Equity Research
Europe

Israel

Telecommunications Services

Partner Communications

Reuters: PTNR.O Bloomberg: PTNR US ADR: PTNR.O

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Change in Earnings Forecasts

January 25, 2002

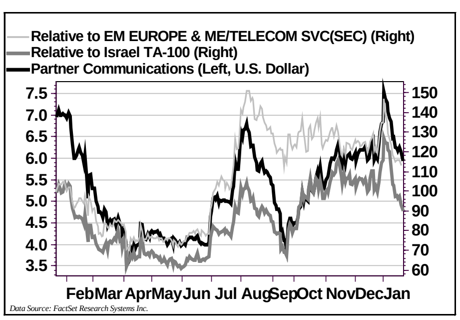
From Cash Burn to Asset Turn

OUTPERFORM	
Price (Jan 22, 2002):	$5.98
Price Target:	$8.50
52-Week Range:	$7.67 — 3.50

WHAT'S CHANGED	
2001 Revenues	*-1.3%*
2002 EBIT	*+5.7%*
2002 EBITDA	*+1.6%*

- **In 2002 Partner should turn cash positive and asset turn accelerate**
  Partner's 2G business model should mature in 2002, with its high capital efficiency coming through into high returns on capital.
- **We expect Partner to continue expanding its market share**
  On the basis of current market share of additions and revenues we feel there is upside to our long-term market share estimate of 29%.
- **High asset turn and margin aided by weak competitors mean strong ROCE**
  Partner is the most capital efficient of the Israeli mobile operators, and is also in good operational shape, meaning supernormal returns can be made. High financial gearing magnifies the impact on equity.
- **Poor regional sentiment and concerns over share overhang are the risks**
  Upside potential to fair value is somewhat diluted by poor regional liquidity. We think the valuation case will become more compelling through 2002. Potential dilution from equity raising is not large, in our view.

Price: Abs. and Rel. to Market and Sector



Source: Factset

FY ending December:	2001A	2002E	2003E	2004E
EPS (US$)	(0.51)	(0.27)	0.19	0.26
Prior EPS Ests. (US$)	(0.36)	(0.13)	0.07	0.21
CEPS (US$)	0.20	0.53	1.12	1.31
Revenue (US$ mn)	734	830	896	933
Net Income (US$ mn)	(90)	(48)	33	47
EBITDA (US$ mn)	148	198	255	280
P/E	NM	NM	32.1	22.8
P/CE	29.8	11.3	5.4	4.6
EV/EBITDA	12.3	9.5	6.4	5.6
EV/EBITDA/3yr Growth	0.52	0.67	0.84	0.84

Market Cap (US$ mn)	1,099	Book Value (US$ mn) (12/02)	(440)
Enterprise Value (US$ mn)	1,897	Free Float (%)	25.0
Debt/Cap (12/02) (%)	72.7		
Return on Equity (12/01) (%)	NM	Exchange Rate (NIS/US$1)	4.60
Shares Outstanding (mn)	178.9		

E = Morgan Stanley Research Estimate.

Company Description

Partner, operating under the orange brand, is the only GSM mobile operator in Israel. The company received its licence in April 1998, launched a full commercial service in January 1999, and had attained 1.3 million subscribers at the end of September 2001.

From Cash Burn to Asset Turn

Investment summary and conclusion

Partner continues to gather momentum operationally and financially, and remains the clear Israeli market leader in subscriber additions and customer satisfaction. We see momentum being maintained through a trickier 2002, with natural subscriber growth deceleration exacerbated by the economic slowdown. The company has now built critical mass and a base from which to expand margins through innovative service provision — another area in which it leads the Israeli market. Competition should be relatively orderly in a slow market and ahead of its 3G roll-out, which would be positive for margins. We see the 4Q01 results as a hiatus in margin growth, as seasonal revenue weakness coincides with a renewed marketing focus. Market disappointment here could be an opportunity to buy for the longer term.

