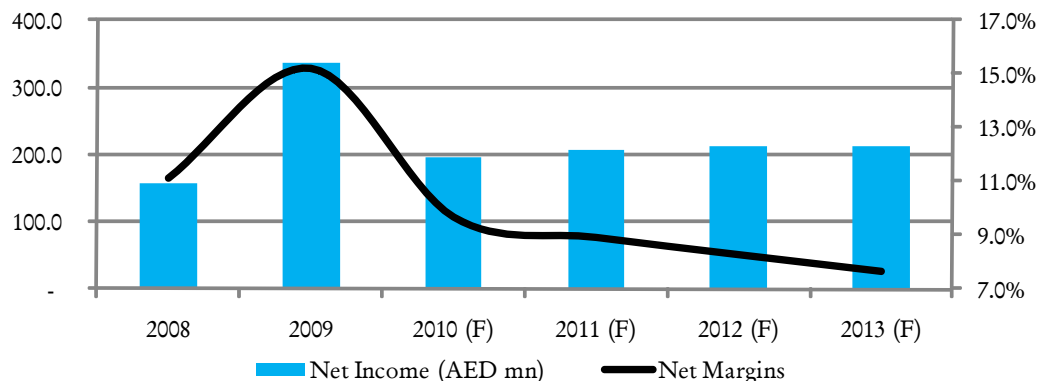
The economic downturn affected some of the regional markets, but Abu Dhabi, KSA and Kuwait remained lucrative. However, due to DSI strong presence in Abu Dhabi, which they had concentrated on developing and maintaining over the past few years, along with their positive track record, the increase in competition in the UAE's capital city did not have a significant effect.

Going forward, with their expected new acquisition in the regional markets, where not many strong and renowned construction companies are present, DSI would be able to bargain well for the upcoming projects.

Net Income – Expected to increase...

In 2009, DSI net profit more than doubled to AED336.5mn as compared to AED158.5mn in 2008. However, during the 1Q-2010, DSI was able to post a net income of AED41.7mn at net margins of merely 10.8% as compared to 2009 margins of 15.2%.

Net Income & Net Margins



Source: DSI & Global Research

Going forward, we expect 2010 to be a leap year when compared to 2009 and expect DSI to post net profit of AED188.1mn (EPS: AED0.09) as compared to AED336.5mn (EPS: AED0.15) in 2009. While on the net margin front we expect the net margins to be 9.7% in 2010 as compared to 15.2% in 2009. The major reason for the fall in net margins is due to the pre-incorporation profit availed by DSI worth AED42.0mn in 2009 and also due to more competition and expensive bank financing.

Post 2010, we expect the Company to report higher income on the back of expected economic recovery in the middle east specially in UAE and the continuation of the major projects which were put on hold during the crisis. We expect net profit of DSI to grow at a CAGR of 2.6% during 2010-13 and expect net margins to remain in the range of 7.5-10% during 2010-13.

No direct exposure to Dubai Government related entities

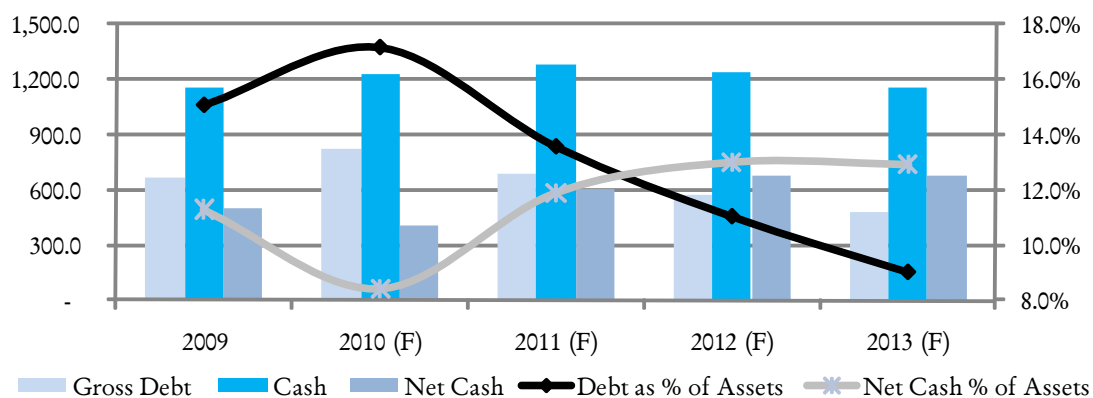
The recent default by Government related entities of Dubai i.e. Nakheel and Dubai World have no direct exposure to DSI. However, indirectly government of Dubai entities own stake in the clients of DSI.

Nevertheless, Dubai World (DW) announced today that it has reached an in-principle agreement with main creditors to restructure US\$23.5bn of its debt. This announcement comes as a conclusion to the statement made in end-November 2009, when it was declared that DW will not be able to meet its debt commitments and a request for an immediate restructuring was made. Albeit, DW debt restructuring bodes well for the conglomerate itself, its associated entities and for the perception of Dubai as a whole, what remains to be seen is whether this would act as a catalyst for the economy trickling down from individual companies and sectors.

