



Initial Coverage

Emaar Properties

Rating: Outperform

Union Properties

Rating: Outperform

Deyaar Properties

Rating: Outperform

Aldar Properties

Rating: Market Perform

Sorouh Properties

Rating: Market Perform

RAK Properties

Rating: Underperform

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UAE Real Estate Sector

- The fundamental driver for the UAE real estate market- the existing supply and demand imbalance- should continue through 2010 in Dubai and beyond 2010 in Abu Dhabi.
- We expect rental yields to decline over the next 4 years, driven mainly by real estate price appreciation. We expect average prices in the UAE to increase from AED 1,400/sq. ft. in 2007 to roughly AED 1,800/sq. ft. by the end of 2008. However, the gap between the high and the low end of the market should widen over the next few years. We expect the difference between the 5th and 95th percentiles to grow from 165% in 2007 to 204% by 2011.
- Within the sector, we feel Union Properties, Emaar and Deyaar represent the best opportunities for investors with 48%, 43%, and 37% upsides, respectively, to our 12 month target prices. We are initiating coverage of Union Properties, Emaar, and Deyaar with Outperform ratings. Current valuations are pricing in substantial execution risk and do not fully discount the growth that we expect to see in 2009. The positive catalyst for these share prices should come as the market sees further proof that the companies are executing to plan.
- The valuations for Aldar and Sorouh are somewhat less attractive and, in our opinion, offer less potential catalysts to drive valuations higher. Both companies have impressive growth profiles that we feel are for the most part “baked in” to current valuations. We have rated Aldar and Sorouh Market Perform.
- With an EV/EBITDA multiple of 16.1x our 2009 estimate and the share trading at a 4% premium to our DCF derived target price, we have rated RAK Properties an Underperform.

Equity Data	Emaar	UP	Aldar	Sorouh	RAK	Deyaar
Current Price (AED)	12.05	4.64	11.15	11.00	2.65	2.56
Target Price (AED)	17.29	6.88	12.97	11.92	2.54	3.53
Upside/downside	43.5%	48.3%	16.4%	8.4%	-4.0%	37.7%
12 Mo. Performance	-5.1%	80.5%	138.2%	279.3%	87.9%	37.6%
Market Cap. (AED bn.)	73.5	12.9	21.0	27.5	5.3	8.1
Ent. Value (AED bn.)	77.9	16.8	24.0	26.3	4.2	8.9
RIC	EMAR.DU	UPRO.DU	ALDRAD	SORAD	RPRO.AD	DEYR.DU
2008E Estimates						
Revenues (AED mln.)	20,025	3,280	5,521	3,777	438	2,518
Gross Margins	38.2%	21.5%	45.1%	52.3%	43.0%	41.3%
EBIT (AED mln.)	5,336	573	1,275	1,587	149	835
EBIT Margin	26.6%	17.5%	23.1%	42.0%	34.0%	33.2%
EBITDA (AED mln.)	5,551	606	1,360	1,659	150	843
EBITDA Margin	27.7%	18.5%	24.6%	43.9%	34.4%	33.5%
EPS	1.13	0.33	1.28	0.88	0.28	0.28
Cash Earnings/Share	0.98	0.17	0.70	0.75	0.16	0.25
Valuation Multiples						
PE '08E	10.6	14.1	8.7	12.6	9.4	9.2
PE '09E	6.9	3.0	6.2	10.2	7.3	5.0
EV/EBITDA '08E	14.0	27.7	17.6	15.8	27.7	10.5
EV/EBITDA '09E	9.3	4.1	13.0	11.5	16.1	5.3
P/Cash Earnings '08E	12.3	26.7	15.9	14.6	16.7	10.2
P/Cash Earnings '09E	7.7	3.2	12.3	10.7	12.2	5.2
P/BV	1.7	4.0	1.9	4.3	1.7	2.6

UAE Real Estate Market Review

The real estate market in the UAE has been a tremendously successful area for investors over the last 5 years. Looking at where the UAE real estate valuations have come from in just 5 years, with over 300% cumulative average appreciation, it would be impossible not to worry about current valuations.

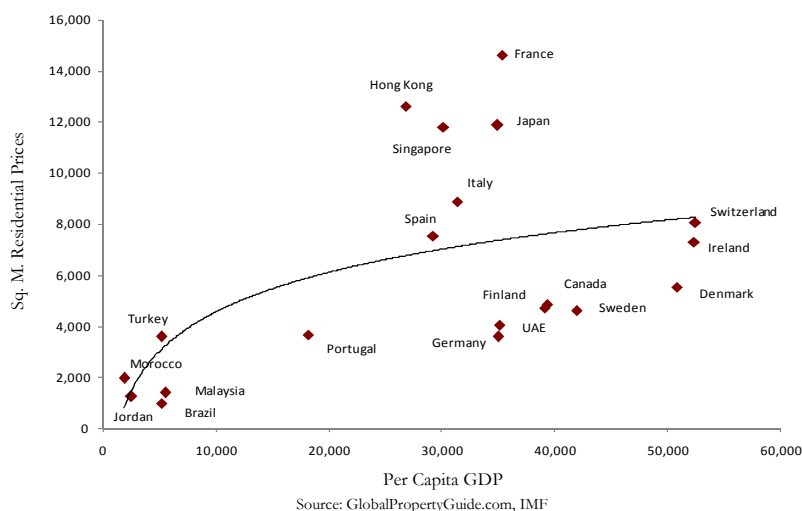
However, our view is that the significant regulatory and structural changes throughout the emirates offer more than sufficient justification for today’s real estate valuations, considering the extremely low base valuations in the earlier part of the decade. The introduction of freehold rights in specified areas of Dubai, population growth, a strong fundamental economic environment, a growing tourism and hospitality market, and substantial consumer and mortgage loan expansion have all supported the rising real estate prices.

UAE Real Estate Values Still Attractive on a Relative Basis

UAE ave. price/sq.m. is US\$4,066, income levels could support up to US\$7,200

In order to assess the current valuations in the UAE market we have compared real estate prices per square meter relative to per capita GDP throughout the world. To be conservative we have eliminated London, Moscow, and New York (US\$26,980, US\$17,136, and US\$15,933, respectively) from the analysis. It is also important to note that we have not adjusted for the 0% income tax regime in the UAE, which we feel significantly impacts the affordability of real estate.

Sq. M. Residential Prices vs. Per Capita GDP (US\$)



The UAE is currently at the low end of the range for real estate prices in countries of similar income levels. For countries with per capita GDP in the US\$30,000 to US\$40,000 (UAE is US\$35,100) the range is US\$3,595/sq.m. to US\$14,600/sq.m. At the top of the range is France with a top marginal tax rate of 40% and at the low end is Germany with a top marginal tax rate of 42%. The prevailing value in the UAE is at the low end of the range at US\$4,066/sq.m.

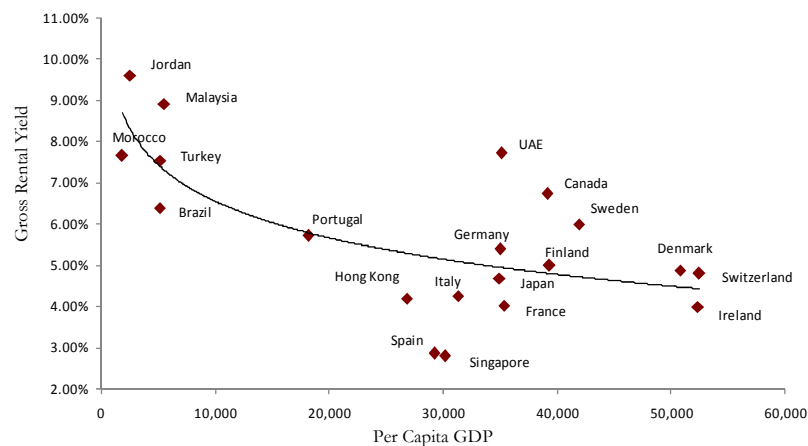
The implied trend value for UAE residential real estate is roughly US\$7,200/sq.m. We feel that, while real estate values have come long way over the last 5 years, on a relative income basis there is still room for higher valuations.

Gross Rental Yields Continue to be on the High Side

UAE rental yields are the highest in their income category

Average rental yields in the UAE, at 7.7%, are substantially higher than the levels in countries of similar income levels. As illustrated in the chart below, rental yields tend to decline as income levels improve. This tendency is driven by the increased ability of the population to finance the purchase of real estate rather than rent.

Gross Rental Yields vs. Per Capita GDP (US\$)

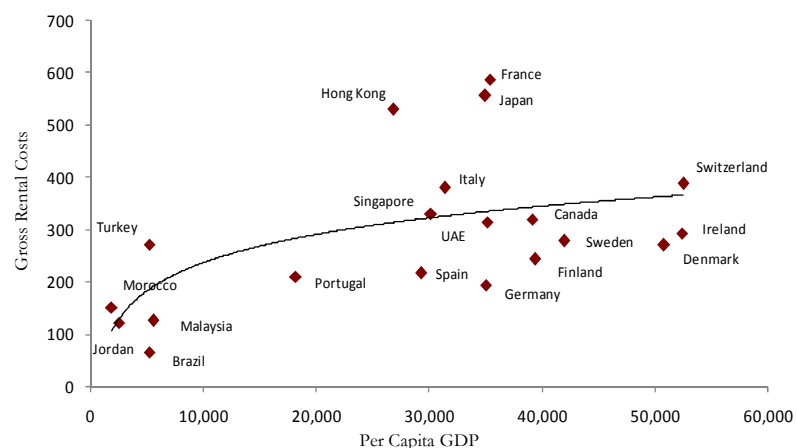


Source: GlobalPropertyGuide.com, IMF

Rental costs are near the trend for their income category

Though rental yields are high relative to global peers, rental costs are near relative fair value. UAE annual rent payments currently average US\$314 per sq. m., compared to US\$194 per sq. m. (Germany) at the low end of the US\$30,000 –US\$40,000 per capita GDP group and US\$588 per sq. m. (France) at the high end.

Gross Rental Costs/Sq. M. vs. Per Capita GDP (US\$)



Source: GlobalPropertyGuide.com, IMF

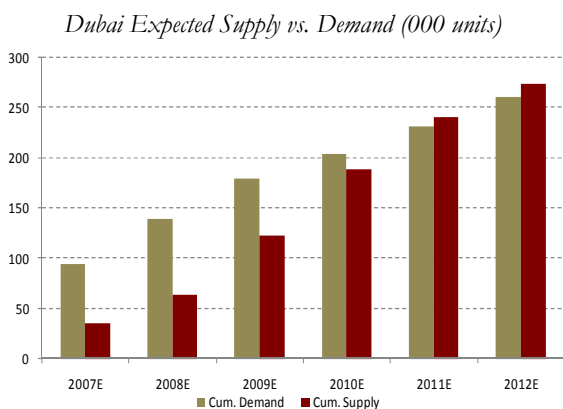
In our view, the combination of 1) high rental yields, 2) rental costs per sq.m. near global relative fair values, 3) a growing mortgage market, and 4) purchase prices still low relative to income levels, will drive yield compression over the next 4 to 6 years. We expect rental yields to decline approximately 240 basis points on average over the next 4 years. However, we expect most of the yield compression to come in the low to mid price range of the market.

Supply and Demand Dynamics Positive Through 2010

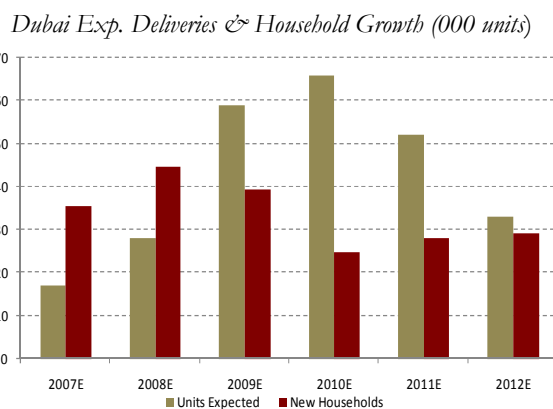
The dilemma that we face when looking to the UAE real estate market is to assess the “true” demand for the future housing supply, while also judging the reliability of planned supply.

Planned supply of housing units is not expected to exceed demand for the next 3 years. We estimate that unit supply will be approximately 180,000 units for the three year period between 2008 and the end of 2010. However, in 2007 we project that only roughly 30% of planned units actually were delivered, as the industry was hit by several production constraints. Most notably, contractors were constrained by an extremely tight labour market compounded by a new labour law that required much of the existing labour force to return home a reapply for residence visas. As these issues have, for the most part, been resolved we should see gradual improvement from contractors meeting delivery schedules.