We retain our Outperform rating, noting that Partner is the better candidate for 'defensive telco' status in Israel than Bezeq, which has previously fulfilled that role. Our price target is US$8.50 for year-end 2002.

Capital raising in 2002-03 already in the price

Partner has repeatedly signalled its requirement to raise US$150-200 million for its 3G roll-out and has indicated that it is examining a number of sources of financing. Given the company's current high level of gearing (and negative shareholders' funds), we think that a significant part of the capital raised will be equity. After the award of 3G spectrum, Partner announced a shelf registration with the SEC for the issuance of up to 25 million new shares and the raising of up to US$400 million. This allows Partner to come to market rapidly as and when conditions are right. Management has stated that it will look for the right window of opportunity to tap markets, but that there is no urgency, given the company's improved financial position. There is no change to the provisional roll-out target for 3G, from mid-2003 — availability of handsets permitting. We agree that Partner does not need financing other than for 3G capex and we think that it should therefore be in no rush to come to market, although there is the potential to retire expensive high-yield debt (nominal value US$175 million) carrying a 13% coupon.

The market should have already discounted the raising of additional equity, even at a valuation below fair value. In order to give a feel of the implicit dilution in raising capital below fair value we have estimated the potential impact on fair value of raising US$175 million at a variety of issue prices. The results, set out in Exhibit 1, show that, even raising US$200 million at a heavily discounted US$5.50 per share (an 8% discount to the current price), results in a fair value dilution of the enlarged share base of only 7.6%, consistent with a diluted fair value of US$8.10. Furthermore, we believe that an enlarged share base would improve liquidity in the stock, which some investors currently find an obstacle to investment.

3G licence secured, expect roll-out from 2H03

Partner secured its 3G and additional 2G spectrum at the minimum auction price (NIS 400 million, combined) for a 10-year licence — including an extension to its existing 2G permit. Handset availability is likely to be the major obstacle to the roll-out of 3G services. In the meantime, Partner will concentrate on the development of 2.5G services with customised, enhanced handsets. In our view, the migration from 2G through 2.5G to 3G services is rather rapid and will pressurise margins through higher SACs. The added danger is that each link in the migration opens operators to increased risk of churn to other networks. This is a symmetrical risk, however, and in actual subscriber number terms should benefit Partner — particularly as its competitors have a tougher migration path to 3G services.

Cellcom's GSM launch an opportunity and a threat

We expect Cellcom to launch GSM services in 1Q02 — the first GSM competitor to Partner. Competition for roaming revenues, now practically monopolised by Partner, will increase, as will the risk of churn between operators. Churn at Partner has been low due to a combination of good customer service and call quality, but also because subscribers cannot use their handset on alternative networks. Cellcom will soon provide a more potent threat and can in theory divert SACs from handset subsidies towards advertising or other incentives for the subscriber.

Exhibit 1

Partner Equity Raising: Dilution of Fair Value

Issue Price (US$)/Amount Raised (US$ mn)	150 (%)	175 (%)	200 (%)
5.50	6.0	6.8	7.6
6.00	4.9	5.6	6.3
6.50	4.0	4.6	5.2
7.00	3.2	3.7	4.2
7.50	2.5	2.9	3.3
8.00	1.9	2.2	2.5

Source: Company data, Morgan Stanley Research

On the other hand, Partner has an established and well functioning network, while even Cellcom will expect some teething troubles as its operation beds down. There is the potential, therefore, for new GSM subscribers at Cellcom to move to Partner if dissatisfied with the new GSM service.

Partner continues to increase market share

We anticipate that a renewed, frequency-rich Cellcom and Pelephone under new management will both attempt to halt Partner's dominance of subscriber additions in 2002. We doubt that Pelephone will be able to turn around its market image that rapidly and we see it taking a lower share of gross additions in 2002. We think MIRS will continue to be largely irrelevant as a player in the cellular mass market, while Cellcom may make some progress at the level of gross additions. The upshot is that we see Partner taking a slightly lower share of gross additions (33% versus 34% currently), but that its share of net additions actually increasing. Our long-term market share assumption for Partner is 29%, which provides more upside than downside potential, in our view, especially given that the company is already taking 28% of revenues in the market, on our estimates.

