



# Analyst and Investor Update Third Quarter 2010 Results

Three months ended 30 September 2010

**Sorouh**  
Places that matter

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01

# Summary Q3 - 2010 financial results



## Quarterly Financial Highlights



in AED '000	Q3-2010	Q3-2009	% Change
Revenue <sup>1</sup>	370,962	1,350,738	(73%)
Gross Profit (AED Million)	183,368	232,350	(21%)
Net Profit (AED Million)	62,912	185,469	(66%)
Gross Profit Margin	49%	17%	188%
Net Profit Margin	17%	14%	24%
Earning Per Share (Fils)	2	7	(71%)

<sup>1</sup> Revenue in AED'000	Q3-2010	Q3-2009	% Change
<i>Revenue (Land)</i>	134,502	0	N/A
<i>Revenue (Development)</i>	99,622	1,266,833	-92%
<i>Revenue (Renting/Leasing)</i>	42,775	41,530	3%
<i>Revenue (Subsidiaries)</i>	94,063	42,375	122%

*Net profit for the quarter ended 30 September 2010 is principally derived from sale of one plot on Shams Abu Dhabi, revenue from Watani project and rental income.*

## RESULTS Q3 - 2010

- *Revenue: AED 371 million*
- *Net consolidated profit for the period ended 30 September 2010 of AED 63 million (For the period ended 30 September-2009 AED185 m) was principally derived from sale of one plot on Shams Abu Dhabi, revenue from Watani project and rental income.*
- *One off charges to the Income statement of AED 42 m and increases in provisions of AED 38 m*
- *AED 87m of revenue from Watani project post agreement to account on percentage of completion basis*
- *Earnings per share of 2 fils per share*



**Sorouh**  
Places that matter

## RESULTS Q3 - 2010 (continued.....)

- *Total assets: AED 13.7 billion*
- *Net assets: AED 6.4 billion up from AED 6.1 bn at Y/E 2009*
- *Book Net Asset Value: AED 2.43share*
- *Like for like rental income growth 3%*
- *Liquid funds: AED 1.55 billion*
- *Undrawn committed facilities AED 650m*
- *Development work in progress increases by AED 564 m during the period and by AED 1.6bn for the nine months 30-September 2010 to AED6 bn reflecting our investment in infrastructure, development and investment properties.*



## FINANCIAL HIGHLIGHTS (YTD)



<i>in AED '000</i>	9 mths to 30-Sept-10	9 mths to 30-Sept-09	% change		12m-09	12m-08	% change
<b>Revenue</b>	991,462	2,664,612	(63%)		3,102,708	3,723,468	(17%)
<b>Gross Profit</b>	490,932	590,312	(17%)		923,005	2,296,504	(60%)
<b>SG &amp; A</b>	(257,842)	(229,008)	(13%)		(375,292)	(651,869)	42%
<b>Other Income</b>	96,304	115,957	(17%)		171,473	139,633	23%
<b>Minority Interests</b>	(5,118)	5,900	(187%)		12,213	(73,890)	(117%)
<b>Net Profit</b>	214,771	466,900	(54%)		482,785	1,858,158	(74%)
<b>EPS (Fils)</b>	8	18	(56%)		19	74	(74%)

*Net profit margin for the nine months ended 30 September 2010 22%, (18% for the same period in 2009)*

*Net profit for the nine months ended 30 September 2010 is principally derived from sale of two premium plots, revenue from Watani, investment portfolio and revenue recognition on 44 units at Golf Gardens*

## Revenue overview: 9 months to September-2010



<b>Revenue in AED'000</b>	<b>9 months to 30 September-2010</b>	<b>9 months to 30 September-2009</b>	
<i>Revenue (Land)</i>	350,645	1,167,568	(70%)
<i>Revenue (Development)</i>	246,356	1,266,833	(81%)
<i>Revenue (Renting/Leasing)</i>	128,722	94,579	36%
<i>Revenue (Subsidiaries)</i>	265,739	135,632	96%
<b>Total Revenues</b>	<b>991,462</b>	<b>2,664,612</b>	<b>(63%)</b>

## Quarterly Financial Highlights: Abridged Cash Flow



	9 months to 30-Sep-10	9 months to 30-Sep-09
Profit YTD	214,771	466,900
Deposits and advances from customers	283,687	*790,437
Collections from plot sales	498,542	*914,185
Working capital movements	(124,148)	(1,891,669)
Investing activities	(1,638,958)	(1,195,876)
<b>Sub-Total</b>	<b>(766,106)</b>	<b>(916,023)</b>
Net financing cash flows	(439,543)	(1,927,278)
Increase/(Decrease) in cash	<b>(1,205,649)</b>	<b>(2,843,301)</b>
Opening net cash/(overdraft)	<b>2,763,448</b>	<b>6,839,040</b>
Closing net Cash	<b>1,557,799</b>	<b>3,995,739</b>