Leverage - To decline...

DSI has debt of over AED663.4mn as of 2009 which declined to AED616.2mn by 1Q-2010. Of the total debt during 1Q-2010, AED150.4mn was non-current while the remaining was short term (AED362mn of term loans and AED103.8mn due to banks).

DSI Cash & Debt



Source: DSI & Global Research

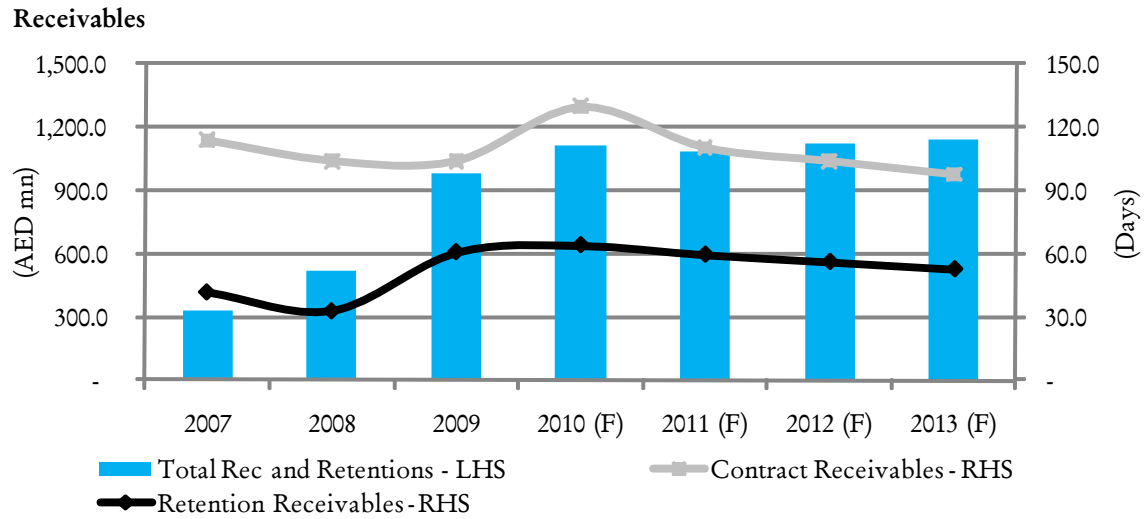
In 2010, we expect DSI debt to rise as the Company has mentioned that they would do the funding of their upcoming acquisition on 50-50 debt equity basis. However, post 2010, we expect Company's leverage to come down and net cash to increase as DSI would be paying of its loan.

Receivables – Not much of an issue ...

DSI receivable rose from 133days in 2008 to 162days at the end of 2009. Receivables break-up revealed that, contract receivable were static at 104days during 2008 and 2009 while the retention receivable rose from 32days in 2008 to 61days by 2009.

During 2009, DSI made provisions of AED14.3mn as compared to AED13.0mn in 2008. Increase in provisions during the year were because of increase in the liquidity problems of various UAE developers of which some were DSI customers.

By the end of 1Q-2010, DSI receivables rose further to 237days. Further breakup of the receivables revealed that the contract receivables were at 156days and retentions were at 81days.



Source: DSI & Global Research

Going forward, we believe that the receivable days of the Company are expected to drop as the contractors worldwide have taken stringent measures to decrease their receivables by adopting strict measures. Along with the expected drop in the receivable days, Company's cash position is expected to remain more than sufficient to cover any shortfall.

SWOT Analysis

Strengths

- Well-recognized and a strong brand name.
- Cash rich company.
- Presence in Europe, Asia and Middle-east.
- Client relationship.
- Technological innovation.

Weakness

- More than 2/3rd of the backlog focused on UAE of which 30% of the contracts are each Dubai and Abu Dhabi based.

Opportunities

- Establishing new companies in India, major power house in Asia due to market fragmentation.
- Diversification to IWP where most of the upcoming projects are being announced.
- Payment to Contracts of Dubai World, to boost the morale and reignite the tied up construction market.

Threats

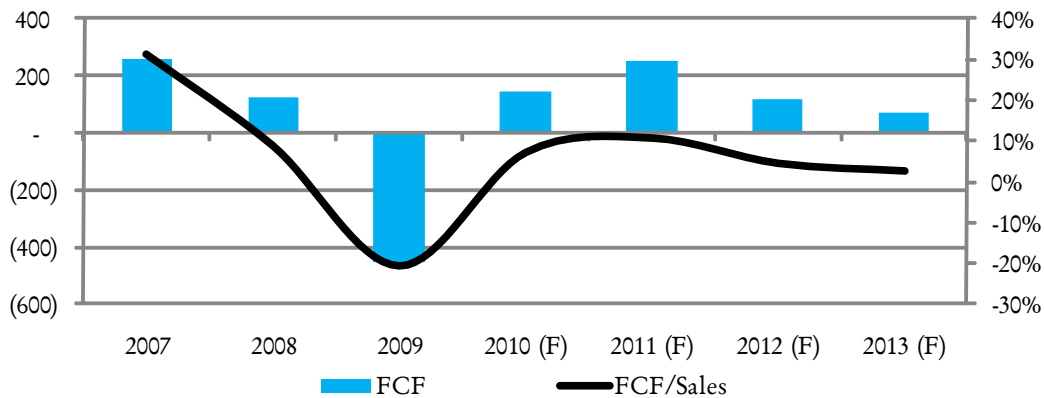
- Developers bargaining power is on the upswing resulting in shrinking of the margins.
- High receivables could strain working capital.
- Integration of new acquired companies.