Margins gradually expand as subscriber growth slows

2002 should see gradual growth in margins after the explosive margin expansion of 2001. We expect, however, that the cost of preparation for 3G and renewed competitive pressures will place some strain on expenses, and our forecast of a 23.8% EBITDA margin is at the low end of management's range of 24-25%. Our projection of a long-term margin of just over 30% is more significantly below management's expectations for the reasons of high capital efficiency set out below.

Superior capital efficiency is a long-term advantage ...

As discussed in our report '2002 — What's Ahead', January 25, 2002, Partner exhibits extraordinarily high capital efficiency on our projections — a combination of great demographics, favourable topography and high usage. This should, of course, be irrelevant to its return on capital. In a competitive (and regulated) market where all participants share the same natural advantages, margin should fall or capex should rise (providing more infrastructure-based services, for example) until the industry return on capital is approximately equivalent to the cost of capital.

However, the Israeli market has become distorted by the utilisation of varying technologies by the three major operators and legacy networks, which will not be completely undone by the migration to 3G. We see Partner maintaining a capital efficiency advantage over its competitors, while simultaneously increasing its margin. Cellcom's current EBITDA margin of 35% is unsustainable, in our view. We see Pelephone struggling to improve its margin (currently 10-15%, we estimate), but in the longer term the industry's margin is likely to converge as cost structures are replicated.

... while industry margin equalisation will be swifter ...

The absolute level of margin will have much to do with the attitude of the regulator — in particular in relation to fixed-mobile interconnect. The regulator has recently indicated that a previously agreed schedule of annual reductions in fixed-mobile interconnect will be delayed. This is for the benefit of Pelephone, which is in a weak financial condition, and is not, in our view, an indication of the regulator's view of a fair interconnect rate. At present, mobile operators receive 50 agorot per minute incoming, while Bezeq retains just 6.4. Mobile-to-fixed interconnect is just 4.8 agorot per minute. Given the high capital and (potential) operational efficiency of the Israeli cellular operators, we see a dramatic reweighting of these rates in the longer term. The regulator acknowledges the current disparity, but has decided to set interconnect at a level to protect Pelephone and maintain a three-player market.

... resulting in supernormal returns on capital

The implication of margins converging over the medium term and capital efficiency converging only over a longer period is an extended period of divergent return on capital between operators. In our view, Partner should retain supernormal returns well into the medium term, benefiting from high asset turn and a cost structure that is set to protect the weakest operator. High financial gearing magnifies the impact on equity returns. The threat to this scenario is 3G roll-out, which may be an equaliser in terms of capital efficiency and margin, although we have no reason to believe currently that Partner will perform poorly on either score relative to its competitors.

Points to watch for — our expectations

Positive

- Continued strong share of market net additions in 4Q01 and into 2002.
- Regulator formally sets favourable schedule of interconnect rate reductions.

Negative

- Pressure on margins in 4Q01 from renewed competition. Economic and market slowdown in 2002.