Only an estimated 30% of planned deliveries were actually delivered in 2007



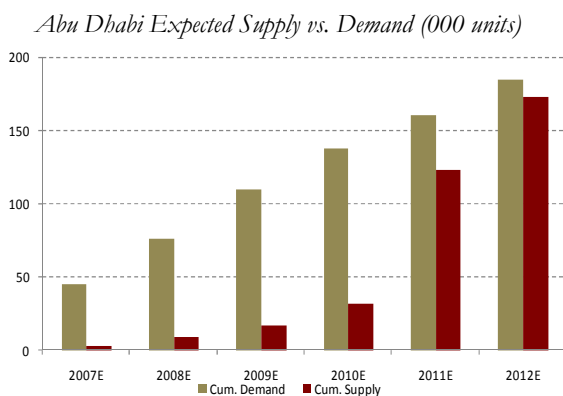
Source: Al Mal Capital Research and UAE Government



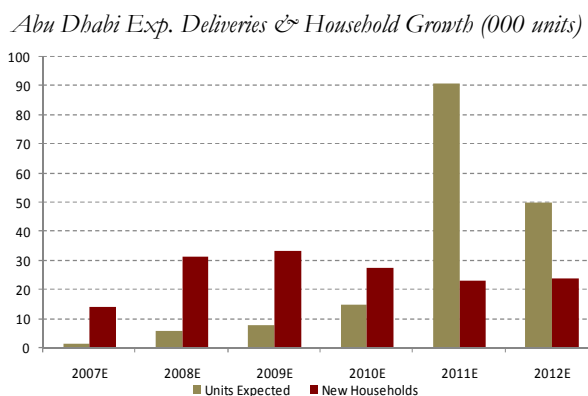
Source: Al Mal Capital Research and UAE Government

In Dubai, we expect cumulative supply to overtake cumulative demand in early 2011. We expect actual deliveries to ramp up from an estimated 17,000 units in 2007 and peak at roughly 66,000 units in 2010.

On the demand side, we expect incremental household growth to taper off in 2009 and 2010, before picking up again in 2011 as much of the required personnel for the expected hotel launches and other tourism related projects begins to offset declines from financial and development sector growth. Slowing growth in terms of new household entrants to Dubai should relieve some pricing pressure in 2009. However, we believe much of that relief will be mitigated by existing pent-up demand through 2010.



Source: Al Mal Capital Research and UAE Government



Source: Al Mal Capital Research and UAE Government

In Abu Dhabi, a supply shortage is substantially clearer. We do not expect cumulative supply to match cumulative demand until beyond our 5 year projections. In fact, we do not expect a significant ramp up in deliveries until 2011.

Two Key Demand Drivers: Household Growth & Affordability

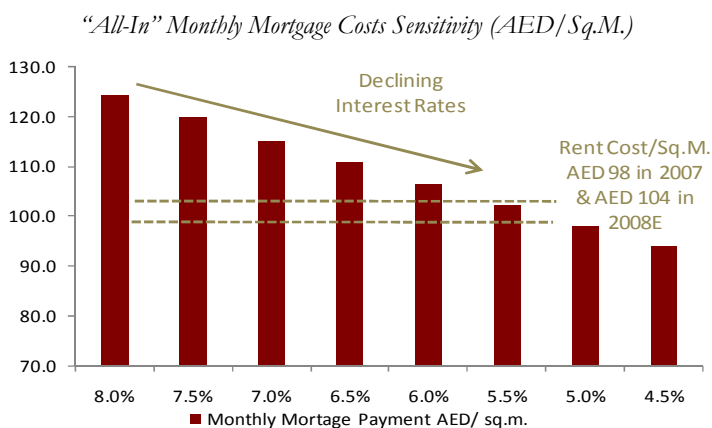
The demand side of the equation has clearly been supported by substantial population growth over the last 5 years. The UAE population has grown at a CAGR over 7% since 2002 and is projected to grow at a CAGR of roughly 5% over the next 5 years. In terms of household units we expect 202,000 new households in Abu Dhabi and 154,000 new households to come to Dubai over the next 5 years.

Mortgage Debt as % of GDP is only 5.9% in the UAE

However, in our view, new households are not the only driver of demand. We contend that affordability must be considered in the demand equation. In fact, in our opinion, price appreciation in the secondary real estate market is driven primarily by affordability ratios rather than population growth. Essentially, we feel that the biggest impact to demand is the move from renting to owning property.

In this case, both the availability and cost of mortgage finance are key drivers of demand. According to data from the UAE Government and the IMF, mortgage finance is still at low levels relative to global norms. It currently stands at 5.9% of GDP in the UAE, compared to 130% in the US, 70% in the UK, and even 10% in Mexico.

At prevailing mortgage rates (7% to 7.5%), a monthly payment (including principle payments) will equal between AED 115 and AED 120 per sq.m., compared to AED 98 per sq.m. cost to rent. Embedded in the premium to own is not only the principle payment but also additional utility value for aspects such as: predictability of future payments, potential future property appreciation, and general enjoyment from ownership.



Source: Al Mal Capital Research and GlobalPropertyGuide.com

Additionally, the combination of declining interest rates and increasing rental charges make the cost/benefit trade-off even more attractive. As the trade-off between renting and owning continues to become more attractive in the UAE, we expect a further enhancement to demand beyond that of new households moving to the UAE.



Rent or Buy Trade-Off Should Support Prices and Pressure Yields

Better access to financing and lower mortgage costs should drive rental yields lower

The improved attractiveness of buying versus renting that we anticipate should pressure rental yields over the next few years. This is illustrated in our relative value analysis (pages 2 & 3). Rental costs in the UAE are substantially higher than those in other comparable markets, but property prices are substantially lower and rental costs are near the global average. This supports our expectation that rental costs should be relatively stable going forward, rental yields should decline, and property prices should appreciate.

Our Projections:

In our projections we have assumed that the UAE will maintain its existing currency peg for at least the next 12 months.

General Projections - UAE Residential Market

	2007	2008E	2009E	2010E	2011E
Ave. Price (US\$/sq.ft.)	384	494	581	626	660
Ave. Price (AED/sq.ft.)	1410	1817	2137	2302	2426
95th Percentile (AED/sq.ft.)	2,453	3,210	3,840	4,213	4,525
5th Percentile (AED/sq.ft.)	926	1,147	1,292	1,327	1,332
High/Low Differential	165%	180%	197%	218%	240%
Ave. Annual Rent (US\$/sq.ft.)	30	32	33	34	35
Ave. Annual Rent (AED/sq.ft.)	109	118	122	126	130
95th Perc. Rent (AED/sq.ft.)	189	208	220	230	242
95th Perc. Change in Rents		9.7%	5.8%	4.9%	5.0%
5th Perc. Rent (AED/sq.ft.)	71	74	74	73	71
5th Perc. Change in Rents		3.8%	-0.4%	-1.8%	-1.9%
Ave. Rental Yield	7.72%	6.47%	5.72%	5.47%	5.35%
Ave. Change in Rents		8.00%	4.00%	3.00%	3.00%
Ave. Price Appreciation		28.87%	17.64%	7.71%	5.41%

Source: Al Mal Capital Research, Globalpropertyguide.com

- We expect the pace of price appreciation to accelerate in 2008 at roughly 28% as inflationary pressures are passed on to consumers. Price appreciation should begin to slow 2009 as more supply is delivered. However, we still expect a brisk increase of 17% in 2009.
- The gap between the high and the low end of the market should widen, as we expect a lack of affordability to impact the low end of the market first and consumers to further differentiate developments by location and quality. The difference between the 5th and 95th percentiles is anticipated to grow from 165% in 2007 to 204% by 2011.
- The main driver of price appreciation should be rental yield compression. We have projected that yields should decline approximately 240 basis points to 5.35% over the next 4 years, as the rental market becomes more competitive and the rent/own trade-off continues to move in favour of ownership.
- Appreciation in rental costs should slow. We project 8% growth in rental prices for 2008, slowing to 3% by 2010.



Risks to Our Projections

Prevailing Risk for More than Projected Delays (Upside Risk to Prices)

We expect most of the three year projected supply to be back loaded towards the end of 2009 and early 2010. However, in our view, the risks are to the downside for our three year projected supply. Inflationary pressures have forced several independent developers to delay projects until they can gain a better grasp of the cost environment. If this trend continues we would need to adjust our supply estimates downward.

Inflation (Upside Risk in Short Term & Downside Risk in Long Term)

Supply constraints exist throughout the UAE construction industry. Owing to significant demand on a global basis, we feel that there is little the UAE can do to address the issue of inflation other than a change in the currency regime. In the near to medium term, we expect the pricing power of the developers to continue. Hence, they should be able to cover cost inflation with price increases.

However, we do expect that in the longer term there is the threat of pricing some potential purchasers out of the market. In a worst case scenario, the pass-on effect of inflation could lead to a drying up of liquidity, followed by substantial price declines. We expect the UAE government to address the problem prior to reaching this extreme scenario.

Change to Currency Regime (Upside and Downside Risks)

There has been speculation that the UAE may change its current policy of pegging the Dirham to the US\$. The UAE government has, to this point, stated that it would prefer to address any currency policy changes in tandem with the other members of the GCC. However, in our view, the government will have to address this issue alone in the next 18 months if inflation starts to effectively suffocate economic development.

Currency peg may have to be addressed by the UAE alone, if the pace of inflation picks up

If a change in currency policy does take effect, there are 3 potential resolutions: 1) revalue and keep the currency peg, 2) move to a basket of currencies, or 3) move to a free floating currency. The easiest solution would be to just revalue the existing currency peg. However, in our view this approach would improve the short term situation but not resolve the problem of importing US monetary policy to the region. Additionally, we feel the necessary institutions (monetary policy committees or instruments) are not in place yet to manage a free floating currency. Therefore, we would prefer to see a move to a basket of currencies and a gradual revaluation.

In the end, a stronger currency would improve our long term (beyond 5 years) outlook for the real estate sector, but would slow price appreciation in the near term. Essentially, we feel it would slow foreign speculative demand for real estate in the near term, but provide for a more stable operating environment for developers and contractors in the longer term.

Declining Global Energy Prices (Downside Risk)

The prospect of a recession in the US causing at least a slower growth rate for global commodity demand is very real. Any decline in global oil prices would clearly impact the levels of liquidity in the region. However, at current crude price levels there is a



substantial buffer. We estimate that most government budgets in the region will not be negatively affected until crude prices were to reach US\$ 35/bbl to US\$ 45/bbl.

Investment Thesis

We favor positions in companies that have not yet priced in 2009 growth

Throughout the real estate sector, 2009 is when we expect to see earnings results significantly increase. Therefore, investors should be positioning themselves in 2008 with an eye towards 2009 results. We feel that in the case of Union Properties, Emaar and Deyaar, the growth expected for 2009 is not currently priced into existing valuations. Therefore, we have placed an Outperform rating on Union Properties, Emaar, and Deyaar, with 48%, 43%, and 37% upside to our target prices, respectively.

The Abu Dhabi based master developers still represent some value for investors, but the significant catalysts for both companies should come more towards 2010. Therefore, at current valuations we expect Sorouh and Aldar to trade in line with the broader market. We have rated Sorouh and Aldar Market Perform.

We have rated RAK Properties Underperform, as we feel the stock is trading in line with the fair value. At current levels the stock is trading at a 4% premium to our DCF derived target price.

Valuation Summary

	Current Price	Target Price	EPS			Cash EPS			EBITDA		
			2007A	2008E	2009E	2007A	2008E	2009E	2007A	2008E	2009E
Emaar Properties	12.05	17.29	1.08	1.13	1.74	0.98	0.98	1.57	4,697	5,551	8,420
Union Properties	4.64	6.88	0.25	0.33	1.57	0.11	0.17	1.46	436	606	4,145
Aldar Properties	11.15	12.97	1.04	1.28	1.80	0.08	0.70	0.90	185	1,360	1,837
Sorouh Properties	11.00	11.92	0.50	0.88	1.08	0.53	0.75	1.03	1,112	1,659	2,284
RAK Properties	2.65	2.54	0.25	0.28	0.36	0.06	0.16	0.22	-40	150	259
Deyaar Development	2.56	3.53	0.17	0.28	0.52	0.13	0.25	0.49	418	843	1,664
	Rating	PE	P/Cash Earnings			EV/EBITDA					
			2007A	2008E	2009E	2007A	2008E	2009E			
Emaar Properties	Outperform	11.2	10.6	6.9	12.3	12.3	7.7	16.6	14.0	9.3	
Union Properties	Outperform	18.9	14.1	3.0	42.0	26.7	3.2	38.5	27.7	4.1	
Aldar Properties	Market Perform	10.7	8.7	6.2	133.0	15.9	12.3	129.4	17.6	13.0	
Sorouh Properties	Market Perform	21.9	12.6	10.2	20.9	14.6	10.7	23.6	15.8	11.5	
RAK Properties	Underperform	10.7	9.4	7.3	43.5	16.7	12.2	NA	27.7	16.1	
Deyaar Development	Outperform	15.2	9.2	5.0	19.3	10.2	5.2	21.2	10.5	5.3	

Source: Company Reports & Al Mal Capital Research

DCF Derived Target Prices

We have used the discounted cash flow to equity holders method to obtain our target prices. Furthermore, we have looked to EV/EBITDA multiples to support our recommendations. In our DCF analysis we have utilized a cost of equity (Ke) discount rate based on the Qatar sovereign 30 year rate of 5.29% as our risk free rate and an equity risk premium of 5% (adjusted for the beta of each equity). Additionally, we used a terminal growth rate of 2.5% for each company.