*Collection for October 2010: AED115.8m*

*\* GG1 217m & Saraya: AED 271m*



## Strong Balance Sheet & Liquidity

- *AED 1.55 bn of unencumbered cash*
- *AED 650 m of undrawn committed facilities*
- *AED 6 bn of developments including infrastructure assets nearing completion. During the nine months to September 2010 Sorouh invested AED 1.6bn on infrastructure, developments and investment properties.*
- *AED 1.1 bn of revenue generating investment properties*
- *AED 7.8bn of unencumbered assets not recognised on the balance sheet (Dec-09 valuation)*
- *Low gearing*

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# Funding



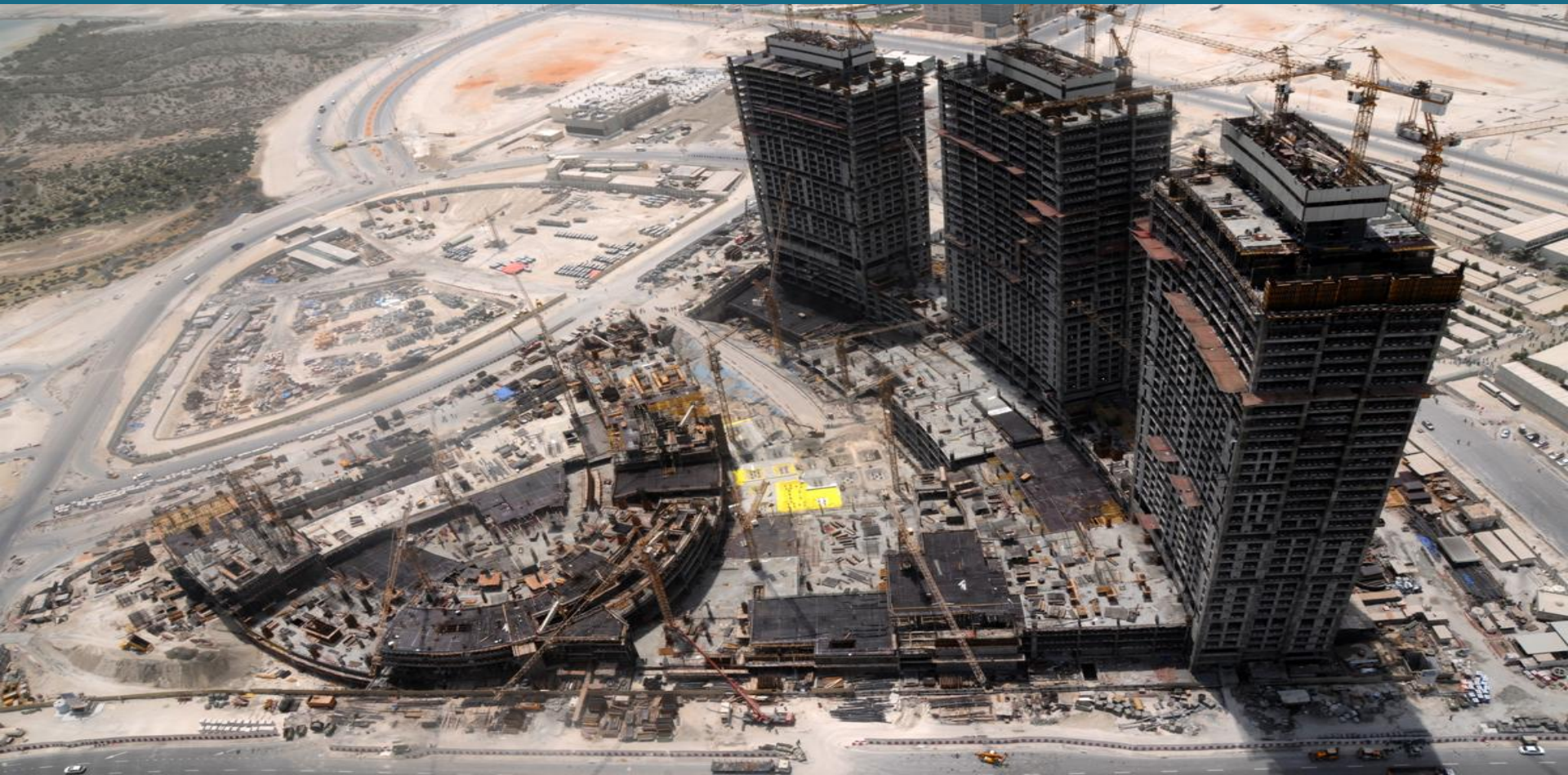


## Loan Facility

- *Loan facility of AED 2.35 bn*
- *4 year transaction the facility bears interest at the rate of EBOR + 4.5% per annum, upfront costs of c. AED 80 m*
- *Corporate facility secured on some of Sorouh's land bank including the Gate development*
- *Mixture of conventional and Islamic facilities*
- *Undertaking this transaction has allowed Sorouh to extend maturities thus overcoming the onerous risk of refinancing or raising fresh debt in 2011-2012 when a wall of refinancing and maturities are expected to hit the markets*
- *Fully drawn, the gearing ratio (debt to equity) will be just under 37%*