Exhibit 2

EMEA Cellular: Valuation Comparables, 2001-2002E

Company	Ticker	Rating	Curr	Price Current	Price Target	Mkt Cap US$ mn	EV US$ mn	EV/EBITDA 2001E	EV/EBITDA 2002E	EV/EBITDA 2003E	EG Ratio 2002E	EG Ratio 2003E	EV/EBIT 2001E	EV/EBIT 2002E	EV/EBIT 2003E	P/E 2001E	P/E 2002E	P/E 2003E	EV/Revenues 2001E	EV/Revenues 2002E
Mobile Operators																				
Cosmote*	COSr.AT	NC	euro	11.84	NA	3,448	3,632	11.5	9.4	8.3	1.24	1.52	14.3	12.0	11.1	209.1	180.2	176.4	1,400	1,204
M-Cell	MCEJ.J	N	R	14.10	15.40	1,954	2,379	8.6	6.5	4.8	0.27	0.28	18.3	12.8	8.8	37.1	27.1	15.7	454	345
Mobinil*	EMOB.CA	NC	E£	32.78	NA	708	1,106	4.1	3.3	2.7	NAV	NAV	7.1	5.6	4.6	6.4	5.1	5.2	596	499
MTS	MBT.N	N-V	US$	36.12	NA	3,600	3,585	8.0	6.9	6.5	0.73	0.70	11.6	10.9	11.8	17.3	16.7	17.5	1,788	1,066
Panafon	PANr.AT	N	euro	6.28	NA	2,843	3,277	8.2	7.5	7.1	3.14	5.49	10.7	10.1	9.6	16.6	15.4	14.2	1,046	974
Partner	PTNRq.L	OP-V	US$	5.98	8.50	1,070	1,826	12.3	9.5	6.4	0.67	0.84	83.3	31.8	17.7			32.1	1,242	1,031
STET Hellas	STHLY.O	OP-V	US$	5.90	11.00	431	771	4.9	4.5	4.0	0.48	0.69	10.1	9.6	8.4	16.3	14.2	11.2	333	304
Turkcell	TKC.N	N-V	US$	18.80	NA	3,760	5,113	11.4	8.3	7.9	0.88	0.64	80.7	28.8	33.5		167.7	61.4	449	412
VimpelCom	VIP.N	N-V	US$	28.75	NA	1,546	1,670	11.9	8.1	6.8	0.66	0.72	20.9	13.2	11.3	42.7	19.0	16.7	798	575
Average				**NM**	**NM**	**2,151**	**2,596**	**9.0**	**7.1**	**6.1**	**1.01**	**1.36**	**28.6**	**15.0**	**13.0**	**49.4**	**55.7**	**38.9**	**901**	**712**
Weighted Average				**NM**	**NM**	**NM**	**NM**	**9.3**	**7.3**	**6.4**	**1.25**	**1.48**	**17.3**	**12.9**	**11.8**	**64.3**	**80.6**	**51.5**	**977**	**768**

Note: EV calculated on rolling net debt *E = Morgan Stanley Research Estimates* ** Based on IBES consensus estimates*

NM = Not meaningful *NA = Not applicable* *Source: IBES, Company data, Morgan Stanley Research*

Exhibit 3

EMEA Cellular: Valuation Comparables, 2000E-01E

Company	Ticker	Rating	Curr.	Price	Mkt Cap US$ mn	EV US$ mn 2000	EV US$ mn 2001E	EV US$ mn 2002E	EV US$ mn 2003E	IC US$ mn 2000	IC US$ mn 2001E	IC US$ mn 2002E	IC US$ mn 2003E
M-Cell	MCEJ.J	N	R	14.10	1,954	2,240	2,379	2,531	2,514	1,622	1,810	2,031	2,127
MTS	MBT.N	N-V	US$	36.12	3,600	3,401	3,585	3,747	3,849	675	1,043	1,421	1,728
Partner	**PTNRq.L**	**OP-V**	**US$**	**5.98**	**1,070**	**1,766**	**1,826**	**1,869**	**1,642**	**724**	**701**	**705**	**693**
Turkcell	TKC.N	N-V	US$	18.80	3,760	5,480	5,113	4,870	4,731	2,994	2,681	2,459	2,380
VimpelCom	VIP.N	N-V	US$	28.75	1,546	1,573	1,670	1,792	1,738	425	675	879	930
Average				**NM**	**2,386**	**2,892**	**2,915**	**2,962**	**2,895**	**1,288**	**1,382**	**1,499**	**1,571**