DSI Outlook

DSI faced a number of challenges during the financial crisis, ranging from project delays and poor cash collection, slowdown of project awards and increasing competition. However, by recognizing the changing conditions early and taking immediate action, DSI was able to minimize the impact on the overall performance.

Overall, 2009 performance was way better than the previous years and higher than its competitors due to DSI's growth and diversification strategies. The economic downturn affected some of the regional markets, but Abu Dhabi, KSA, Kuwait and Qatar remained lucrative and are expected to remain so in the coming years as well. Acquisition by DSI during 2009 and 2010 in these markets are expected to bode well for the Company and will add significant backlog in the coming years.

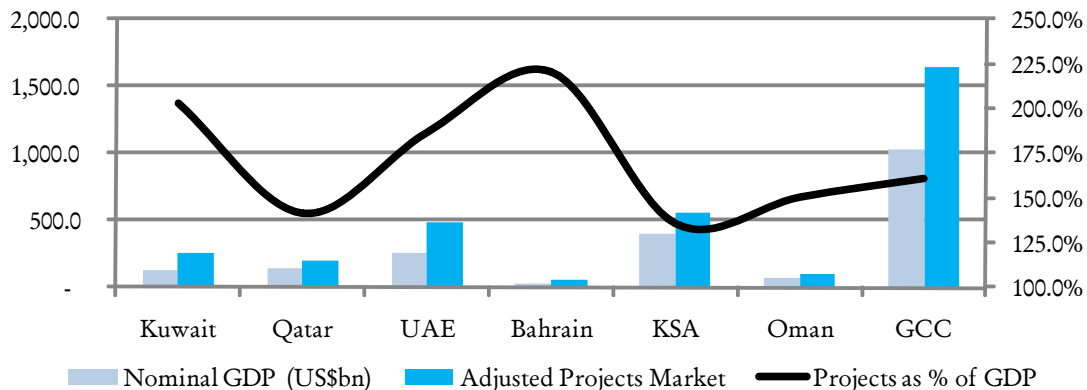
DSI's - FCF (AED mn) & FCF to Sales (%)



Source : Company Reports & 'Global' Research.

Going forward, a broader look at the regional level and where the expected presence of DSI is assumed we expect DSI to perform well in the coming years. This is based on the fact that the projects market as percentage of GDP in those countries is over 100%.

GCC Projects Market as % of GDP



Source: Global Research, IIF & MEED

Talking specifically about the GCC region, the adjusted projects market (excluding the projects on hold) as a percentage of nominal GDP is 161.2%.

Along with that, DSI's vertical growth also witnessed remarkable development following the establishment of separate entities for IWP and Civil Contracting to support their MEP business stream, in addition to the acquisition of a global water, wastewater & sludge treatment company. The Company will further expand in the year to come as they will utilize 50% of their AED1bn cash reserves in acquiring new companies.

In conclusion, all of these forecasts spell out more opportunities for DSI, as their different business streams are well placed to seize these opportunities and make good progress in 2010 and beyond.

BALANCE SHEET (AED mn)	DRAKE & SCULL						
	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Cash and Bank Balance	128	162	1,160	1,232	1,286	1,256	1,207
Contract Receivables & Retentions	334	520	984	1,115	1,088	1,108	1,114
Contract Work in Progress	151	226	405	457	478	468	493
Inventories	3	2	13	23	32	41	45
Other Assets	49	48	556	585	672	736	801
Current Assets	665	958	3,118	3,413	3,556	3,609	3,660
Goodwill & Other Intangible Assets	147	147	822	904	976	1,025	1,076
Investments	10	13	198	217	235	247	259
Prepayments	41	115	30	33	35	37	39
Property, Plant & Equipment	96	172	212	221	222	221	215
Loans & Advances	-	45	22	24	26	27	28
Non-Current Assets	294	491	1,282	1,399	1,494	1,557	1,617
Total Assets	959	1,450	4,401	4,812	5,050	5,166	5,277
Due to Banks	55	84	122	110	88	70	56
Term Loan	6	169	381	477	381	305	244
Accounts Payable	374	532	786	960	1,062	1,113	1,217
Other Current Liabilities	354	325	372	366	584	703	737
Current Liabilities	789	1,110	1,661	1,912	2,116	2,191	2,255
Term Loan	5	9	160	240	216	194	175
Employee End of Service	12	20	35	52	62	75	90
Deffered Tax Liability	-	-	30	42	45	47	50
Long Term Liabilities	17	29	224	333	323	316	314
Equity							
Share Capital	15	15	2,178	2,178	2,178	2,178	2,178
Statutory Reserve	8	8	34	53	74	95	117
Treasury Shares	-	-	(29)	(29)	(29)	(29)	(29)
Minority Interest	8	14	39	44	49	54	59
Foreign Currency Translation Reserve	-	-	(7)	-	-	-	-
Retained Earnings	121	274	301	320	339	361	383
Total Shareholders Equity	152	311	2,515	2,566	2,611	2,659	2,708
Total Equity & Liability	959	1,450	4,401	4,812	5,050	5,166	5,277

Source: Company Reports & Global Research

* Financial statements for 2009 reflects the performance of the company over 13-mth & 2-weeks starting Nov 17, 2008 & 2008 financials are 1-mth & 2 weeks less than a year.