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# Market Overview



## Market overview (Summary)

### ***Abu Dhabi residential: Sales***

- *Buyers remain acutely value conscious*
  - ❖ *Transactions in developments near completion or completed*
  - ❖ *Majority of the transactions backed by financing*
  - ❖ *Investors are not as yet significantly present in the Abu Dhabi market.*

### ***Abu Dhabi residential: Leasing***

- *Quality and location are dominant factors of leasing demand*
  - ❖ *Investment zone properties more sought after as they are brand new and of better quality*
  - ❖ *Rents likely to decline, same as in previous quarters*
  - ❖ *Yield compression is the result of rents declining faster than prices.*



## Market overview (Summary)

### **Abu Dhabi Offices: Sales**

- *Office sales are few and far between*
  - ❖ *Sporadic activity expected upon handovers*
  - ❖ *Prices expected to decline with increased supply*

### **Abu Dhabi Offices: Leasing**

- *Office demand in AUH is acutely value sensitive*
  - ❖ *Expect rents to decline as more supply enters the market and incentives to buy become less compelling*
  - ❖ *A major factor affecting rent declines is the clear mismatch between tenant requirements and existing supply.*



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# Third Quarter Development Activity-Q3-2010



## Q-3 DEVELOPMENT ACTIVITY –2010

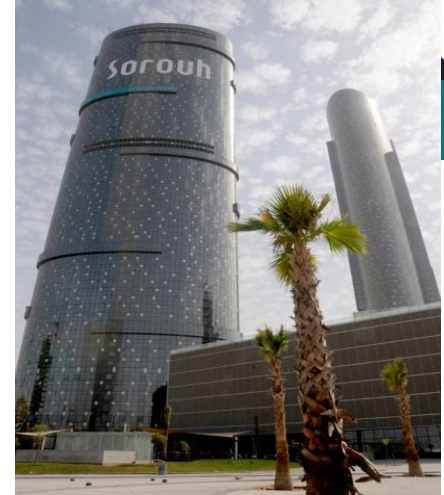


*Abu Dhabi developments remain on track with focus on maintaining delivery schedules.*

### **SHAMS Abu Dhabi**

- *Infrastructure works on SHAMS Abu Dhabi 100% completed*
- *Major progress in providing access to vehicular traffic and now operational.*
- *Ten sub-developers have commenced construction on SHAMS Abu Dhabi and completion expected by 2012*
- *Sorouh continues to work closely with sub-developers to progress with their developments in line with UPC guidelines.*
- *District cooling: completed and being supplied to Sun and Sky Towers.*
- *Evaluating options to develop middle income housing on Shams, as outlined by UPC in conjunction with various parties. .*

## Q-3 DEVELOPMENT ACTIVITY–2010



### **Sky/Sun Towers**

- *Construction on both towers is now physically completed and utilities have been connected.*
- *70% of the retail podium pre-leased*
- *Total of 1,000 units have undergone pre handover inspection.*
- *Of the 1,002 units sold 455 units have been mortgaged to various financial institutions.*
- *Ongoing discussions with several blue chip companies for leasing office space.*



## Q-3 DEVELOPMENT ACTIVITY–2010

### ***The Gate:***

- *Major project milestone has been achieved – Curtain wall installation has commenced on the Towers.*
- *Towers 1,2 and 3 have risen to levels 40, 37 and 34 respectively.*
- *Commenced construction on the Arc*
- *Currently 190 units have been mortgaged to various financial institutions.*



## Q-3 DEVELOPMENT ACTIVITY–2010



### ***alrayyana:***

- *Construction of 33 buildings is progressing well and several buildings have topped out.*
- *District cooling plant has been procured and assembly is moving in tandem with construction works.*
- *The development is scheduled for completion in third quarter of 2011.*
- *Once complete, alrayyana will be a significant recurring income contributor.*

## Q-3 DEVELOPMENT ACTIVITY–2010



### ***Watani:***

- *Is part of Abu Dhabi Plan 2030.*
- *Sorouh is working in partnership with the government helping the Emirate to achieve its housing goals for Emirati families.*
- *Enabling works for phase 1 completed and sub-structure work nearing completion*
- *Contractor on site .*

### ***alghadeer:***

- *Progressing into construction phase and scheduled for completion in 2012.*
- *Infrastructure contract awarded and work on approximately 10 km of roads has commenced, including associated utilities such as power, water, telecoms and street lighting.*
- *Construction contract is in the process of being awarded and construction will commence before end of 2010.*

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# Conclusion



## Conclusion: Strong progress in the first nine months

- Invested AED 1.6bn in infrastructure, developments and investment properties
- Raised AED 2.35bn during the second quarter.
- Cash collection from units and plot sales AED782m
- A strong balance sheet with net assets of AED 6.4 bn and low gearing
- All of Sorouh's Abu Dhabi developments remain on track with focus on maintaining delivery schedules.



## Q &amp; A

- **Gurjit Singh**  
Chief Operating Officer
- **Richard Amos**  
Chief Financial Officer
- **Firoze Kapadia**  
Executive Director Institutional Investor

# Thank you