Return on Capital	EV/IC 2000	EV/IC 2001E	EV/IC 2002E	EV/IC 2003E	ROIC 2000	ROIC 2001E	ROIC 2002E	ROIC 2003E	WACC 2001E	ROIC/WACC 2000	ROIC/WACC 2001E	ROIC/WACC 2002E	ROIC/WACC 2003E
M-Cell	1.38	1.31	1.25	1.18	10.3	5.4	7.3	9.5	17.3	0.60	0.31	0.43	0.55
MTS	5.04	3.44	2.64	2.23	14.5	24.7	14.7	11.1	13.0	1.11	1.90	1.13	0.85
Partner	**2.44**	**2.61**	**2.65**	**2.37**	**-20.4**	**2.3**	**7.9**	**12.8**	**9.2**	**-2.23**	**0.25**	**0.86**	**1.40**
Turkcell	1.83	1.91	1.98	1.99	14.6	1.0	6.6	6.4	15.0	0.97	0.07	0.44	0.43
VimpelCom	3.70	2.47	2.04	1.87	-13.2	10.8	14.2	13.7	12.2	-1.07	0.88	1.16	1.12
Average	**2.88**	**2.35**	**2.11**	**1.93**	**1.2**	**8.9**	**10.2**	**10.7**	**13.3**	**-0.12**	**0.68**	**0.80**	**0.87**

Growth	Implied G 2001E	Implied G 2002E	Implied G 2003E	UFCF Growth 2000	UFCF Growth 2001E	UFCF Growth 2002E	UFCF Yield 2000	UFCF Yield 2001E	UFCF Yield 2002E	UFCF Yield 2003E	UFCF Yield/3-Yr-growth 2000	UFCF Yield/3-Yr-growth 2001E	UFCF Yield/3-Yr-growth 2002E
M-Cell	13.1	11.4	9.2	NM	NM	NM	-8.9	-4.7	-3.8	3.3	NM	NM	NM
MTS	5.8	7.4	8.0	NM	NM	NM	-0.5	-4.8	-3.2	-1.7	NM	NM	NM
Partner	**8.3**	**6.2**	**3.8**	**NM**	**NM**	**182.2**	**-11.9**	**-0.5**	**0.3**	**6.1**	**NM**	**NM**	**-0.64**
Turkcell	14.4	11.6	11.8	NM	-15.4	-12.1	-6.6	6.3	7.5	4.4	NM	0.26	0.22
VimpelCom	7.9	5.3	4.9	NM	NM	NM	-6.6	-10.9	-6.5	1.9	NM	NM	NM
Average	**9.9**	**8.4**	**7.5**		**-15.4**	**85.0**	**-6.9**	**-2.9**	**-1.2**	**2.8**	**NM**	**0.26**	**-0.21**

E = Morgan Stanley Research Estimates *Source: Company data, Morgan Stanley Research*