INCOME STATEMENT	DRAKE & SCULL						
(AED mn)	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Contract Revenue	820	1,425	2,212	2,035	2,336	2,560	2,784
Contract Costs	(665)	(1,149)	(1,776)	(1,669)	(1,938)	(2,137)	(2,339)
Gross Profit	155	276	436	366	397	422	445
Amortization of Intangible Assets	-	-	(38)	(41)	(44)	(46)	(48)
Selling, General and Administrative Expense	(50)	(123)	(183)	(183)	(199)	(218)	(237)
Management Fees	(5)	(13)	(17)	(15)	(18)	(19)	(21)
Operating Profit	100	140	199	127	137	139	140
Other Income	10	26	114	93	90	88	87
Financial Charges	(5)	(7)	(17)	(23)	(19)	(16)	(13)
Profit Before Pre - Incorporation Profit	106	158	295	197	208	212	213
Pre - Incorporation Profit	-	-	42	-	-	-	-
Profit Before Tax	106	158	337	197	208	212	213
Income Tax	-	-	(1)	(1)	(1)	(1)	(1)
Profit After Tax	106	158	337	197	208	211	213

Source: Company Reports & Global Research

* Financial statements for 2009 reflects the performance of the company over 13-mth & 2-weeks starting Nov 17, 2008 & 2008 financials are 1-mth & 2 weeks less than a year.

CASH FLOW STATEMENT	DRAKE & SCULL						
<i>(AED mn)</i>	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Operating Activities							
Profit for the Year	106	158	337	197	208	211	213
Depreciation & Amortization	15	21	70	36	41	46	50
Other Income	(4)	(2)	(139)	(93)	(90)	(88)	(87)
Unexceptional Gain / Losses	3	(10)	23	-	-	-	-
Financial Charges	5	7	17	23	19	16	13
Change in WC	(50)	(186)	(502)	29	114	(9)	(35)
Cash Flow From Operations	75	(11)	(195)	191	291	175	154
Investing Activities							
Purchase of Property Plant & Equipment	(55)	(97)	(21)	(45)	(41)	(45)	(44)
Purchase of Available for Sales Investments	(10)	(2)	(316)	(20)	(17)	(12)	(12)
Prepayments	-	-	-	(3)	(3)	(2)	(2)
Other Income	4	2	79	93	90	88	87
Other Investing Activities	32	(1)	(85)	(2)	(2)	(1)	(1)
Cash Flows from Investing Activities	(30)	(98)	(343)	22	27	29	27
Financing Activities							
Share Capital Received in Cash	-	-	1,198	-	-	-	-
Term Loans	1	167	491	80	(24)	(22)	(19)
Financial Charges	(5)	(7)	(17)	(23)	(19)	(16)	(13)
Dividend Paid	(30)	-	-	(152)	(163)	(163)	(163)
Other Financing Activities	73	(16)	(137)	(46)	(59)	(34)	(34)
Cash Flows from Financing Activities	39	144	1,535	(142)	(265)	(235)	(230)
Cash Balance - Beginning	44	128	162	1,160	1,232	1,286	1,256
Increase/Decrease in Cash	84	35	998	72	54	(31)	(49)
Cash Balance - Ending	128	162	1,160	1,232	1,286	1,256	1,207

Source: Company Reports & Global Research

* Financial statements for 2009 reflects the performance of the company over 13-mth & 2-weeks starting Nov 17, 2008 & 2008 financials are 1-mth & 2 weeks less than a year.