DCF Target Price Summary

	Current Price	Target Price	Upside	Est. NAV	Ke	Target PE		Targ. EV/EBITDA	
						2008	2009	2008	2009
Emaar Properties	12.05	17.29	43.5%	13.60	11.7%	16.0	9.9	19.8	13.0
Union Properties	4.64	6.88	48.3%	2.88	10.9%	28.0	4.4	38.0	5.6
Aldar Properties	11.15	12.97	16.4%	22.20	11.1%	12.5	7.2	20.1	14.9
Sorouh Properties	11.00	11.92	8.4%	6.20	11.1%	23.7	11.0	17.2	12.5
RAK Properties	2.65	2.54	-4.0%	2.23	10.9%	10.2	7.0	26.3	15.3
Deyaar Development	2.56	3.53	37.7%	1.96	9.8%	20.9	6.8	14.2	7.2

Source: Company Reports & Al Mal Capital Research



Union Properties (Outperform, AED 6.88 Target)

Union Properties should represent the best opportunity for investors over the next 12 months

Union Properties has the most attractive risk reward scenario of the group with 46% upside to our 12 month target price. Owing to revenue recognition issues (the company uses the completed contract method) we expect to see a large jump in earnings in 2009. At 27.7x 2008E EV/EBITDA the valuation does look expensive. However, the stock currently trades at only 4.1x our EBITDA estimate for 2009. At our 12 month target price of AED 6.88 the company will still trade at 5.6x 2009E EV/EBITDA.

In our opinion, two risks have kept the market from fully discounting what is essentially a revenue recognition issue. First, any delay in completion dates could have a material impact to the reported results for 2009. Second, there is a lack of clarity about future developments beyond 2009-2010.

These two uncertainties could eventually become positive catalysts for the share price over the next 12 months. The company has a good track record of timely deliveries and as the year moves forward we expect the market to grow more confident in the company's ability to deliver on time. However, the most significant potential catalyst for the stock in 2008 will come from improved clarity on future projects.

Emaar Properties (Outperform, AED 17.29 Target)

Emaar has been punished for past mistakes and should offer value going forward

Emaar Properties is trading at a 43.5% discount to our 12 month target price. We feel current market conditions represent a good buying opportunity for investors. Over the past 12 months the stock has been hit by several issues: the share for land swap fiasco, downgraded earning expectations after the company reduced land sales, and the cancellation of the Emaar MGF IPO in India.

In our view, the current discount to fair value is overdone, as the resolutions of these issues have already been factored into expectations. Moreover, the company has effectively expanded its Dubai land bank with the Bawadi JV which should further enhance its growth profile in its high margin home market.

The company is trading at 14x 2008E EV/EBITDA and 9.3x 2009E EV/EBITDA. As earnings growth is expected to pick up pace from 5% in 2008 to over 50% in 2009, we expect the anticipation of accelerating earnings to hit the market in the second half of the year.

Deyaar Development (Outperform, AED 3.53 Target)

Deyaar's growth potential not reflected in the existing share price

Deyaar is trading at a 37.7% discount to our 12 month target price. The company is trading at 10.5x 2008E EV/EBITDA and 5.3x 2009E EV/EBITDA. At current levels, we do not feel that the market has fully priced in the expected growth in 2009. Deyaar has a significant recurring revenue stream from over 900 buildings it manages, in addition to an attractive development portfolio over the next 5 years. As with Union Properties, we feel the market is pricing in excessive execution risk.



Aldar Properties (Market Perform, AED 12.97 Target)

Aldar has a great growth profile, but mostly priced into the shares

Aldar is trading at a 16.4% discount to our 12 month target price. The company is trading at 17.6x 2008E EV/EBITDA and 13x 2009E EV/EBITDA. While the growth prospects for Aldar are extremely strong, we feel much of the near term growth is embedded in the share price at current levels. We anticipate that the market will focus more on execution over the next 12 to 24 months as the company ramps up earnings from operations. Though management has a good strategic focus, execution risk is high as they do not yet have a proven track record with the market.

Sorouh Properties (Market Perform, AED 11.92 Target)

Lulu Island land grant may already be priced into Sorouh's current valuation

Sorouh is trading at a 8.4% discount to our 12 month target price. At 15.8x 2008E EV/EBITDA and 11.5x 2009E EV/EBITDA, the company trades at a discount to its Abu Dhabi counterpart (Aldar).

The valuation is moderately attractive at current levels but we feel it is in line with the broader market. There is potential for a near term catalyst if the Abu Dhabi government officially announces the Lulu Island land grant. But the market has been speculating for some time that Sorouh would get the additional land grant, so any disappointment could hit the valuation. We expect that the land grant will happen, but we have not yet built it into our projections. If so, we anticipate we would revise our target price higher.

RAK Properties (Underperform, AED 2.54 Target)

RAK Prop valuation near our DCF derived fair value

As illustrated by the EV/EBITDA multiples of 27.7x and 16.1x for 2008 and 2009 estimated EBITDA, we feel most of the growth is priced into the share price at current valuations. The shares currently trade at a 4% premium to our DCF derived target price, indicating relatively little upside for investors. We expect the company to continue to expand its development portfolio, which may offer a catalyst to revise our target price in the future. However, relative to their current growth profile, we feel the valuation is not attractive.

Net Asset Values Should Offer Support

Risk profiles and growth prospects distort NAV's impact on market prices

We view our NAV calculations as a "replacement value" estimate for these companies. In most cases, we have accepted the third party land bank valuations. However, we see a disconnect between these third party valuations and market valuations. In the case of Emaar and Aldar, the shares trade at a 11% and 50% discount, respectively, to the NAV derived from the third party valuations. The other four real estate companies trade anywhere between a 15% to 55% premium to the NAV. Because of the inconsistency of the impact of third party valuations on the NAV, we have not incorporated it in our valuation/target price derivation.

In the case of the developers with smaller land bank size (and therefore less long term exposure to market risk), we feel the NAV is a better indicator of "replacement value." Essentially, we feel it should function as a floor for valuations. However, Aldar and Emaar, with relatively large land banks, are exposed to more long term risk and will be less flexible to adjust to market conditions. Hence, we feel the market will continue to discount the value of the land banks going forward.



NAV Calculations

AED Millions	Emaar	Union Prop.	Aldar	Sorouh	RAK	Deyaar
BV Land & Properties	7,493	3,128	7,208	1,439	377	3,660
Est Additional Fair Value of Land Bank ¹	36,182	626	30,257	10,450	1,560	4,050
Value of Land & Properties	43,675	3,753	37,465	11,889	1,937	7,710
Cash & Cash Equivalents	3,269	88	7,616	1,458	1,130	277
Net Acct. Rec.	2,916	2,951	2,375	2,207	98	315
Investment in Associates ²	26,708	3,151	505	579	387	0
Development Properties	16,194	3,993	8,403	408	865	0
Other Assets	7,751	564	487	1,715	418	265
Total Value	100,513	14,500	56,852	18,257	4,834	8,566
Debt	7,704	3,984	10,562	233	0	1,008
Trade Payables	6,260	2,326	3,149	2,386	370	1,337
Other Liabilities	3,639	169	1,314	139	0	0
Net Asset Value	82,910	8,022	41,826	15,499	4,464	6,221
Shares Outstanding	6,097	2,781	1,884	2,500	2,000	3,178
NAV / share	13.60	2.88	22.20	6.20	2.23	1.96
	Sorouh NAV W/ Lulu Island Incl.			7.79		

¹ From company sources of 3rd party valuations, estimated value of 2 million sq. ft. for Union Properties and 52 million sq. ft. for RAK Properties

² Includes Listed Subsidiaries at Market Value for Emaar

Source: Company Reports & Al Mal Capital Research

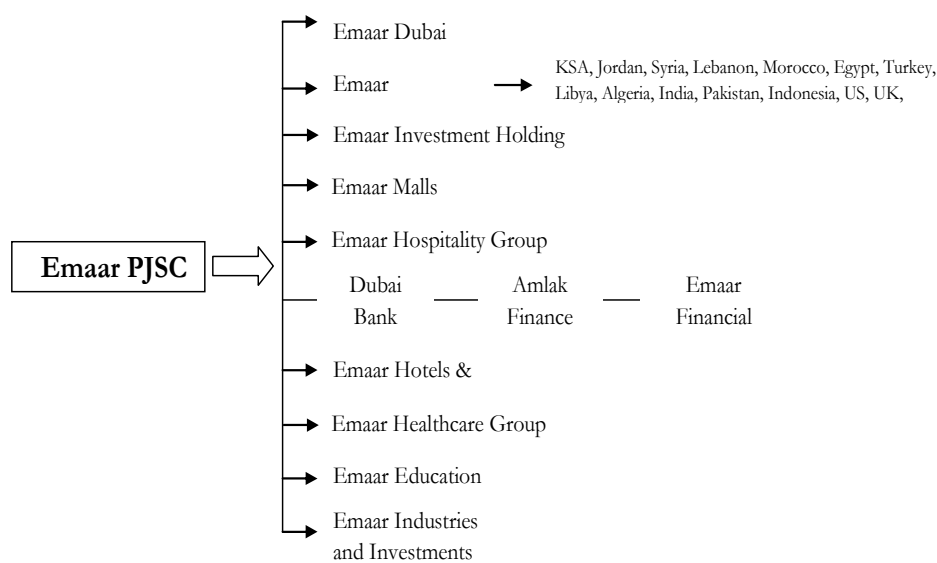
EMAAR PROPERTIES

Company Overview

Emaar was incorporated in 1997 as a public joint stock company and was listed on DFM in March 2000. With a successful business model in its home market of Dubai, the company has embarked on an international expansion and diversification strategy, to accomplish what it refers to as its ‘vision 2010’.

The group has formed strategic alliances and acquisitions, to enrich its expertise in creating master-planned communities internationally. Its operations include 17 ventures in countries including UAE, KSA, Jordan, Syria, Lebanon, Morocco, Egypt, Turkey, Libya, Algeria, India, Pakistan, Indonesia, US, UK, France and Canada. In addition to their geographic diversification the company has diversified along business segments into retail, hospitality and leisure, education, healthcare and finance. While Emaar expands its presence overseas, Dubai still accounts for about 73 per cent of its total value. Emaar’s investments in developments beyond Dubai exceed US\$65 billion.

Emaar Organizational Structure



Source: Company Reports

In March 2007, Emaar announced its revamped organizational structure which creates a parent conglomerate Emaar PJSC. The new structure focuses on Emaar’s core competency; real estate development, while facilitating the diversification into six business segments; retail, education, healthcare, finance, industry and hospitality and leisure.

Shareholder Structure

Emaar Properties, the first freehold real estate developer in Dubai, is partially owned by the Dubai government (31.88%). In the current shareholder structure, 68.12% is the free float, although, the foreign ownership limit is 49%.



Global Operations

UAE

Emaar has several ongoing master-planned developments underway in the UAE. The UAE will continue to play a pivotal role in the company's future growth and will contribute to its profitable performance for years to come. Including the recently announced Bawadi venture, Emaar's UAE land bank stands at 20 million sq.m.

In the UAE, the company has 7 major developments in the works, including the Burj Dubai area (which will encompass the tallest building in the world), Emirates Living, Arabian Ranches, Umm Al Quwain Marina, Dubai Marina and Emaar Towers. Additionally, the company is moving forward with two other developments, L'Usailly and Bawadi.

Bawadi

Emaar, through a joint venture with Dubai Holding, has recently secured a key project named "Bawadi." The project is expected to further strengthen Emaar's position in the Dubai real estate market as well as contribute to its results from 2009. Emaar has increased its Dubai land bank by 38% through this project which is scheduled to last for the next 7-10 years. The Bawadi project is part of Dubailand, located adjacent to Arabian Ranches. It is worth AED 60 billion and is designed to have a theme park, 6 hotels, a shopping mall, luxury homes and multiple business hubs. Approximately 18,000 residential units, 5,150 hotel rooms and 1,200 serviced apartments will be added to Dubai landscape by Emaar through this project.

International Operations

Emaar, as explained above, has spread its wings to reach 17 countries through establishment of about 60 companies across 6 different business lines. The companies mentioned below have been formed through subsidiaries or in coordination with strategic alliances.

