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• **9M 2007 results below estimates:** Tabreed reported AED 48.6mn in net income in 9M 2007, up 4.6% from the same period last year. The results came lower than our expectations indicating that Tabreed is set to miss our net income estimate of AED 87.3mn for 2007. Net income growth came under pressure due to lower than expected growth in chilled water revenues as well as a surge in G&A expenses.

• **Manufacturing business drives revenues growth:** Total revenues increased by 19.7% to reach AED 408mn in 9M 2007. Contrary to our expectations, Tabreed's revenue mix continues to be diversified among chilled water, manufacturing, contracting and services revenues with the growth in services and manufacturing outpacing the growth in chilled water. We had expected chilled water revenues, which represented 34% of revenues in 9M 2007, to dominate Tabreed's revenue mix in 2007. We had also expected contracting revenues, which pertain to the military contracts, to end in early 2007. However, the continuation of contracting work in addition to a surge in manufacturing revenues by 41% gave a boost to the company's total revenues in 9M 2007.

• **Impact of the sale of four cooling plants:** In Q4 2006 Tabreed sold four cooling plants with a capacity of around 60,000 tons to Sahara Cooling; a joint venture which is 40% owned by Tabreed. Income from the joint venture is included in Tabreed's share of results of associates, which reached AED 5.8mn in 9M 2007 compared to AED 0.6mn in 9M 2006. Also, the sale of capacities resulted in a slight decrease in depreciation expense, bringing it down to AED 38.9mn in 9M 2007 compared to AED 40.6 mn in 9M 2006.

• **Significant rise in G&A and financing expenses and in minority interests:** G&A expenses surged by 44% to reach AED 97.9mn in 9M 2007. Finance costs increased by 37% to reach AED 49.6mn, while minority interests increased by 46% to reach AED 24.5mn.

• **We remain bullish on the company's long term prospects:** We will be revising our short term estimates for Tabreed downwards in light of the 9M 2007 results. However, we remain bullish on the company's long term prospects on the back of key contracts signed in 2007, including a contract with Aldar to build 23 cooling plants by 2009.

Current stock price (AED)	3.07	AED '000	Q3 2006	Q2 2007	Q3 2007	9M 2006	9M 2007
52-week range (AED)	1.62-3.61	Revenues	109,350	121,839	163,750	340,815	408,109
Number of shares (000)	1,134,000	Gross profit	42,661	58,228	65,163	148,275	185,550
Free Float (%)	73.00	G&A expenses	(24,501)	(35,229)	(35,864)	(68,121)	(97,902)
Market Cap (AED '000)	3,481,380	Finance costs	(8,860)	(18,987)	(17,425)	(36,041)	(49,573)
Div. Yld (%)	0.00	Other income	8,498	17,614	8,996	19,102	34,991
		Minority interests	(3,896)	(8,907)	(6,330)	(16,748)	(24,451)
		Net income	13,902	12,719	14,540	46,467	48,615

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