FACT SHEET	DRAKE & SCULL						
	2007	2008	2009	2010 (F)	2011 (F)	2012 (F)	2013 (F)
Liquidity Ratios							
Current Ratio (x)	0.8	0.9	1.9	1.8	1.7	1.6	1.6
Quick Ratio (x)	0.8	0.9	1.9	1.8	1.7	1.6	1.6
Profitability Ratios							
Gross Profit Margin (%)	18.9%	19.4%	19.7%	18.0%	17.0%	16.5%	16.0%
Operating Margin (%)	12.2%	9.8%	9.0%	6.3%	5.9%	5.4%	5.0%
Net Profit Margin (%)	12.9%	11.1%	15.2%	9.7%	8.9%	8.3%	7.6%
Diluted Return on Assets (%)	2.4%	3.6%	7.6%	4.1%	4.1%	4.1%	4.0%
Diluted Return on Equity (%)	4.2%	6.3%	13.4%	7.7%	8.0%	8.0%	7.8%
Activity Ratios							
Debtor turnover Ratio (x)	2.5	2.7	2.2	1.8	2.1	2.3	2.5
Creditors Turnover Ratio (x)	1.8	2.2	2.3	1.7	1.8	1.9	1.9
Leverage Ratios							
Current Liability / Equity (x)	5.2	3.6	0.7	0.7	0.8	0.8	0.8
Debt / Equity (x)	0.4	0.8	0.3	0.3	0.3	0.2	0.2
Ratios Used for Valuation							
Diluted EPS (AED)	0.05	0.07	0.15	0.09	0.10	0.10	0.10
Diluted Book Value Per Share (AED)	0.07	0.14	1.16	1.18	1.20	1.22	1.24
EV/Revenue (AED)	-	-	0.68	0.71	0.53	0.46	0.40
EV/EBITDA (x)	-	-	4.3	6.7	5.6	5.1	4.9
Dividend Yield (%)	-	-	0.0%	8.5%	9.1%	9.1%	9.1%
Market Price (AED)	-	-	0.9	0.8	0.8	0.8	0.8
Market Capitalization (AED mn)	-	-	1,960.0	1,798.8	1,798.8	1,798.8	1,798.8
P/E Ratio (x)	-	-	5.8	9.1	8.7	8.5	8.5
P/BV (x)	-	-	0.8	0.7	0.7	0.7	0.7

Source: Company Reports & Global Research

** Historical P/E & P/BV multiples pertain to respective year -end prices, while those for future years are based on closing prices on the DFM as of July 08, 2010

*** ROE, ROA, EPS & BVPS have been calculated on outstanding shares of 2009.

APPENDIX

GCC Construction Industry

Gulf region attracted most of the attention since the start of this decade as large construction projects with ever-growing, ambitious magnitude lead the media headlines. Petro dollar liquidity fueled real estate and construction industry boom of remarkable proportions. The growth continued for a considerable years and it seemed as if nothing could stand in the way of the widespread up cycle. Even by the beginning of 2008, when the world found itself amid an economic downturn, confidence remained high that the GCC region would continue to grow and remain immune. However, in the later months, that confidence dispersed as increasing number of projects were postponed or halted, including some of the region's most iconic.

Amongst the GCC, there were those who were significantly impacted by the crisis , such as Dubai, once the example of striving high-rise office and residential constructions.

At the height of the boom in 2008, the Middle East, specially UAE, had been the largest importer of steel, when demand rose 39% over 2007. The UAE was the largest steel importer among the Gulf countries where imports in 2008 rose 45% compared with 2007. It was costing contractors more than US\$1,500/ton of reinforced steel (rebar) and close to US\$110/ton for cement in mid 2008. Contractors struggled to source materials, driving contract prices to new levels, in some cases seeing the original tender prices almost triple as a result of these increases.

UAE Material Costs (2005 - 2010)

	Jun-05	Dec-05	May-06	Dec-06	May-07	Oct-07	Jul-08	Dec-08	Jun-09	Oct-09	Feb-10
Cement (US\$/50kg)	4.4	4.8	5.0	5.4	4.7	4.9	6.8	6.8	4.1	3.8	3.7
RMC (US\$/ton)	63.0	67.0	69.0	73.0	90.0	80.0	110.0	102.5	105.0	91.5	94
Rebar (US\$/ton)	530.0	545.0	685.0	685.0	797.5	725.0	1,525.0	400.0	540.0	538	545
Aggregate (US\$/ton)	7.2	7.6	9.5	11.0	16.0	11.0	n/a	n/a	17.5	15.5	15.5
Diesel (US\$/Litre)	0.4	0.5	0.5	0.5	0.6	0.7	1.2	0.8	0.7	0.67	0.67

Source: David Langdon

Contractors started to negotiate for compensation due to the escalation of these costs, which no one could have predicted one or two years ago. Margins on contracts also rose to new levels as the demand for contractors outweighed the supply. Margins on mega contracts rose to double digits, where historical margins had been in single digits. For a while it looked like the Gulf would be unaffected by the global economic downturn and then in the last quarter of 2008 we saw construction projects worth billions of dollars being postponed.

With Dubai not looking much promising to the contracting companies, they shifted their paradigm to Qatar, Abu Dhabi and Saudi Arabia.

Qatar's economy, buoyed by gas-rich resources, is fueling investment in infrastructure and construction industry development. As a result, its construction sector is poised for 18% growth in 2010.

Saudi Arabia is also an immense source of potential, with 50% of the Gulf's current construction projects taking place within its borders. The large population, pent-up demand for affordable residential housing and government drive to diversify the economy away from oil all point to a bright future for construction in the kingdom.

Abu Dhabi, already a leading construction force in the region, shows great promise for the future, too. The emirate's 2030 plan includes a vast range of projects in energy, transport, industry, health care, education, government, agriculture and much more. If there is a trend that can be pinpointed as emerging, it is that of governments using their reserves to stimulate their economies and thus creating opportunities for the construction industry.

Challenges faced by Construction Companies

- Careful management of their project cash flows as advance payments are now a thing of the past.
- Assessing the financial strength of the customers & subcontractors.
- Claim negotiations.
- Rising finance and insurance costs.
- Understanding the bureaucracy and legal systems when setting up business in new markets.