In its bid to expand regionally and capitalize on the untapped real estate opportunities in the MENA region as well as other emerging markets, Emaar aims to replicate its successful business model and leverage its strong brand name internationally. Hence, Emaar has established subsidiaries or associates in KSA, Algeria, Syria, Jordan, Lebanon, Egypt, Morocco, Libya, India, Pakistan, Turkey and USA.



Emaar Subsidiaries & Associates

Subsidiaries		
Company Name	Country	Percentage held (%)
Emaar Dubai LLC	UAE	100
Emaar Middle East LLC	UAE/KSA	61
Emaar Properties Jordan	Jordan	100
Emaar Lebanon SA	Lebanon	65
Emaar Misr for Development SAE	Egypt	100
Emaar Morocco Offshore SA	Morocco	100
Emaar International LLC	UAE	100
Emaar DHA Islamabad Ltd	Pakistan	47
Emaar GIGA Karachi Pte Ltd	Pakistan	60
Emaar Properties Gayrimenkul Gelistirme	Turkey	60
Emaar Syria S.A.	Syria	100
WL Homes LLC	USA	100
Emaar Properties (Canada) Ltd	Canada	60
Hamptons International Holding Pte Ltd.	UK	100
Emaar Malls Group LLC	UAE	100
Emaar Hospitality Group LLC	UAE	100
Emaar Hotels and Resorts LLC	UAE	100
Emaar Education LLC	UAE	100
Raffles Campus Pte Ltd	Singapore	100
Emaar Healthcare Group LLC	UAE	100
Associates		
Company Name	Country	Percentage held (%)
Turner International Middle East LLC	UAE	50
Emaar-MGF Land Private Limited	India	42
Emaar The Economic City	KSA	32
Amlak Finance PJSC	UAE	48
Dubai Bank PJSC	UAE	30
Emaar Financial Services LLC	UAE	38
Emaar Industries and Investments LLC	UAE	40

Source: Company Reports

Saudi Arabia:

- Emaar launched the King Abdullah Economic City, a landmark AED 110.1 billion (US\$ 30 billion), master-planned development. Located on 5,451 hectares of coastal land by the Red Sea, the King Abdullah Economic City incorporates seven distinct zones, including a Port Zone.
- A joint venture with the Al Oula Group to develop 3 master planned communities with over 7,000 units planned.

India:

- Emaar MGF is the Indian associate company developing its signature project at Mohali Hills is part of a 3,000 acre development of integrated master planned communities in North India. In addition, the JV in India is exploring potential opportunities in the commercial, retail and hospitality sectors. This project plans to develop 96,000 freehold units, 1,200 hotel rooms, and 29 million sq.ft. of leasable area.



- Emaar also owns a 74% stake in a Hyderabad joint venture with Andhra Pradesh Industrial Corp. They plan to develop 4,300 freehold units and 3 hotels.

Other International Ventures

Egypt: Development of 4 upscale residential communities in Cairo and the North Coast.

Morocco: JV with Groupe ONA to develop 3 residential golf communities near Marrakech, Rabat, and Casablanca. and Emaar Morocco – 20,000 residential units and 8,000 rental units.

Syria: 2,300 residential units (40% freehold/60% rental) and retail/commercial development.

Jordan: Dead Sea golf and beach resort (1,300 units)

Turkey: 555 freehold units in western part of Istanbul.

Pakistan: 75 acres mixed use development in Karachi and 2 master planned communities in Islamabad.

USA: John Laing Homes, an established US homebuilder.

Investment Positives

Targeting Premium & Iconic Developments

Emaar targets the higher income area of the market with iconic developments, such as the Burj Dubai development, and in all of its developments it is focussed on providing an improved lifestyle environment for the residents. We expect that as the market matures in the UAE (and its international markets) the market will continue to see differentiation in real estate values based on the quality and enhanced lifestyle aspects.

Additionally, though the company is still exposed to any downside risk to market prices, the premium developments tend hold their value better on a relative basis.

Inflation Effects Controlled with Fixed Construction Costs

Emaar negotiates fixed terms with its contractors. Therefore, much of the risk of cost inflation is transferred to the contractors. In our opinion this strategy addresses the short term effects of material and labour inflation, but in the long run contractors do get the chance to price the higher costs for future projects.

Project Based Financing Model

Emaar's international operations are financed locally on a project by project basis. This has the effect of reducing any currency risk for Emaar. Additionally, the



financing costs associated with each project can be evaluated on a more accurate basis.

Traditionally, Emaar has funded most of its projects through presales of units. This further relieves the burden of the parent company, while limiting some of the potential upside from future price appreciation.

Potential to Unlock Hidden Value

In our view, there is locked up value in several of the international operations and non core business units. The company has expressed publically that they may consider spinning off several of these units in the future. The Emaar MGF IPO was recently postponed due to market conditions, but we believe that once market conditions calm the IPO will move forward. Additionally, we feel the company could unlock significant value by spinning off the non core business units, such as Healthcare and Education.

Strong Balance Sheet to Support Future Growth

Emaar is well capitalized to weather an economic down turn. As of December 2007, the company reported a debt/equity ratio of 25% and an interest coverage ratio over 40x.

Coming Boost to Earnings from International Operations

The company has targeted gathering 60% to 70% of its revenues from international operations by the end of 2010. We expect to continue seeing an impact to earnings from international operations during 2008 (27% of revenues), with a more significant impact in 2009 (45% of revenues).

Currently, we feel the market is relatively uncertain about Emaar's ability to execute effectively outside of its home market. By teaming up with experienced local partners in each market, combined with a history of solid execution in their home market, we think Emaar could surpass the market's expectations for the international operations providing a catalyst for the stock in late 2008 or early 2009.

Investment Risks

A Change in the Currency Regime

If the UAE authorities were to revalue the UAE Dirham, translation effects from the growing international operations would slow the reported revenues from international projects. However, the company finances its projects locally and, therefore, mitigates the effects to the underlying profitability of the projects.

The more significant risk to Emaar from a revaluation of the UAE Dirham would come from the impact on foreign demand for property in the UAE. The scale of any revaluation that may occur would determine the size of any demand destruction. In long run, though, the risk of the UAE market overheating would diminish.



International Expansion Increases Execution Risk

As we mentioned in our “investment positives”, we feel the market has priced in a discount for this risk. It should provide a significant catalyst for the stock price if the company can meet expectations from its international operations over the next 3 years. However, any indication of poor execution in the international operations should have a negative impact on market sentiment.

Transparency & Predictability of Earnings are Weak

Emaar uses the percent of completion method for revenue recognition, which can hinder visibility of near term earnings for the investment community. The company has improved its disclosures in this regard, but the variance in expectations tends to be large. As such, volatility tends to increase around reporting periods.

Additionally, initial disclosure from the company is limited, until full accounts are released up to a month later. This, again, leads to added volatility as the investment community can have extremely differing views of the quality of quarterly results.

Financial Review & Projections

- We project top line growth of 14% in 2008 and 44% in 2009, as much of the Dubai projects’ revenues and international sales will begin to be recognized.
- Gross margins should continue to be pressured as international operations continue to grab a larger share of revenues. Gross margins declined from 49% in 2006 to 39% in 2007, largely owing to the company’s decision to reduce land sales. We project the international operations will average gross margins of approximately 27% in 2008, with inflation driving international margins to an average of 25% in 2009. Overall, we expect the pace of gross margin declines to slow in 2008 at 38.2%. This would signal an improvement to the 36% gross margins in 4Q07.
- We expect EBITDA margins to also begin to improve in 2009 after continuing to decline in 2008. EBITDA margins are expected to rise to roughly 27.7% in 2008, from 26.7% in 2007, and improve to 29.2% in 2009.
- Reported EPS is projected to improve from AED1.08 in 2007 to AED1.13 in 2008. We expect a significant improvement to EPS in 2009 with an increase to AED1.74.
- Cash EPS (EPS after non-cash items) is expected to be flat in 2008 at AED0.98. Again, we expect 2009 Cash earnings per share to improve to AED1.57.

Summary Financials - Emaar Properties

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	14,006	17,566	20,025	28,836	37,775	43,442
COGS	(7,039)	(10,931)	(12,371)	(17,907)	(23,723)	(27,455)
Gross Profit	6,966	6,635	7,654	10,929	14,052	15,987
<i>Gross Margin</i>	49.7%	37.8%	38.2%	37.9%	37.2%	36.8%
SG&A	(1,224)	(2,119)	(2,318)	(2,768)	(3,194)	(3,561)
EBIT	5,742	4,516	5,336	8,161	10,858	12,426
<i>Operating Margin</i>	41.0%	25.7%	26.6%	28.3%	28.7%	28.6%
EBITDA	5,860	4,697	5,551	8,420	11,144	12,728
<i>EBITDA Margin</i>	41.8%	26.7%	27.7%	29.2%	29.5%	29.3%
Interest Expense	(93)	(154)	(231)	(310)	(485)	(407)
Investment Income	133	402	734	770	809	849
Other Income (Expense)	636	1,786	1,050	1,963	2,572	2,957
Pretax Income	6,418	6,551	6,888	10,584	13,754	15,826
Taxes	(47)	(14)	(14)	(18)	(24)	(27)
Minority Interest	15	39	44	64	84	96
Net Income	6,387	6,575	6,918	10,630	13,814	15,895
Shares Outstanding (mn)	5,996	6,097	6,097	6,097	6,097	6,097
Earnings Per Share	1.07	1.08	1.13	1.74	2.27	2.61
Cash Earnings	6,136	5,992	5,969	9,600	12,719	14,743
Cash Earnings Per Share	1.02	0.98	0.98	1.57	2.09	2.42
Balance Sheet						
Cash & Equivalents	1,249	3,269	3,726	4,325	5,666	6,516
Acct. Receivables	1,739	2,916	2,891	3,765	4,858	5,585
Inventory	1,596	1,857	2,344	3,393	4,495	5,202
Other Current Assets	435	318	362	421	551	634
Total Current Assets	5,019	8,360	9,324	11,904	15,570	17,937
PP&E	4,185	7,433	8,502	10,213	11,241	11,920
Investment Property	6,971	5,636	6,932	8,488	9,525	10,303
Development Property	11,121	16,194	20,561	25,372	28,693	31,274
Other LT Assets	14,394	17,168	20,436	24,357	26,972	28,933
Total Long Term Assets	36,671	46,431	56,431	68,431	76,431	82,431
Total Assets	41,690	54,791	65,754	80,334	92,001	100,368
ST Debt	1,100	1,563	3,076	4,059	3,343	1,595
Accounts Payable	4,716	6,260	5,138	5,833	7,714	8,924
Other Current Liabilities	1,549	3,050	2,419	2,658	3,138	3,548
Total Current Liabilities	7,365	10,873	10,633	12,550	14,194	14,067
LT Debt	2,893	6,140	10,299	13,587	11,190	5,338
Other Liabilities	888	589	1,265	1,372	1,690	1,664
Total Long Term Liabilities	3,780	6,729	11,564	14,959	12,880	7,002
Total Liabilities	11,145	17,603	22,197	27,509	27,074	21,069
Shareholder's Equity	30,545	37,188	43,558	52,825	64,927	79,298
Cash Flow						
EBIT	5,742	4,516	5,336	8,161	10,858	12,426
Depreciation	118	181	216	259	285	303
EBITDA	5,860	4,697	5,551	8,420	11,144	12,728
Change in Working Capital	(12,466)	911	(2,259)	(1,046)	35	105
Other Income (Expense)	355	1,778	1,321	2,194	2,674	2,994
Capex	(2,501)	(7,058)	(10,000)	(12,000)	(8,000)	(6,000)
Net Financial Expense	274	242	218	211	198	378
Increase (Decrease) in Financing	3,047	1,967	6,946	4,271	(3,113)	(7,600)
Free Cash Flow to Equity Holders	(5,431)	2,538	1,777	2,050	2,937	2,605
Dividends	(2,355)	(1,199)	(1,319)	(1,451)	(1,596)	(1,755)
Change in Cash Position	(7,787)	2,020	458	599	1,341	850

Source: Company Reports & Al Mal Capital Research



UNION PROPERTIES

Company Overview

Union Properties PJSC, one of the leading property developers in the UAE, was incorporated in 1987 (as part of the Emirates Bank Group) and floated in 1993 as a public limited company.

UP is an integrated property developer active in property investment and development, property management, interior design and fit out, project management, facilities management, electro-mechanical contracting, duct trading and manufacturing, and cooling services.

Shareholder Structure

Union Properties is 48.85% owned by Emirates NBD Bank and 5.22% owned by Ghobash Trading and Investment. The remaining free float is 45.93%. The foreign ownership limit is 15%.

Business Lines

UP's core business line and largest contributor to gross profit is its property management segment. UP has embarked on a strategy to expand its investment property portfolio by developing more office, retail, and hospitality properties.