Financials

Exhibit 4

Partner: Quarterly Profit and Loss, 2000–01E

US GAAP, NIS m	1Q00	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01E	4Q01E	1Q01	2Q01	3Q01E	4Q01E
Quarter-end Subscribers	426	504	633	834	1004	1,147	1,300	1,422	20.4%	14.2%	13.3%	9.4%
Net Adds for the Quarter	71	78	129	201	170	143	153	122	-15.4%	-15.9%	7.0%	-20.1%
Churn %	2.0	1.6	1.6	1.1	1.0	1.6	1.7	1.5				
Gross Adds for the Quarter	79	85	138	209	179	160	174	142	-14.3%	-10.7%	8.6%	-18.3%
Average Subscribers	391	465	569	734	919	1,076	1,224	1,361	25.3%	17.0%	13.8%	11.3%
Net SACs/Sub (NIS)	1,384	1,080	698	603	535	475	395	487	-11.3%	-11.2%	-16.8%	23.4%
Usage	411	396	399	361	333	321	316	282	-7.8%	-3.6%	-1.6%	-10.7%
Achieved Tariff (NIS/min)	0.84	0.82	0.80	0.73	0.70	0.68	0.67	0.68	-5.1%	-3.0%	-0.3%	1.6%
ARPU (NIS inc roaming)	344	325	318	265	232	217	213	193	-12.5%	-6.5%	-1.8%	-9.2%
Revs from ARPU inc. roaming	402,996	453,375	542,349	583,133	639,624	700,151	781,817	789,726	9.7%	9.5%	11.7%	1.0%
Rev per Handset	186	280	307	226	360	604	492	500	59.2%	67.9%	-18.6%	1.7%
Handset Revenues	14,643	23,912	42,363	40,897	64,521	96,700	85,507	71,061	57.8%	49.9%	-11.6%	-16.9%
Total Revenues	**417,825**	**477,567**	**585,019**	**630,265**	**704,145**	**796,850**	**867,323**	**860,787**	**11.7%**	**13.2%**	**8.8%**	**-0.8%**
Cost of Revenue	-424,236	-521,511	-613,927	-662,955	-649,187	-641,648	-698,984	-675,031	-2.1%	-1.2%	8.9%	-3.4%
Gross Profit	**-6,411**	**-43,944**	**-28,908**	**-32,690**	**54,958**	**155,202**	**168,339**	**185,756**	**-268.1%**	**182.4%**	**8.5%**	**10.3%**
Gross Margin %	-1.5	-9.2	-4.9	-5.2	7.8	19.5	19.4	21.6				
Sales & Marketing	-55,909	-70,302	-78,464	-84,018	-63,501	-70,996	-80,956	-100,292	-24.4%	11.8%	14.0%	23.9%
General & Administrative	-29,510	-26,648	-31,813	-41,864	-35,557	-39,732	-39,184	-37,614	-15.1%	11.7%	-1.4%	-4.0%
Operating Profit/(Loss)	**-91,830**	**-140,894**	**-139,185**	**-158,572**	**-44,100**	**44,474**	**48,199**	**47,850**	**-72.2%**	**-200.8%**	**8.4%**	**-0.7%**
Depreciation & Amortisation	-99,421	-104,719	-111,310	-119,850	-124,558	-130,660	-137,462	-143,435	3.9%	4.9%	5.2%	4.3%
ESOP	-17,171	-10,551	-8,423	-20,473	-5,750	-3,486	-7,154	-3,610	-71.9%	-39.4%	105.2%	-49.5%
EBITDA	**-41,300**	**-27,900**	**4,583**	**9,100**	**84,437**	**176,833**	**191,010**	**194,895**	**827.9%**	**109.4%**	**8.0%**	**2.0%**
EBITDA Margin %	-9.9	-5.8	0.8	1.4	12.0	22.2	22.0	22.6				
Financial Items	-40,954	-38,621	-86,411	-63,638	-95,633	-89,189	-127,533	-156,651	50.3%	-6.7%	43.0%	22.8%
Taxes	0	0	0	0	0	0	0	0				
Other					3,483		-8,862					
Net Loss (US GAAP)	**-199,190**	**-180,107**	**-199,747**	**-195,547**	**-136,250**	**-44,715**	**-88,196**	**-108,801**	**-30.3%**	**-67.2%**	**97.2%**	**23.4%**