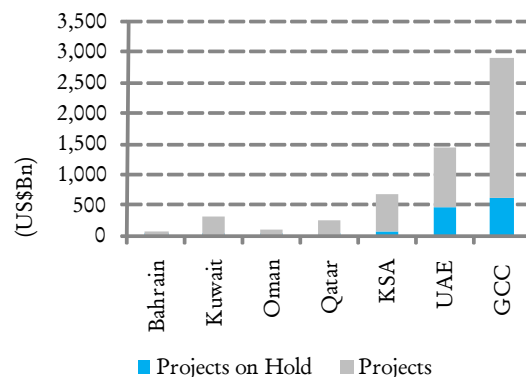
As a result, education and health care as well as infrastructure are likely to be the sectors where most demand for building will lie in the future. Yet, for the developers and contractors the impact of the credit crunch is not only being felt in a shake-up of demand. Many of them face new challenges and uncertainty in the months and years ahead as a result of lessons learned from the economic downturn. Managing cash flows with greater care, seriously assessing the risks of entering new markets and addressing rising finance and insurance costs number among these.

GCC Projects & Contracts

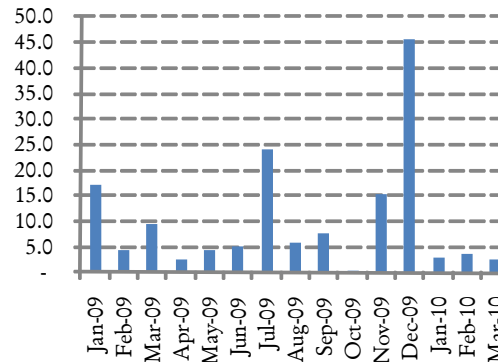
GCC witnessed a 14.6% yearly decline in projects activity in 1Q-2010. Total value of projects reached US\$2.27tn on Mar 30th, 2010 as compared to US\$2.66tn on Mar 30th 2009. This decrease was due to the repercussion of the global financial crisis and the uncertainty of Dubai World debt. UAE which holds the largest share of planned projects in the GCC witnessed the largest decline of 26.2% to reach US\$966.7bn from US\$1.30tn on March 30th 2009, of which US\$479bn or 50% are on hold.

Dubai World debt crisis have taken a toll on the projects activity as its currently working on rescheduling of US\$22bn in debts. Kuwait, witnessed the second largest decline of 6.1% in projects activity by March 30th 2010. Planned projects in Kuwait reached US\$289.5bn as compared from US\$308.4bn at end of 1Q-2009, of which 8.6% are put on hold. Kuwait officially started to implement its 5-year US\$125bn development plan. Relatively, Oman witnessed a mere 3.4% decrease in projects activity in 1Q-2010. Projects value reached US\$104.9bn as compared to US\$108.9bn at the end of 1Q-2009. KSA, the second largest country of planned projects witnessed a 3.4% decline in planned projects totaling US\$622.6bn, of which 11.5% are on hold.

GCC Project Market Value (As of 1Q-2010)



Contracts Awarded in GCC (US\$bn)



Source: MEED

On the other hand, Bahrain and Qatar achieved the lowest decline in planned projects at the end of 1Q-2010. Bahrain recorded a 0.7% decrease in projects to reach US\$67.5bn as compared to US\$68bn at the end of 1Q-2009. Qatar, witnessed 0.6% decline in projects activity in 1Q-2010, with total value of projects reaching US\$221.3bn, of which 11.4% of the projects are on hold. KSA and UAE have the largest market share of active projects totaling 33.4% and 29.5% respectively, followed by Kuwait and Qatar with a respective share of 16% and 11.9%.

Construction contracts awarded in the GCC witnessed a huge 71.3% decline to reach US\$8.9bn in 1Q-2010 as compared to US\$31bn in 1Q-2009. On a Q-o-Q basis, construction contracts awarded decreased 85.6% from US\$61.6bn witnessed in Q4-2009. On a yearly basis, Q4-2009 still reckons the strongest quarter for construction contracts awarded. The months of December and July 2009 witnessed the largest single months construction contracts awarded. December witnessed an immense US\$45.8bn while July contracts were recorded at US\$24bn.

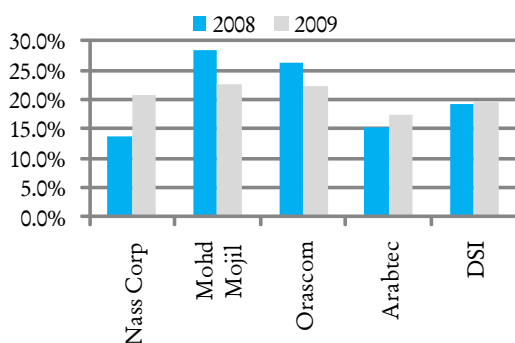
Peer Group Comparison

For peer group comparison we have taken five companies present in the MENA region.