- Property Management encompasses all services related to management of developments – residential, office and retail etc. including development and operation of sports facilities, health and fitness facilities, instant offices, executive apartments, and courtyard services.
- Marriott property investment and development activities include the acquisition and development of commercial and residential projects.

Though contracting contributes the largest share of revenue to UP, it is the third largest contributor to gross profits. Additionally, UP provides MEP contracting services through its subsidiary Thermo LLC.

All other business lines such as project management, facilities management and interior design and fit out have been grouped together. These involve:

- District cooling service consists of the supply of chilled water for air conditioning purposes.
- Interior design and fit out services not only provides interior and strategic facility planning services, but also undertake project management of residential and commercial properties, motorsports facilities, and other properties.



- Facilities management services include building operation, building maintenance, cleaning and hygiene, security, energy management consultancy, and facilities management consultancy services.

Real Estate Developments

MotorCity

MotorCity is being developed over an area of approximately 38,000,000 sq.ft.. UP has embarked on developing 5 main projects within the Motorcity. Additionally, the company sold land plots in the Business Park sector of Motorcity to private and institutional developers to construct and develop commercial buildings and towers.

Motor City Developments

Name	Location	Expected Completion	Key features
Green Community Motor City	Motor City	2009	Villas, bungalows, townhouses and retail
Uptown MotorCity	Motor City	2009	Apartment development and retail
Dubai Autodrome	Motor City	Ready	Motor sports facility
Business Park	Motor City	2009	Control Tower- UP office complex. Retail and commercial developments
F1-X	Motor City	2009-10	Formula One theme park

Source: Company Reports

DIFC - Limestone House & Index Tower

Union Properties has 2 key developments located in the DIFC – Limestone House & Index Tower. This provides the company with an excellent opportunity to leverage the rising property prices and rental yields in strategic locations of Dubai. Index is an 80-story tower with state-of-the art offices for multinational corporations and luxury apartments. Limestone House is a branded luxurious multi-purpose development offered . A Ritz Carlton hotel is also planned to be attached to the Limestone House.

DIFC Developments

Name	Location	Expected Completion	Key features
Index Tower	DIFC	2009	Residential, commercial and retail
Limestone House	DIFC	2009	Retail & Residential
Ritz Carlton Hotel and Apartments	DIFC	2009	Hospitality - 330-room hotel, with 121 serviced and managed apartments

Source: Company Reports

Rental Portfolio

Union Properties has traditionally developed property with the purpose to lease. In order to leverage the opportunities in the current real estate boom, the company is looking forward to enhancing its investment property portfolio further. The company continues to pursue its traditional business strategy along with adding on new



business lines to transform itself into an integrated real estate company. UP currently has built a strong portfolio of properties in UAE with an approximate BUA of 3 million sq.ft.

Investment Positives

Strong Track Record & Reputation for Quality

The company has established a good reputation for timely delivery and quality developments with its previous Green Community and Uptown developments. The company plans to leverage that reputation by utilizing the brands in further developments in Motor City. We feel this further improves the attractiveness for off plan purchasers.

Significant Earnings Increase in 2009

Since Union Properties uses the completed contract method of accounting, most of the already presold properties have not been reflected in the earnings. We project a 275% increase to reported revenues and a 400%+ improvement to the bottom line in 2009. Even with the relative certainty of the impact to earnings in 2009 (as it is a revenue recognition issue), we do not feel that these results are already priced into the current share price. The stock currently trades at 3x 2009E earnings.

Two factors appear to be keeping the market from pricing in the full effect of the expected earnings growth in 2009. First, there is very little vision offered by the company about additional projects following 2009, and the market has anticipated a steep decline in revenues for the following 3 years (we project about a 33% decline by 2011). Second, the risk of delayed deliveries would significantly reduce expected earnings for 2009. We estimate a 20% reduction in deliveries for 2009 would reduce our EPS estimate by over 40%.

We view these two issues as key catalysts for the stock price over the next 18 months. We expect the company to announce plans over the next year that will offer more visibility to post 2009 earnings. An additional catalyst should come if the company proves that it can meet its delivery schedule over the next 2 years.

Strong Balance Sheet

Union Properties currently has a debt/equity ratio of 79% and an interest coverage ratio of 6.3x for 2008. We expect the interest coverage ratio will improve to 43x in 2009 as the company recognizes most of the revenues from its existing projects. The company should recognize AED 4 billion in EBITDA for 2009, compared to a total debt of AED 5 billion. We expect much of the excess cash flow realized in 2009 will provide the ability to grow beyond 2009 without a need to strain the balance sheet. Again, we expect to get further clarity about future projects over the next 12 to 18 months.



Investment Risks

Execution Risk

Because the company applies the completed contract method, earnings expectations would be substantially impacted by any delays in planned deliveries. In our opinion, much of the execution risk is priced in at current levels. Therefore, meeting the existing delivery schedules should offer a positive catalyst for the share price.

Lack of Visibility beyond 2009-2010

The market does not have much visibility about how the company plans to expand beyond the current projects. If the company fails to identify its growth prospects beyond 2010, we expect valuations to be pressured. However, with projected cash flow over AED 6.5 billion over the next 3 years, we expect the company to further invest much of the cash generated in future projects.

Financial Review & Projections

- We project top line growth of 12% in 2008 with a growth rate of 275% in 2009, as much of the revenue from existing projects will be recognized upon completion in 2009.
- Gross margins should continue to experience improvement in 2008. Gross margins should increase from 18% in 2007 to 21.5% in 2008, and jump to 37.4% in 2009.
- We expect EBITDA margins to improve from 13.9% in 2007 to 17.5% in 2008 and 33.4% in 2009.
- Reported EPS is projected to improve from AED0.25 in 2007 to AED0.32 in 2008. We expect a 370% increase in EPS in 2009 to AED1.57. Following 2009, we expect EPS to decline to AED0.80, without any future projects factored into our model.
- Cash EPS (EPS after non-cash items) is expected to improve less drastically in 2008 to AED0.17 from AED0.11 in 2007. We expect 2009 cash earnings per share to improve eightfold to AED1.46.

Summary Financials - Union Properties

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	2,525	2,922	3,280	12,304	7,953	8,197
COGS	(2,108)	(2,395)	(2,576)	(7,699)	(5,720)	(5,933)
Gross Profit	417	527	704	4,605	2,233	2,263
<i>Gross Margin</i>	<i>16.5%</i>	<i>18.0%</i>	<i>21.5%</i>	<i>37.4%</i>	<i>28.1%</i>	<i>27.6%</i>
SG&A	(73)	(122)	(131)	(492)	(318)	(328)
EBIT	343	405	573	4,113	1,915	1,935
<i>Operating Margin</i>	<i>13.6%</i>	<i>13.9%</i>	<i>17.5%</i>	<i>33.4%</i>	<i>24.1%</i>	<i>23.6%</i>
EBITDA	377	436	606	4,145	1,945	1,964
<i>EBITDA Margin</i>	<i>14.9%</i>	<i>14.9%</i>	<i>18.5%</i>	<i>33.7%</i>	<i>24.5%</i>	<i>24.0%</i>
Interest Expense	(43)	(74)	(100)	(100)	(46)	(14)
Investment Income	279	346	400	279	261	190
Other Income (Expense)	35	8	44	77	100	140
Pretax Income	614	684	915	4,368	2,229	2,251
Taxes	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Net Income	614	684	915	4,368	2,229	2,251
Shares Outstanding (mn)	2,225	2,781	2,781	2,781	2,781	2,781
Earnings Per Share	0.28	0.25	0.33	1.57	0.80	0.81
Cash Earnings	335	307	483	4,057	1,937	2,032
Cash Earnings Per Share	0.15	0.11	0.17	1.46	0.70	0.73
Balance Sheet						
Cash & Equivalents	51	88	135	410	604	939
Acct. Receivables	1,799	2,951	2,270	2,476	1,605	2,474
Inventory	556	314	437	464	788	828
Other Current Assets	61	10	10	10	10	10
Total Current Assets	2,467	3,363	2,853	3,359	3,008	4,251
PP&E	367	375	395	384	371	347
Investment Property	2,629	2,814	3,546	3,728	3,911	4,003
Development Property	1,775	3,993	5,108	5,402	5,699	5,866
Other LT Assets	312	553	687	720	753	770
Total Long Term Assets	5,083	7,735	9,735	10,235	10,735	10,985
Total Assets	7,550	11,098	12,588	13,594	13,743	15,236
ST Debt	776	1,790	2,068	952	298	94
Accounts Payable	1,471	2,326	1,759	2,310	1,716	1,780
Other Current Liabilities	3	6	4	5	4	2
Total Current Liabilities	2,251	4,122	3,831	3,267	2,018	1,876
LT Debt	607	2,194	3,841	1,769	554	174
Other Liabilities	140	163	163	163	163	163
Total Long Term Liabilities	747	2,357	4,005	1,932	717	337
Total Liabilities	2,997	6,479	7,836	5,199	2,735	2,213
Shareholder's Equity	4,553	4,620	4,752	8,395	11,008	13,022
Cash Flow						
EBIT		405	573	4,113	1,915	1,935
Depreciation		31	33	32	31	29
EBITDA		436	606	4,145	1,945	1,964
Change in Working Capital		(154)	703	(159)	565	(921)
Other Income (Expense)		8	44	77	100	140
Capex		(1,839)	(2,000)	(500)	(500)	(250)
Net Financial Expense		(74)	(100)	(100)	(46)	(14)
Increase (Decrease) in Financing		1,660	795	(3,188)	(1,870)	(584)
Free Cash Flow to Equity Holders		37	47	274	194	335
Dividends		-	-	-	-	-
Change in Cash Position		37	47	274	194	335

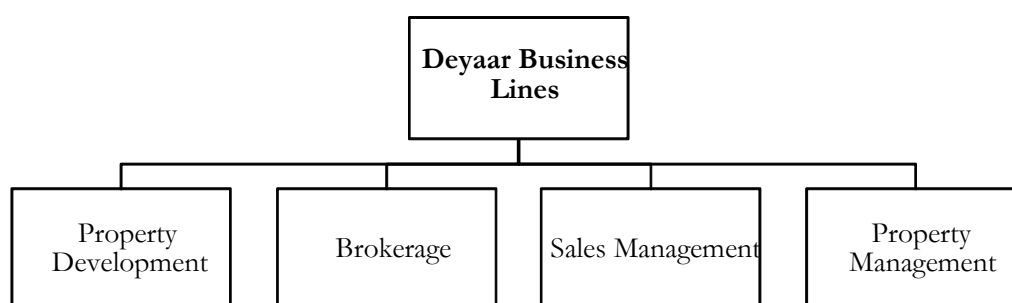
Source: Company Reports & Al Mal Capital Research

DEYAAR DEVELOPMENT

Company Overview

Deyaar Development was established in 2002 with an initial capital of \$5 million, as the real estate investment arm of Dubai Islamic Bank. Deyaar has a portfolio of AED11 billion (US\$3 billion) in assets under management, with over 900 buildings in Dubai under management, consisting of 16,000 residential, commercial and retail units. The company enjoys nearly a 99% occupancy rate for the rental units under their management. The company's international footprint spans across Lebanon, Turkey and the UK with impending forays planned into Saudi Arabia, Kazakhstan, Qatar and India.

Deyaar Operational Structure



Source: Company Reports

Shareholder Structure

Dubai Islamic Bank controls 41% of the shares outstanding. The company's shares are open only to GCC investors of which 51% can be held by UAE nationals, while 49% can be held by GCC non UAE nationals. It is important to note that the Dubai Government controls 30% of Dubai Islamic Bank.

Land Bank

Over the past few years, Deyaar has developed many landmark residential and commercial projects across the UAE, Lebanon and Turkey. By the end of 2006, it had a total land bank valued at over AED3 billion (US\$817 million) of which AED2.3 billion (US\$626 million) was in the UAE. Currently, the company has an existing land bank of approximately 14 million sq.ft. of built up area which is expected to be developed over the next 2 years.



Deyaar – UAE

Deyaar is one of the largest residential and commercial developers in the Business Bay area of Dubai. Existing and planned projects span across the Dubai Marina, Jumeirah Lake Towers, Sheikh Zayed Road, Dubai Silicon Oasis, IMPZ, Waterfront, Al Reem Island – Abu Dhabi, Jebel Ali Downtown, and many other master plan communities. Property development and sales is the largest contributor to the company's gross profits. Deyaar launched AED 6 billion worth of projects in 2007 within key master planned communities in Dubai, while the value of projects introduced in 2006 amounted to AED 2 billion.