E = Morgan Stanley Research Estimates

Source: Company data, Morgan Stanley Research

Exhibit 5

Partner: Profit & Loss, 2000A-2006E

US GAAP, NIS m	2000A	2001E	2002E	2003E	2004E	2005E	2006E
Revenues	**2,111**	**3,229**	**3,902**	**4,213**	**4,384**	**4,634**	**4,900**
Growth %	133	53	21	8	4	6	6
Cost of Revenue	(2,223)	(2,665)	(3,085)	(3,179)	(3,331)	(3,504)	(3,657)
Gross (Loss)/Profit	(112)	564	817	1,034	1,053	1,130	1,242
Gross Margin %	(5)	17	21	25	24	24	25
Sales and Marketing	(289)	(316)	(360)	(407)	(420)	(443)	(466)
General and Administrative Costs	(130)	(152)	(180)	(191)	(195)	(202)	(213)
Adj. to Subscriber Acquisition Costs	42	0	0	0	0	0	0
Operating (Loss)/Profit	**(488)**	**96**	**277**	**436**	**438**	**485**	**563**
Operating Margin %	(23)	3	7	10	10	10	11
Net Financial Expenses	(230)	(469)	(489)	(265)	(218)	(193)	(154)
Other Expenses		(5)					
Pretax Profit	(775)	(378)	(212)	171	220	291	410
Taxation	0	0	0	0	0	0	0
Tax Rate (%)	0	0	0	0	0	0	0
Net Income	**(775)**	**(378)**	**(212)**	**171**	**220**	**291**	**410**
Memo Items							
Depreciation and Amortisation	(439)	(536)	(658)	(767)	(883)	(899)	(935)
EBITDA	**(56)**	**653**	**929**	**1,198**	**1,316**	**1,379**	**1,495**
Margin (%)	(2.7)	20.2	23.8	28.4	30.0	29.8	30.5
EBIT	**(559)**	**90**	**250**	**410**	**428**	**476**	**555**
Margin (%)	NM	2.8	6.4	9.7	9.8	10.3	11.3
Net Income (Israeli GAAP)	**(760)**	**(358)**	**(197)**	**186**	**220**	**291**	**410**
Margin (%)	N/M	N/M	N/M	4.4	5.0	6.3	8.4
Number of Shares (000s)	184	179	179	179	179	179	179
EPS (NIS)	**(4.2)**	**(2.1)**	**(1.2)**	**1.0**	**1.2**	**1.6**	**2.3**
CEPS (NIS)	(1.5)	1.0	2.6	5.3	6.2	6.7	7.5

E = Morgan Stanley Research Estimates *Source: Company data, Morgan Stanley Research*

Exhibit 6

Partner: Cash Flow Statement, 2000A-2006E

US GAAP, NIS m	2000A	2001E	2002E	2003E	2004E	2005E	2006E
Net Income	**(775)**	**(378)**	**(212)**	**171**	**220**	**291**	**410**
Add: ESOP Charge	57	20	15	15	0	0	0
Depreciation	661	536	658	767	883	899	935
Other non-cash items on P&L	(51)	5					
Total Sources	**(108)**	**184**	**461**	**954**	**1,103**	**1,190**	**1,345**
Capital Expenditure and Licence Fees	(713)	(650)	(868)	(700)	(700)	(698)	(610)
Other Capital Expenditure	(239)	(16)					
Working Capital	(3)	(34)	(20)	(9)	(5)	(7)	(8)
Total Applications	**(954)**	**(700)**	**(888)**	**(709)**	**(705)**	**(705)**	**(618)**
Net New Equity Raised	0	0	0	823	0	0	0
Net New Debt Raised	769						
Other Financing/Investing	(121)						
(Decrease)/Increase in Cash	**(414)**	**(516)**	**(427)**	**1,067**	**398**	**484**	**727**
Closing Cash	1	(515)	(942)	125	523	1,008	1,734
Opening Net Debt	(1,641)	(2,811)	(3,327)	(3,754)	(2,687)	(2,288)	(1,804)
Closing Net Debt	**(2,811)**	**(3,327)**	**(3,754)**	**(2,687)**	**(2,288)**	**(1,804)**	**(1,077)**
Share Capital (US GAAP)	115	(243)	(440)	569	789	1,081	1,490

E = Morgan Stanley Research Estimates

Source: Company data, Morgan Stanley Research

V = More volatile. We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "volatile" can still perform in that manner.

Additional information on recommended securities is available on request.

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