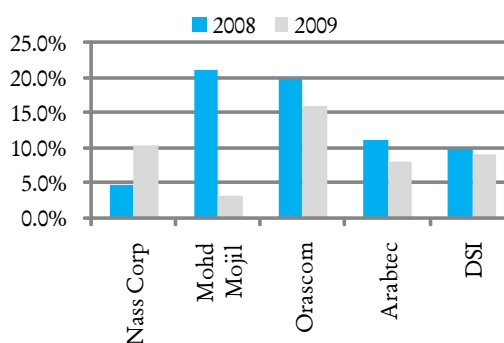
- Nass Corporation BSC
- Mohammad Al-Mojil Group (MMG)
- Orascom Construction Industries (OCI)
- Arabtec
- Drake & Scull

On the gross margins front, 2008 and 2009 were the peak year in terms of margins. MMG lead the margins in both the year at 28.4% and 22.8% followed by Orascom Construction Industries at 26.2% and 22.2% respectively. Drake and Scull was not far behind and was able to avail handsome margins during the same period ahead of Arabtec at 19.4% and 19.7% in 2008 and 2009 respectively.

Gross Margins



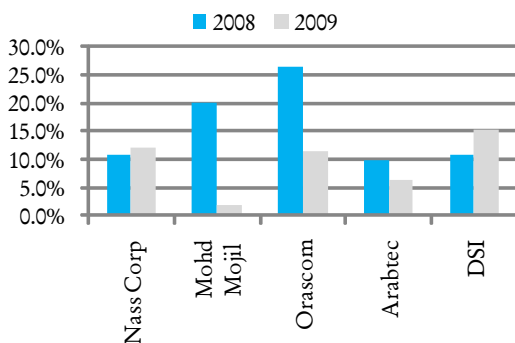
Operating Margins



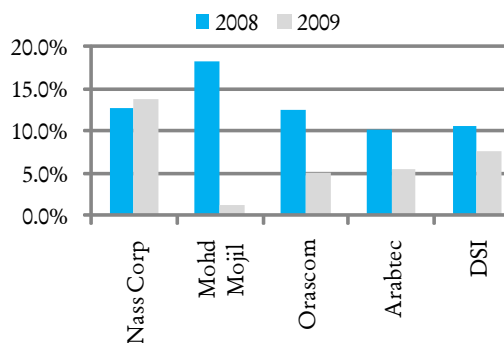
Source: Bloomberg

On the operating margins front, Orascom's margins were higher among the peers at 19.8% and 16.0% in 2008 and 2009 respectively. DSI operating margins were below average at 9.8% and 9.0% as compared to industry at 13.3% and 9.3% respectively.

Net Margins



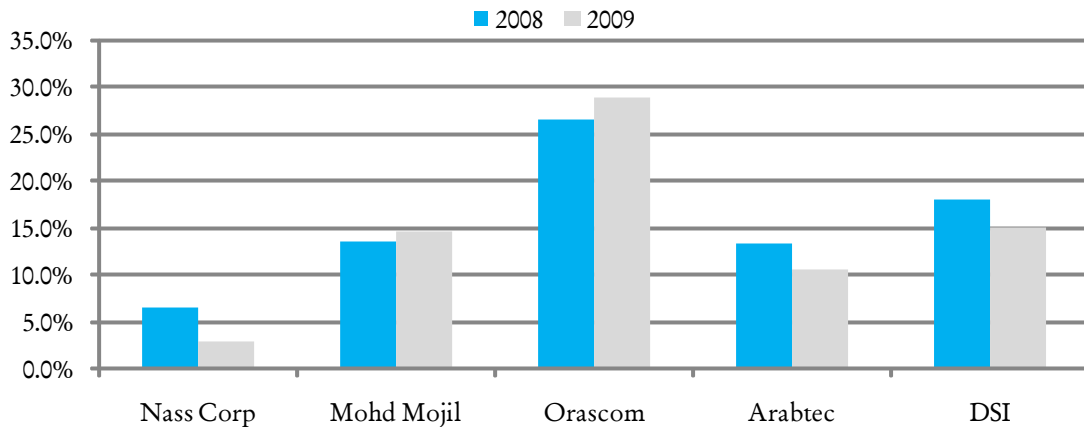
Return on Assets



Source: Bloomberg

While on the net margins front, DSI leads in 2009 at 15.1% followed by Nass Corporation of Bahrain at 12.2%. Reason for the higher net margins of DSI is because of higher contribution of other income segment to the bottom-line of the Company at 33.8% in 2009.

Debt to Assets



Source: Bloomberg

Construction companies in UAE have quite a skewed capital structure which is quite healthy in current economic environment. Debt to assets average of UAE companies is 12.8% in UAE as compared to the MENA average at 14.4%.

The dynamics of the construction sector have been rapidly changing across the board. Earlier between 2005 and 2008, the construction market was more of seller's market during the boom time. Contractors had choice which project to take and were more selective. However, post 2008, the construction market has turned back to Buyers market. Developers are in a better bargaining position in negotiating contracts with the contractors.

With the changing tides we expect the margins of the construction companies to shrink in the coming years owing to developers bargaining positions and lesser projects available for considerable number of construction companies.