Deyaar UAE Developments

Development	Type	Country
51 [Business Bay]	Commercial	UAE
Al Seef Tower 2 [Jumeirah Lake Towers]	Residential	UAE
Al Seef Tower 3 [Jumeirah Lake Towers]	Residential	UAE
Churchill Executive [Business Bay]	Commercial	UAE
Churchill Towers [Business Bay]	Residential	UAE
Downtown Jebel Ali	Mixed Use	UAE
Hamilton Residency [Business Bay]	Residential	UAE
Madison Residency [TECOM Free Zone]	Residential	UAE
Mayfair Residency [Business Bay]	Residential	UAE
Mayfair Tower [Business Bay]	Residential	UAE
Sapphire Residence [Dubai Silicon Oasis]	Residential	UAE
Clayton Residency [Business Bay]	Residential	UAE
Fairview Residency [Business Bay]	Residential	UAE
Bristol Residency [Business Bay]	Residential	UAE
The Burlington Tower [Business Bay]	Commercial	UAE
Oxford Tower [Business Bay]	Commercial	UAE
Bristol Executive [Business Bay]	Commercial	UAE
The Citadel [Business Bay]	Commercial	UAE
The Metropolis Tower [Business Bay]	Commercial	UAE
Windsor Manor [Business Bay]	Residential	UAE

Source: Company Reports

Deyaar International Operations

In Saudi Arabia, Deyaar announced the formation of Saudi Deyaar through a JV with two of the country's leading business groups to gain a strong footing in the Kingdom's high potential real estate market and to launch a number of exciting real estate developments across the country.

Deyaar's expansion strategy is primed to continue in 2008 with plans to evaluate opportunities in numerous emerging markets, including Qatar and India, in addition to its existing portfolio across Lebanon, Turkey and Kazakhstan. The company has approximately 700,000 sq. ft. of BUA under development in its international projects.

Other Business Lines

Property Management

DEYAAR is the UAE's largest third party property manager, with a portfolio of over 900 buildings comprising of 16,000 residential, commercial and retail units. The company boasts 99% occupancy for units under its rental portfolio. Deyaar intends to



develop a sizeable property leasing portfolio to strengthen future revenue streams. It has 2 projects in Dubai, under development, one in Al Barsha and a second in Deira, to capitalize on opportunities in the real estate rental market.

Brokerage

Deyaar has a brokerage division which helps clients buying or selling property by leveraging its vast expertise and knowledge of the market.

Sales Management

Deyaar aims to lease properties and sublease units to third parties through this business segment by leveraging its extensive contacts in the market.

Investment Positives

Targeted Investment Approach

Since Deyaar is not a master developer, it can more effectively target developments that fit a better risk/return profile. Deyaar can target only the specific areas of larger developments that can offer better long term returns. Additionally, owing to its scale in the UAE, we believe the company enjoys better access from the master developers to prime areas of developments.

Strong Balance Sheet

Currently, Deyaar has a debt/equity ratio of approximately 46%. As per our estimates, the company is expected to raise debt in 2008 to finance growth as well as to diversify into new markets. We expect a debt/ equity ratio of only 54% and an interest coverage ratio over 130x at the end of 2008.

High Quality Property Portfolio

Deyaar has a prime land bank, with landmark projects in Dubai. This leaves ample opportunity for the company to maximize returns. Over 80% of the company's development portfolio is located in the high margin Business Bay area. Currently, the Business Bay developments command a 25% to 40% premium to the average price in Dubai.

Investment Risks

International Execution Risk

Deyaar has announced international projects in Lebanon, Turkey, and Kazakhstan. However, the company faces execution risk as it has no prior experience operating in these markets. All Deyaar's projects are based in emerging markets and this makes the property portfolio more susceptible to political as well as broader market risks.

Portfolio Mix Favors Apartments

Deyaar has targeted the Dubai apartment market aggressively. Currently, the premium for detached villas is relatively small and a majority of the planned unit deliveries in



Dubai are classified as apartments. We expect that if there is a market price correction, the apartment market will experience the largest correction.

Financial Review & Projections

- We project revenues to accelerate in 2008, nearly doubling to AED2.5 billion.
- We expect EBITDA margins to improve slightly from 33.2% in 2007 to 33.5% in 2008, before declining to 32% in 2009.
- Reported EPS is projected to improve from AED0.17 in 2007 to AED0.28 in 2008.
- Cash EPS (EPS after non-cash items) is expected to improve in 2008 to AED0.25 from AED0.13 in 2007. We expect 2009 cash earnings per share to almost double to AED0.49.

Summary Financials – Deyaar Development

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	1,057.0	1,259.7	2,517.5	5,205.9	7,039.9	8,224.9
COGS	(629.9)	(743.2)	(1,477.8)	(3,133.9)	(4,400.0)	(5,132.3)
Gross Profit	427.1	516.5	1,039.7	2,071.9	2,640.0	3,092.5
<i>Gross Margin</i>	<i>40.4%</i>	<i>41.0%</i>	<i>41.3%</i>	<i>39.8%</i>	<i>37.5%</i>	<i>37.6%</i>
SG&A	(83.1)	(103.7)	(205.2)	(418.5)	(565.0)	(660.0)
EBIT	344.0	412.8	834.6	1,653.4	2,075.0	2,432.6
<i>Operating Margin</i>	<i>32.5%</i>	<i>32.8%</i>	<i>33.2%</i>	<i>31.8%</i>	<i>29.5%</i>	<i>29.6%</i>
EBITDA	347.2	417.8	842.5	1,664.1	2,088.4	2,448.2
<i>EBITDA Margin</i>	<i>32.8%</i>	<i>33.2%</i>	<i>33.5%</i>	<i>32.0%</i>	<i>29.7%</i>	<i>29.8%</i>
Interest Expense	16.9	30.5	(6.3)	(31.7)	(5.1)	7.8
Other Income (Expense)	54.8	107.4	85.9	68.7	55.0	44.0
Pretax Income	415.66	550.68	914.17	1,690.44	2,124.89	2,484.37
Taxes	(3.05)	(11.01)	(18.28)	(33.81)	(42.50)	(49.69)
Minority Interest	(0.44)	(4.72)	(7.84)	(14.50)	(18.22)	(21.31)
Net Income	412.17	534.94	888.04	1,642.14	2,064.17	2,413.38
Shares Outstanding (mn)	3,178	3,178	3,178	3,178	3,178	3,178
Earnings Per Share	0.13	0.17	0.28	0.52	0.65	0.76
Cash Earnings	354.16	422.58	794.21	1,562.76	1,995.72	2,353.79
Cash Earnings Per Share	0.11	0.13	0.25	0.49	0.63	0.74
Balance Sheet						
Cash & Equivalents	389.55	277.14	881.13	1,041.17	1,407.99	1,644.97
Acct. Receivables	261.57	314.93	629.38	885.00	1,196.79	1,398.23
Prop. Under Constr.	2,159.77	3,659.77	5,159.77	6,659.77	8,159.77	9,409.77
Other Current Assets	223.26	264.54	528.68	1,093.23	1,478.39	1,727.22
Total Assets	3,034.15	4,516.38	7,198.97	9,679.17	12,242.93	14,180.19
ST Debt	0.34	0.40	0.80	1.66	2.24	2.62
Accounts Payable	1,121.61	1,336.77	2,416.82	3,383.81	3,871.96	4,112.43
Total Current Liabilities	1,121.94	1,337.17	2,417.63	3,385.47	3,874.21	4,115.05
LT Debt & Islamic Facilities	281.17	1,007.77	1,675.63	1,509.18	1,488.81	744.77
Total Liabilities	1,403.11	2,344.94	4,093.25	4,894.65	5,363.02	4,859.83
Shareholder's Equity	1,631.04	2,171.45	3,105.71	4,784.52	6,879.92	9,320.36
Cash Flow						
EBIT	343.97	412.83	834.58	1,653.43	2,074.97	2,432.58
Depreciation	3.19	4.97	7.92	10.65	13.47	15.60
EBITDA	347.16	417.79	842.50	1,664.08	2,088.43	2,448.18
Change in Working Capital	(639.51)	121.08	514.05	173.70	(190.45)	(197.96)
Other Income (Expense)	51.33	91.66	59.79	20.43	(5.74)	(27.01)
Capex	(295.83)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,250.00)
Net Financial Expense	16.87	30.46	(6.33)	(31.72)	(5.06)	7.81
Increase (Decrease) in Financing	559.65	726.60	693.98	(166.45)	(20.37)	(744.04)
Free Cash Flow to Equity Holders	39.67	(112.41)	603.99	160.04	366.81	236.99
Dividends	-	-	-	-	-	-
Change in Cash Position	39.67	(112.41)	603.99	160.04	366.81	236.99

Source: Company Reports & Al Mal Capital Research



ALDAR PROPERTIES

Company Overview

Aldar Properties PJSC, is an Abu Dhabi based integrated real estate developer, primarily involved in development, sales, investment, construction and management of real estate. Aldar was created to spearhead premier developments across Abu Dhabi's strategic sites, as well as carry out tactical expansion internationally, into both mature and emerging markets.

The company currently has an extensive development portfolio underway including major residential, commercial, leisure and hospitality developments in the emirates of Abu Dhabi and Al Ain. Aldar benefits from an extensive land bank received in the form of grants from the Abu Dhabi government, and hence the company is well positioned to capitalize on the opportunities arising from a heavily underserved real estate market in Abu Dhabi. Since its inception in December 2004, the company has actively pursued noteworthy developments with projects running in excess of US\$ 50 billion. Aldar owns over 34 million square meters of land granted by the Abu Dhabi Government.

30% Land Sales Targeted

The Aldar business model focuses on selling 25-30% in land plots and 70-75% in residential property. The cash generated through sale of developed plots finances much of the buildup of the investment property portfolio.

The Group plans to hold most of its office, retail and leisure portfolio and also part of its residential portfolio of developed properties as investment properties. Investment properties are interests in land and buildings which are owned or held under long-term leases in order to earn rental income and capital appreciation. As more developments are completed, their role as investment manager will grow which will have the additional benefit of diversifying the business.

Shareholder Structure

The Abu Dhabi Government and related entities control 15.6% (Emirate of Abu Dhabi-8.7%, Mubadala Development – 4.2%, Green Tree Real Estate – 2.6%). The free float is approximately 67%, with the ownership limit for foreigners set at 40%.

Existing & Planned Developments

Al Raha Gardens -Al Raha Gardens offers residential properties and leisure facilities consisting of 1,384 villas. Al Raha Gardens is also the commercial centre for the development with 27,000 square meters of retail space offering various services.

Abraj Towers- A mixed-use development of modern architectural style. This project will feature 750 apartments, food and beverage outlets, retail sites and health and fitness amenities.

Central Market- A three tower development that includes a 52 story five star luxury hotel with 200 serviced apartments, a 58 story office tower, and an 88 story residential tower. The retail and leisure area is composed of premium boutiques and other leisure facilities.



Al Gurm - a waterfront resort and residential complex comprising 73 high-end residential waterfront and island villas and a boutique resort with a South Seas theme featuring 161 rooms and managed by Banyan Tree Resorts.

Al Raha Beach - Raha Beach is 8.5 kilometers of natural beachfront which will house over 120,000 residents. The development is divided into eight communities of Khor Al Raha, Al Bandar, Al Seef, Al Wateed, Al Rumaila, Al Nakhel, Al Lissaily and Al Razen.

Coconut Island - expected to consist of 86 villas and 20 condominiums, a 160 room luxury hotel..

Al Mamoura - an office building, featuring modern amenities and services. This building will feature over 60,000 square meters of office space and 25,000 square meters of covered parking. Al Mamoura is on a short-term lease and therefore it has not been valued.

Yas Island - This development will comprise 24,848,472 square meters of residential and leisure facilities including approximately 30 hotels (16,000 rooms) and 492 villas (still as concept). Yas Island will feature attractions such as a Warner Bros theme park, Formula 1 racetrack, signature hotels, a Ferrari theme park, water park, and the Abu Dhabi destination retail development of 300,000 sq.m. of retail area, links and parkland golf courses, lagoon hotels, marinas, polo clubs, apartments, villas and numerous food and beverage outlets. Yas Island will be home to high quality residential communities with a variety of modern low rise apartments and villas. Premium attractions will be integrated with a signature shopping centre and leisure facilities which will create a world-class tourism and leisure destination in Abu Dhabi.

Al Bateen - located on the west side of Abu Dhabi Island, it will be a premium private access residential community. The development will consist of 335 residential units.

Mina Zayed - This development is still at the concept development stage and, as yet, land has not been granted by the Abu Dhabi Government. The concepts discussed in relation to this project include the proposed size of the project and the infrastructure and services supporting the project including a golf course, residential apartments, office space, retail, marinas, hotels, schools, hospitals and a public transport light rail system.



Investment Positives

Focus on Cost Management

The company launches properties for sale only once they have finalized negotiations with contractors and have advanced far enough on the project that they feel comfortable with the pricing of the project. This strategy should help the company mitigate any impact that inflation may have on future earnings, while affording the ability to capture better pricing at the launch.

