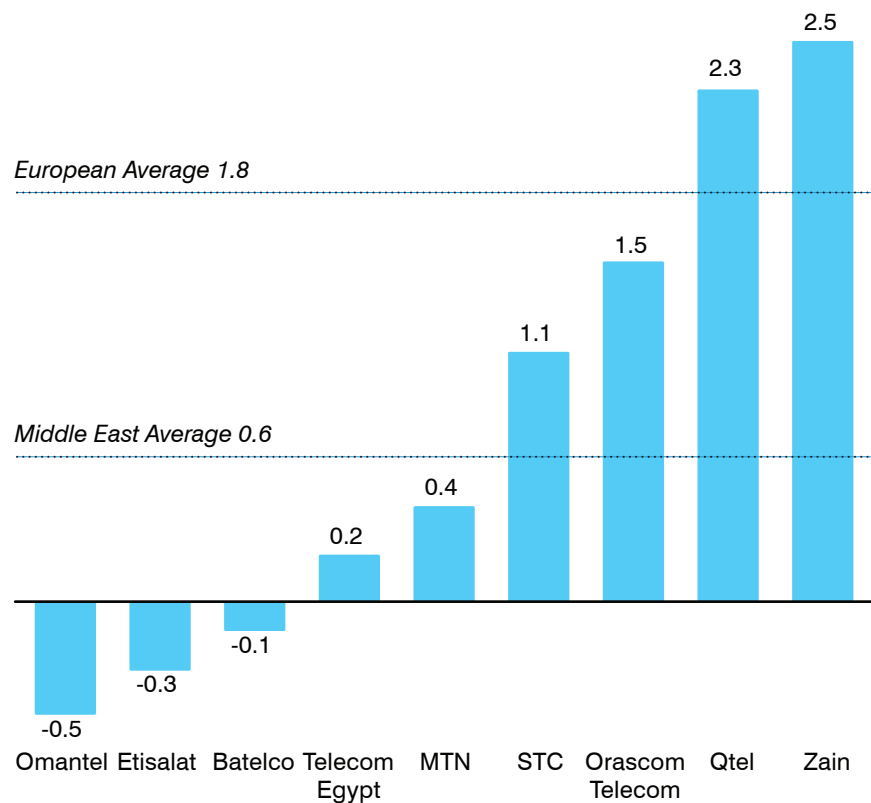


GCC TELECOM SECTOR RESILIENT THANKS TO STRONG CASH POSITION

During the recession in 2001, global telecom revenues not only held their own, they increased—from US\$968 billion in 2001 to \$1.03 trillion in 2002. Similarly, telecom operators in the Gulf Cooperation Council (GCC) are not just surviving but thriving in the current downturn. In December 2008 and January 2009, Etisalat won its \$400 million bid to operate its mobile network in Iran for 15 years, STC won a mobile license including 3G in Bahrain, and Batelco announced the acquisition of a 49 percent stake in India's S Tel for \$225 million in partnership with a private equity group.

None of this growth would have been possible without the strong cash positions that characterize telecom operators in the GCC. They have a solid ability to generate cash, with high EBITDA margins and a good flow of revenues, neither of which has seen much impact from the crisis. Their debt levels are manageable, particularly when compared to the European average, and the cost of funding is relatively low for stable operators (see Exhibit 1). With fewer players globally in a similar debt position, GCC operators can take advantage of their ability to successfully fund transactions and move forward with desirable targets for M&A. These operators can benefit from lower equipment and infrastructure costs, coupled with better management of their assets, to release more cash from their business and continue investing in organic and inorganic growth.

*Exhibit 1:
Selected Middle East Operators' Net Debt /EBITDA
(2008E)*



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