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist				
Company	Recommendation	Ticker	Price	Disclosure
Drake & Scull International PJSC	BUY	DSI UH DSI DU	AED 0.81	1,10

1. Global Investment House did not receive and will not receive any compensation from the company or anyone else for the preparation of this report.
2. The company being researched holds more than 5% stake in Global Investment House.
3. Global Investment House makes a market in securities issued by this company.
4. Global Investment House acts as a corporate broker or sponsor to this company.
5. The author of or an individual who assisted in the preparation of this report (or a member of his/her household) has a direct ownership position in securities issued by this company.
6. An employee of Global Investment House serves on the board of directors of this company.
7. Within the past year, Global Investment House has managed or co-managed a public offering for this company, for which it received fees.
8. Global Investment House has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
9. Global Investment House expects to receive or intends to seek compensation for investment banking services from this company in the next three month.
10. Please see special footnote below for other relevant disclosures.

Global Research: Equity Ratings Definitions	
Global Rating	Definition
Buy	Fair value of the stock is > 10% from the current market price
Hold	Fair value of the stock is b/w +10%/-10% from the current market price
Reduce	Fair value of the stock is b/w -10%/-20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

This material was produced by Global Investment House KSCC ('Global'), a firm regulated by the Central Bank of Kuwait. This document is not to be used or considered as an offer to sell or a solicitation of an offer to buy any securities. Global may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities ('securities'), perform services for or solicit business from such issuer, and/or have a position or effect transactions in the securities or options thereof. Global may, to the extent permitted by applicable Kuwaiti law or other applicable laws or regulations, effect transactions in the securities before this material is published to recipients.

Information and opinions contained herein have been compiled or arrived by Global from sources believed to be reliable, but Global has not independently verified the contents of this document. Accordingly, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. Global accepts no liability for any loss arising from the use of this document or its contents or otherwise arising in connection therewith. This document is not to be relied upon or used in substitution for the exercise of independent judgment. Global shall have no responsibility or liability whatsoever in respect of any inaccuracy in or omission from this or any other document prepared by Global for, or sent by Global to any person and any such person shall be responsible for conducting his own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document.

Opinions and estimates constitute our judgment and are subject to change without prior notice. Past performance is not indicative of future results. This document does not constitute an offer or invitation to subscribe for or purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. Neither this report nor any copy hereof may be distributed in any jurisdiction outside Kuwait where its distribution may be restricted by law. Persons who receive this report should make themselves aware of and adhere to any such restrictions. By accepting this report you agree to be bound by the foregoing limitations.



Global Investment House

Website: www.globalinv.net

Global Tower

Sharq, Al-Shuhada Str.

Tel. + (965) 2 295 1000

Fax. + (965) 2 295 1005

P.O. Box: 28807 Safat, 13149 Kuwait

Brokerage

Yousef S. Fahed Alebrahim
(965) 2295-1702

yalebrahim@global.com.kw

Research

Faisal Hasan, CFA
(965) 2295-1270

fhasan@global.com.kw

Index

Rasha Al-Huneidi
(965) 2295-1285

huneidi@global.com.kw

Wealth Management - Kuwait

Rasha Al-Qenaei

(965) 2295-1380

alqenaei@global.com.kw

Wealth Management - International

Fahad Al-Ibrahim

(965) 2295-1400

fahad@global.com.kw

Global Kuwait

Tel: (965) 2 295 1000

Fax: (965) 2 295 1005

P.O.Box 28807 Safat, 13149
Kuwait

Global Bahrain

Tel: (973) 17 210011

Fax: (973) 17 210222

P.O.Box 855 Manama, Bahrain

Global Dubai

Tel: (971) 4 4477066

Fax: (971) 4 4477067

P.O.Box 121227 Dubai,
UAE

Global Abu Dhabi

Tel: (971) 2 6744446

Fax: (971) 2 6725263/4

P.O.Box 127373 Abu Dhabi,
UAE

Global Saudi Arabia

Tel: (966) 1 2199966

Fax: (966) 1 2178481

P.O. Box 66930 Riyadh 11586,
Kingdom of Saudi Arabia

Global Qatar

Tel: (974) 4967305

Fax: (974) 4967307

P.O.Box 18126 Doha,
Qatar

Global Egypt

Tel: (202) 24189705/06

Fax: (202) 22905972

24 Cleopatra St., Heliopolis,
Cairo

Global Jordan

Tel: (962) 6 5005060

Fax: (962) 6 5005066

P.O.Box 3268 Amman 11180,
Jordan

Global Wealth Manager

E-mail: contactus@global.com.kw

Tel: (965) 1-804-242

Disclaimer

This document and its contents are prepared for your personal use for information purposes only and is not an offer, or the solicitation of an offer, to buy or sell a security or enter into any other agreement. Projections of potential risk or return are illustrative, and should not be taken as limitations of the maximum possible loss or gain. The information and any views expressed are given as at the date of writing and subject to change. While the information has been obtained from sources believed to be reliable we do not represent that it is accurate or complete and it should not be relied on as such. Global Investment House, its affiliates and subsidiaries can accept no liability for any direct or consequential loss arising from use of this document or its contents. At any time, Global Investment House or its employees may have a position, subject to change, in any securities or instruments referred to, or provide services to the issuer of those securities or instruments.