Capture Downstream Margin through JVs

Aldar has further hedged any potential inflationary pressure through strategic investments. They have formed a joint venture with Laing O'Rourke Construction to bring onboard specialized knowledge of the contracting business. This venture will work specifically on Aldar projects. Additionally, Aldar owns 50% of A&T Cool, one of the region's top district cooling companies.

Plan to Keep 50% of Developments in Investment Portfolio

Roughly 50% of Aldar's future developments are expected to remain in the company's investment portfolio. This will allow the company to capture a recurring revenue stream in the Abu Dhabi market, in which we believe supply/demand dynamics will be favourable for at least the next 5 years.

Investment Risks

Large Revaluation Gains Can Make Reported Earnings Somewhat Deceptive and Volatile

93% of net income for 2007 came from revaluation gain on their portfolio. While gains in the value of the company's portfolio represent a value added to shareholders, they should not be considered recurring in nature. Additionally, revaluation gains can lead to extreme differences between expectations and reported earnings. While our reported 2008E PE for Aldar is currently attractive at 8.7x, if we exclude the expected revaluation gains the 2008E Cash PE is 15.9x.

Slow Development of Regulatory Environment

Abu Dhabi has yet to propose freehold rights for non-GCC citizens. We feel that the market is anticipating that much of the same regulatory changes that have been developed in Dubai will eventually be established in Abu Dhabi. Our projections for demand in Abu Dhabi would be negatively impacted if regulatory progress does not continue.



Financial Review & Projections

- We project top line growth of 350% in 2008 to AED 5.5 billion, as the recognition of revenues from the completion of Raha Gardens' phase 2 and 3 should drive most of the growth.
- Gross margins should remain relatively flat at 45% 2008.
- We expect EBITDA margins to improve from 15.1% in 2007 to 24.6% in 2008, as EBITDA improves from AED185 million to AED 1.36 billion.
- Reported EPS is projected to improve from AED1.04 in 2007 to AED1.28 in 2008 and to AED1.80 in 2009.
- Cash EPS (EPS after non-cash items) is expected to improve significantly in 2008 to AED0.70 from AED0.08 in 2007. We expect 2009 cash earnings per share to improve eightfold to AED0.90.

Summary Financials - Aldar Properties

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	187.5	1,226.8	5,520.8	8,005.2	14,009.0	24,515.8
COGS	(156.7)	(666.9)	(3,030.9)	(4,530.9)	(7,985.1)	(14,145.6)
Gross Profit	30.8	560.0	2,489.9	3,474.2	6,023.9	10,370.2
<i>Gross Margin</i>	16.4%	45.6%	45.1%	43.4%	43.0%	42.3%
SG&A	(263.4)	(393.8)	(1,214.6)	(1,761.1)	(3,082.0)	(5,393.5)
EBIT	(232.6)	166.2	1,275.3	1,713.1	2,941.9	4,976.7
<i>Operating Margin</i>	-124.0%	13.5%	23.1%	21.4%	21.0%	20.3%
EBITDA	(229.4)	185.1	1,360.5	1,836.6	3,158.1	5,355.0
<i>EBITDA Margin</i>	-122.3%	15.1%	24.6%	22.9%	22.5%	21.8%
Interest Expense	67.8	(69.7)	(150.5)	(289.3)	(438.8)	(489.0)
Fair Value Gains	1,414.4	1,821.2	1,177.8	1,811.2	1,381.4	1,104.9
Other Income (Expense)	-	23.7	28.4	34.1	40.9	49.1
Pretax Income	1,252.8	1,960.2	2,416.2	3,392.6	4,141.4	6,019.9
Taxes	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Net Income	1,252.8	1,960.2	2,416.2	3,392.6	4,141.4	6,019.9
Shares Outstanding (mn)	1,725.0	1,884.3	1,884.3	1,884.3	1,884.3	1,884.3
Earnings Per Share	0.73	1.04	1.28	1.80	2.20	3.19
Cash Earnings	(158.4)	157.9	1,323.6	1,704.9	2,976.3	5,293.4
Cash Earnings Per Share	(0.09)	0.08	0.70	0.90	1.58	2.81
Balance Sheet						
Cash & Equivalents	895.0	7,615.8	3,312.5	3,602.3	5,603.6	6,128.9
Acct. Receivables	183.8	2,375.0	4,430.1	5,222.9	6,338.3	7,905.0
Dev. Work in Progress	854.3	3,879.9	5,244.8	7,604.9	13,308.6	23,290.0
Total Current Assets	1,933.1	13,870.7	12,987.4	16,430.1	25,250.5	37,324.0
PP&E	13.0	487.2	2,192.2	3,178.8	5,562.8	9,734.9
Investment Property	1,571.8	3,328.4	3,588.5	5,603.6	9,806.3	17,161.1
Development Property	1,268.0	4,523.4	14,523.4	22,023.4	27,023.4	28,023.4
Other LT Assets	322.9	505.5	2,775.2	4,024.1	7,042.1	12,323.7
Total Long Term Assets	3,175.6	8,844.4	23,079.4	34,829.8	49,434.7	67,243.1
Total Assets	5,108.7	22,715.1	36,066.8	51,260.0	74,685.2	104,567.0
ST Debt	618.3	756.9	1,104.2	1,601.0	2,801.8	4,903.2
Accounts Payable	548.6	3,149.3	3,312.5	4,803.1	8,405.4	14,709.5
Other Current Liabilities	16.3	16.4	73.6	106.7	186.7	326.7
Total Current Liabilities	1,183.2	3,922.6	4,490.2	6,510.8	11,393.9	19,939.4
LT Debt	32.2	9,805.2	14,430.3	20,539.9	23,459.1	17,283.4
Other Liabilities	622.4	1,297.9	3,780.1	5,481.2	8,751.6	15,315.3
Total Long Term Liabilities	654.6	11,103.2	18,210.4	26,021.1	32,210.7	32,598.6
Total Liabilities	1,837.8	15,025.8	22,700.7	32,531.9	43,604.6	52,538.0
Shareholder's Equity	3,270.9	7,689.3	10,883.0	15,127.6	24,779.7	41,002.5
Cash Flow						
EBIT	(232.6)	166.2	1,275.3	1,713.1	2,941.9	4,976.7
Depreciation	3.2	18.9	85.2	123.5	216.2	378.3
EBITDA	(229.4)	185.1	1,360.5	1,836.6	3,158.1	5,355.0
Change in Working Capital	221.4	1,030.6	(1.1)	331.2	1,601.0	3,187.1
Other Income (Expense)	-	23.7	28.4	34.1	40.9	49.1
Capex	(1,368.5)	(6,463.5)	(10,000.0)	(7,500.0)	(5,000.0)	(1,000.0)
Net Financial Expense	67.8	(69.7)	(150.5)	(289.3)	(438.8)	(489.0)
Increase (Decrease) in Financing	518.9	12,152.6	4,625.1	6,109.6	2,919.2	(6,175.7)
Free Cash Flow to Equity Holders	(789.9)	6,858.8	(4,137.6)	522.2	2,280.3	926.4
Dividends	(75.0)	(138.0)	(165.7)	(232.4)	(279.0)	(401.0)
Change in Cash Position	(864.9)	6,720.8	(4,303.3)	289.8	2,001.3	525.3

Source: Company Reports & Al Mal Capital Research



SOROUH REAL ESTATE

Company Overview

Sorouh Real Estate Development PJSC was initially formed by a Ministerial Decree dated 23 July 2005 and formally incorporated as a public joint stock company in the Emirate of Abu Dhabi on 26 July 2005. Sorouh's principal activities include real estate development and sales, real estate investment, property management and related services.

Sorouh's revenue lines are divided between land sales, residential/commercial property development, as well as residential/ commercial property leasing. Its business model is highly concentrated on plot sales, which contribute approximately 70-80% of the total revenues, thus entailing lower market risk and a better working capital structure. The company aims to sell most of its residential and office portfolio while it plans to hold on to its entire retail and leisure portfolio for future income generation purposes.

Shareholder Structure

Sorouh has three major shareholders controlling 45% of the company. Al Rayan Investment Company and Istithmar each own 16%, while Al Goud Financial Investments owns 13%. Foreign ownership is limited to 20%.

Land Bank

Sorouh has a land bank of approximately 22 million sq.m. The company has development projects which generate approximately 6.3 million sq.m of net sellable area and 1.3 million sq.m. of net leasable area. The current built up area (BUA) under development for various projects is 7 million sq.m. Sorouh is expected to be awarded the Lulu island project but until an official announcement is made we have not included it in the land bank figures.

Sorouh Developments Plan

- **Al Reem Island-** One of Sorouh's major projects is the US\$13.9 billion Al Reem Island- Shams development, a master development which will accommodate 280,000 residents and includes such amenities as schools, hospitals, shopping malls, hotels, restaurants and resorts. The project is due for completion in 2011.
- **The Gate District and Sky Tower-** launched in April 2006, 187 commercial and residential units in the Sky Tower worth AED 390 million were sold by end of 2006.
- **Saraya-** a project at Abu Dhabi corniche, is a 30-tower residential and commercial project and is due for completion in 2013. The buildings range from 10 to 40 stories, featuring serviced apartments and a hotel, spread over an area of 125,000 square meters.



- **Golf Gardens Project-** located close to Abu Dhabi Golf Club, Golf Gardens was launched in 2006 and 79.5% of the 390 luxury homes on the development have been sold. With total area of 347,000 sq.m. and cost of AED 1 billion, the project is expected to be delivered by third quarter of 2008.
- **Al Ghadeer-** a development located at Saih As Sidirah on the Abu Dhabi - Dubai border, is a mixed use project, covering 30 million sq.ft.. The construction is expected to start in first quarter 2008 and is expected to be complete by 2010. It offers 6,000 residential units- apartments, town houses and villas as well as amenities such as schools and retail outlets.
- **Lulu Island-** the master plan for the Lulu Island project has already been developed and the approval process is at the finalization stage. With land area of approximately 5.7 million sq.m. and project cost of AED 22 billion, the Lulu Island project is expected to pioneer new trends in property development and modern architecture in Abu Dhabi. The project is certain to become the most important among the current real estate developments in the UAE capital because of the strategic location of Lulu Island facing the Abu Dhabi corniche.
- **Morocco-** Sorouh currently has only one project internationally, in Morocco. The company has partnered with local developer RealMaroc; with Sorouh taking a 20% share in this project (investment of Euro 5 million).

Investment Positives

70% Land Sales Business Model Reduces Market Risk

Sorouh's business model is based on 70% land sales. Therefore, the company takes on lower market risk as well as better working capital. Though the company intends to change this ratio to 60:40 in the future, it is less susceptible to sudden changes in market trends (esp. downturns). Sorouh retains its retail and leisure portfolio in order to ensure a recurring revenue stream for the future (approximately 10% contribution to revenue planned from this portion of its portfolio in the future).

Strong Project Pipeline

Sorouh has a strong pipeline of projects until year 2011, as master developer with an approximate BUA of 6.9 million sq.m. (13.7 million sq.m. with Lulu island included) at a cost of project cost AED 95.6 billion (AED 117.5 billion with Lulu island included). Sorouh can benefit tremendously once it adds the Lulu island project to its development portfolio.

Low Gearing and Substantial Gross Margins

Currently, Sorouh has a relatively low debt/equity ratio of 4% and significant undrawn facilities, which could be used to finance future projects as well as to diversify geographically. By our estimate, the company is expected to earn a steady gross margin of over 40% until year 2011. Sorouh is cash rich but it may access debt markets in the near future to finance growth locally as well as internationally.



Investment Risks

Land Sales Limit Benefit from Rising Prices

Sorouh's business model ensures good working capital and a cash rich balance sheet, but the higher proportion of land sales can lead to faster depletion of the land bank, while limiting the benefit from increasing market prices.

International Execution Risk

Sorouh's development plans are domestically focused, except for one project in Morocco (20% Sorouh stake) with strategic partner RealCAPITA. The company's experience in the local real estate market has been its major strength. Sorouh has affirmed its vision to expand beyond Abu Dhabi and has indicated publicly that it plans to commence its own projects in Egypt and Morocco shortly as part of a strategy to increase revenue through foreign operations. Sorouh's margins from international operations should be significantly lower than UAE margins, as the company will no longer benefit from the virtually free land grants.

Financial Review & Projections

- We project top line growth of 63% in 2008 to AED 3.7 billion.
- We expect gross margins to decline from nearly 57% in 2007 to 52% in 2008. We expect further margin deterioration in 2009 to roughly 51%.
- We expect EBITDA margins to deteriorate also from 47.9% in 2007 to 43.9% in 2008, as EBITDA improves from AED1.11 billion to AED 1.65 billion.
- Reported EPS is projected to improve from AED0.50 in 2007 to AED0.88 in 2008 and to AED1.08 in 2009.
- Cash EPS (EPS after non-cash items) is expected to improve in 2008 to AED 0.75 from AED 0.53 in 2007.

Summary Financials – Sorouh Real Estate

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	630	2,321	3,777	5,137	7,140	8,211
COGS	(643)	(1,001)	(1,802)	(2,507)	(3,691)	(4,262)
Gross Profit	(13)	1,320	1,975	2,630	3,449	3,950
<i>Gross Margin</i>	-2.0%	56.9%	52.3%	51.2%	48.3%	48.1%
SG&A	(118)	(265)	(388)	(431)	(600)	(690)
EBIT	(131)	1,055	1,587	2,199	2,849	3,260
<i>Operating Margin</i>	-20.7%	45.4%	42.0%	42.8%	39.9%	39.7%
EBITDA	114	1,112	1,659	2,284	2,926	3,308
<i>EBITDA Margin</i>	18.0%	47.9%	43.9%	44.5%	41.0%	40.3%
Net Interest Income	558	70	81	109	119	115
Other Income (Expense)	548	133	522	398	598	753
Pretax Income	976	1,257	2,191	2,706	3,566	4,127
Taxes	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Net Income	976	1,257	2,191	2,706	3,566	4,127
Shares Outstanding (mn)	2,500	2,500	2,500	2,500	2,500	2,500
Earnings Per Share	0.39	0.50	0.88	1.08	1.43	1.65
Cash Earnings	569	1,314	1,884	2,578	3,305	3,709
Cash Earnings Per Share	0.23	0.53	0.75	1.03	1.32	1.48
Balance Sheet						
Cash & Equivalents	1,454	1,458	1,756	2,351	2,575	2,476
Acct. Receivables	499	2,207	2,683	3,648	5,071	5,832
Other Current Assets	591	1,697	2,064	2,807	3,902	4,488
Total Current Assets	2,544	5,362	6,503	8,806	11,548	12,795
PP&E	6	18	30	36	33	20
Investment Property	835	853	1,439	2,285	3,130	3,976
Development Property	185	408	689	1,106	1,532	1,967
Other LT Assets	782	579	740	972	1,204	1,435
Total Long Term Assets	1,807	1,859	2,899	4,399	5,899	7,399
Total Assets	4,351	7,221	9,401	13,205	17,447	20,194
ST Debt	12	43	158	489	688	469
Accounts Payable	815	2,386	1,875	2,608	2,769	3,196
Total Current Liabilities	827	2,428	2,033	3,097	3,456	3,665
LT Debt	29	190	705	2,184	3,071	2,094
Other Liabilities	25	139	333	367	673	856
Total Long Term Liabilities	54	329	1,038	2,551	3,743	2,951
Total Liabilities	881	2,758	3,070	5,648	7,199	6,616
Shareholder's Equity	3,470	4,463	6,331	7,557	10,248	13,578
Cash Flow						
EBIT	(131)	1,055	1,587	2,199	2,849	3,260
Depreciation	(244)	(57)	(72)	(85)	(77)	(48)
EBITDA	(375)	998	1,515	2,113	2,771	3,212
Change in Working Capital	32	(734)	(649)	(1,675)	(2,212)	(1,162)
Other Income (Expense)	336	593	239	263	289	318
Capex	(1,185)	(680)	(1,040)	(1,500)	(1,250)	(750)
Net Financial Expense	558	70	81	109	119	115
Increase (Decrease) in Financing	2,087	(26)	391	1,547	796	(1,513)
Free Cash Flow to Equity Holders	1,454	221	538	858	514	219
Dividends	-	(217)	(239)	(263)	(289)	(318)
Change in Cash Position	1,454	4	298	595	224	(99)

Source: Company Reports & Al Mal Capital Research



RAK PROPERTIES

Company Overview

RAK Properties, a Public Joint Stock Company listed on the Abu Dhabi Securities Market, was formed in 2005 with a paid in capital of AED 2 billion. The company, created with strong support of the government of Ras Al Khaimah (RAK), intends to oversee and contribute to the development of real estate, tourism and leisure facilities in RAK.

Shareholder Structure

The Government of Ras Al Khaimah holds 45% while the remaining 55% is held by the public. The foreign ownership limit is 49%.

Current Projects

Mina Al Arab

Mina Al Arab, is a mixed use leisure and holiday beach resort development situated in Ras Al Khaimah. The project is spread over an area of 30 million square feet (2.8 million square meters) and is worth AED 10 billion (US\$ 2.7 billion). It will feature a cluster of 3,500 residential units and 388 residential villas, numerous resort hotels, and leisure facilities. The first phase is expected to be completed by the first quarter of 2008, while the project is expected to be completed in 2011.

Julfar Towers

Julfar Towers are a AED 400 million residential and commercial freehold development comprised of two 40-story towers, one residential tower and one office tower. The residential tower will offer 349 apartments while the office tower will offer 468 office units of a variety of sizes. The project has an expected completion date of first quarter of 2008.

RAK Towers (Abu Dhabi)

RAK Towers is a AED 300 million, 43 story residential tower, located in the Marina Square master plan, in Abu Dhabi.

Future Projects

Mangrove Islands

Mangrove Islands is a mixed use residential, commercial, retail and hospitality development within Ras Al Khaimah planned along the Mangrove Creek. With a proposed development area of 7.1 million sq. ft, it is expected to offer approximately 4,500 residential units.

Al Mizra Gated Community

This community is a mixed use residential, retail, hotel and golf community development located about 40 km from Ras Al Khaimah. It is expected to offer



approximately 3,500 residential units and will contain a state-of-the-art 27 hole golf course, a hotel, a national park and a local retail complex.

Land Bank

The Government of Ras Al Khaimah granted certain plots with an aggregate area of 68 million square feet to Rak Properties. The company did not account for 52 million square feet in FY 2007 financial statements as the development work has not yet commenced on these plots of land.

Investment Positives

Strong Balance Sheet and Gross Margins

Currently, the balance sheet of RAK Properties is debt free and cash rich with over AED 1 billion. This provides ample opportunity to diversify into new areas and undertake additional projects beyond the borders of Ras Al Khaimah. The company may access debt markets in the near future to finance growth, and our estimates indicate that their earnings stream will comfortably meet their interest payments until year 2011.

Diversified Development Property Portfolio

RAK Properties has expanded its portfolio by undertaking a project in Abu Dhabi named RAK Tower. The company has also unveiled plans to expand regionally into Morocco, Egypt and Sudan in 2008. RAK Properties acquired a strategic 20% stake in Rakeen development, which has a number of key projects under development. We expect that geographic diversification will reduce the company's reliance on the relatively limited real estate market in Ras al Khaimah.

Affordable Property Prices

Property prices in RAK provide investors ample opportunity due to its close proximity to the real estate markets of Dubai and Abu Dhabi. For investors who believe the prices of property have sky rocketed in Dubai, RAK Properties provides an attractive value proposition. Thus, investors looking to invest in a holiday home or income generating properties can look at the portfolio of RAK Properties to meet their requirement.

Investment Risks

Inflation May Deteriorate Existing Value Advantage

Construction costs are relatively similar throughout the UAE. However, property prices vary significantly among the emirates. Therefore, the ability to pass on inflation to the consumer may be less prevalent in RAK, as in other emirates. The company has addressed this by expanding its focus outside of RAK, which we feel should somewhat mitigate the impact to margins.



Execution Risk Associated with International Expansion

The company intends to go abroad with projects in Morocco, Sudan and Egypt. However, with no international experience, RAK Property faces execution and political risks associated with expanding beyond the confines of RAK. To start with, the company will not have the benefit of government land grants to fuel its growth outside of RAK.

Dividend Payment

RAK Property is a startup company and currently enjoys a strong cash position. Though the dividend is relatively small at AED 150 million in 2007, it is equal to our projected EBITDA for 2008.

Financial Review & Projections

- We project RAK Properties to start recognizing revenues in 2008. Our full year revenue projection is AED 438 million.
- Reported EPS is projected to be AED0.28 in 2008. We expect a 27% improvement in EPS in 2009 with an increase to AED 0.36.
- Cash EPS (EPS after non-cash items) is expected to come in at AED0.16 in 2008, compared to AED0.06 in 2007. We expect 2009 Cash earnings per share to improve to AED0.18.

Summary Financials – RAK Properties

(AED Millions)	2006A	2007A	2008E	2009E	2010E	2011E
Income Statement						
Revenues	-	-	438.0	766.5	1,149.8	1,552.2
COGS	-	-	(249.7)	(440.0)	(641.6)	(853.7)
Gross Profit	-	-	188.3	326.5	508.2	698.5
<i>Gross Margin</i>	<i>N/A</i>	<i>N/A</i>	<i>43.0%</i>	<i>42.6%</i>	<i>44.2%</i>	<i>45.0%</i>
SG&A	(22.0)	(41.6)	(39.4)	(69.0)	(103.5)	(139.7)
EBIT	(22.0)	(41.6)	148.9	257.5	404.7	558.8
<i>Operating Margin</i>	<i>N/A</i>	<i>N/A</i>	<i>34.0%</i>	<i>33.6%</i>	<i>35.2%</i>	<i>36.0%</i>
EBITDA	(20.7)	(40.3)	150.5	259.2	406.6	560.6
<i>EBITDA Margin</i>	<i>N/A</i>	<i>N/A</i>	<i>34.4%</i>	<i>33.8%</i>	<i>35.4%</i>	<i>36.1%</i>
Interest Expense	76.4	76.7	59.6	40.9	(42.1)	(79.4)
Valuation Gains	351.2	373.2	248.3	289.4	190.7	148.3
Other Income (Expense)	(0.2)	87.9	109.8	137.3	171.6	214.5
Pretax Income	406.7	496.2	566.7	725.2	724.9	842.2
Taxes	-	-	-	-	-	-
Net Income	406.7	496.2	566.7	725.2	724.9	842.2
Shares Outstanding (mn)	2,000	2,000	2,000	2,000	2,000	2,000
Earnings Per Share	0.20	0.25	0.28	0.36	0.36	0.42
Cash Earnings	54.1	121.8	316.8	434.2	532.3	692.1
Cash Earnings Per Share	0.03	0.06	0.16	0.22	0.27	0.35
Balance Sheet						
Cash & Equivalents	1,619.2	1,129.8	766.5	306.6	344.9	310.4
Acct. Receivables	69.1	97.5	262.8	459.9	689.9	465.6
Other Current Assets	174.4	413.7	219.0	306.6	459.9	388.0
Total Current Assets	1,862.7	1,641.0	1,248.3	1,073.1	1,494.7	1,164.1
PP&E	3.8	4.1	4.4	7.7	11.5	15.5
Investment Property	193.9	377.2	547.5	459.9	402.4	388.0
Development Property	377.2	864.5	1,864.5	2,264.5	2,564.5	2,664.5
Other LT Assets	252.6	387.3	423.0	452.0	478.0	502.0
Total Long Term Assets	827.4	1,633.1	2,839.4	3,184.1	3,456.4	3,570.1
Total Assets	2,690.1	3,274.1	4,087.7	4,257.2	4,951.1	4,734.2
ST Debt	-	-	219.0	306.6	459.9	388.0
Accounts Payable	130.3	370.4	438.0	613.2	919.8	776.1
Total Current Liabilities	130.3	370.4	657.0	919.8	1,379.7	1,164.1
LT Debt	-	-	345.4	145.0	152.3	18.8
Total Long Term Liabilities	-	-	345.4	145.0	152.3	18.8
Total Liabilities	130.3	370.4	1,002.4	1,064.8	1,532.0	1,182.9
Shareholder's Equity	2,559.9	2,903.8	3,085.3	3,192.3	3,419.1	3,551.3
Cash Flow						
EBIT	(22.0)	(41.6)	148.9	257.5	404.7	558.8
Depreciation	1.3	1.2	1.5	1.6	1.9	1.8
EBITDA	(20.7)	(40.3)	150.5	259.2	406.6	560.6
Change in Working Capital	2,121.6	(344.1)	121.4	65.7	230.0	8.6
Other Income (Expense)	(0.2)	87.9	109.8	137.3	171.6	214.5
Capex	(383.9)	(120.5)	(1,000.0)	(400.0)	(300.0)	(100.0)
Net Financial Expense	76.4	76.7	59.6	40.9	(42.1)	(79.4)
Increase (Decrease) in Financing	(2,086.0)	-	345.4	(200.4)	7.2	(133.5)
Free Cash Flow to Equity Holders	(292.8)	(340.3)	(213.3)	(97.3)	473.3	470.8
Dividends	-	(150.0)	(150.0)	(362.6)	(434.9)	(505.3)
Change in Cash Position	(292.8)	(490.3)	(363.3)	(459.9)	38.3	(34.5)

Source: Company Reports & Al Mal Capital Research



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